

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
MUTUAL BENEFITS CORP.,
PETER LOMBARDI,
JOEL STEINGER aka JOEL STEINER, and
LESLIE STEINGER aka LESLIE STEINER,

PETITION FOR ORDER

Respondents.

File No. S-07029(EX)

The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities (hereinafter "the Division"), has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. Mutual Benefits Corporation ("MBC") is a Florida corporation with its corporate headquarters at 2881 East Oakland Park Boulevard, Suite 200, Fort Lauderdale, Florida 33306;
2. Peter Lombardi ("Lombardi") is an individual who at all times material hereto was the president of MBC, with a last known business address at 2881 East Oakland Park Boulevard, Suite 200, Fort Lauderdale, Florida 33306;
3. Joel Steinger aka Joel Steiner ("J. Steiner") is an individual, with a CRD number of 9993449, who at all times material hereto was a controlling person of MBC, with a last known business address at 2881 East Oakland Park Boulevard, Suite 200, Fort Lauderdale, Florida 33306;
4. Leslie Steinger aka Leslie Steiner ("L. Steiner") is an individual, with a CRD number of 8994964, who at all times material hereto was a controlling person of MBC, with a last known business address at 2881 East Oakland Park Boulevard, Suite 200, Fort Lauderdale, Florida 33306;
5. Upon information and belief, at all times material hereto the business of MBC was the sale of viatical settlement contracts;
6. According to information provided by the court appointed receiver and eight agents of MBC, to staff of the Division of Securities, during the period of at least 1997 through 2004, the eight agents of MBC offered and sold to at least 68 persons in Wisconsin the viatical settlement contracts of Mutual Benefits;
7. The viatical settlement contracts of Mutual Benefits are investment contract securities as defined by DFI-Sec 1.02(6)(a), Wis. Adm. Code and sec. 551.02(13), Wis. Stats.;
8. The viatical settlement contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;
9. MBC, Lombardi, J. Steiner and L. Steiner have violated sec. 551.21(1), Wis. Stats., by offering and selling unregistered securities to persons in Wisconsin;

9. In connection with the offers and sales of the securities described above, the seven agents transacted business in Wisconsin as an "agent" for Mutual Benefits, Lombardi, J. Steiner and L. Steiner as that term is defined by sec. 551.02(2), Wis. Stats.;
10. At no time have the agents been licensed as a securities agent pursuant to Ch. 551, Wis. Stats.;
11. MBC, Lombardi, J. Steiner, and L. Steiner have violated sec. 551.31(2), Wis. Stats., by employing unlicensed agents to transact business for them in Wisconsin as a securities agent without a license;
12. On May 1, 1998, the United State Securities and Exchange Commission (the "SEC") announced that J. Steiner and L. Steiner settled charges of the SEC against them for allegedly misleading investors in connection with selling approximately \$100 million worth of viatical settlements of MBC to more than 1,190 investors nationwide during the period of October 1994 to April 1996, and which permanently enjoined J. Steiner and L. Steiner from violating the registration and antifraud provisions of the federal securities laws, and to pay \$850,000 in disgorgement and interest, and to pay \$50,000 each in civil money penalties;
13. On May 4, 2004, the SEC obtained a temporary restraining order from a judge in the United States District Court, Southern District of Florida, that "froze" the assets of MBC and appointed a receiver over MBC, after the SEC had alleged in a complaint to the court that MBC had raised over \$1 billion from more than 29,000 investors worldwide through a fraudulent unregistered offering of securities in the form of fractionalized interests in viatical and life settlements;
14. The action of the SEC, described in Paragraph 13 above, was filed against MBC, J. Steiner, L. Steiner and Lombardi, and sought to halt an alleged billion dollar fraudulent securities offering;
15. On June 29, 2004, the State of Missouri securities agency issued an administrative sanction against MBC for the sale of (unregistered?) securities to persons in Missouri in violation of the Missouri state securities law;
16. On March 26, 2004, the State of Ohio Division of Securities issued an administrative sanction against MBC for the sale of unregistered securities to persons in Ohio in violation of the Ohio state securities law;
17. On October 23, 2006, Lombardi was sentenced to 20 years in prison following his guilty plea to securities fraud in connection with his role in the viatical and life settlement scheme of MBC, in which Lombardi admitted that principals of MBC directed an international network of sales agents and marketing directors who fraudulently induced investors to purchase interests in viatical and life settlements through a series of material misrepresentations concerning the safety and security of the investments;
18. On March 1, 2007, the State of Florida Attorney General's Office obtained a guilty plea in Broward County Circuit Court from MBC to criminal charges of racketeering and numerous counts of investment fraud, following charges filed by the Attorney General's Office against MBC in May 2004;
19. In connection with the offer and sale of the securities described in Paragraph 6, the Respondents omitted to disclose that about 65% of its outstanding life insurance policies were sold to investors using fraudulent life expectancy figures generated by MBC;

20. In connection with the offer and sale of the securities described in Paragraph 6, the Respondents omitted to disclose that MBC omitted to tell investors that more than 90% of its policies have already surpassed their assigned life expectancy;

21. According to the SEC's complaint, as a result of the failure of these older policies to mature, as described in Paragraph 18, shortfalls in escrowed premium funds have forced MBC to effectuate a premium payment scheme similar to traditional "Ponzi" schemes, whereby the company is paying premium obligations of specific investors with monies escrowed for future obligations of other investors;

22. All Respondents have violated sec. 551.41(2), Wis. Stats., by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin;

23. In connection with the offer and sale of the securities described in Paragraph 6, the Respondents misrepresented to many investors that its life expectancy figures were the product of a review by an independent physician; and

24. All Respondents have violated sec. 551.41(2), Wis. Stats., by making an untrue statement of a material fact in connection with the offer and sale of securities to persons in Wisconsin.

Therefore, the staff of the Bureau of Registration & Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

 5-16-07

Mark E. Dorman Date
Examiner

 5/21/07

David A. Cohen Date
Supervising Attorney