

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: *

STEVEN J. BALOG * Case No. 2004-0526

and *

FINANCIAL CONCEPTS, INC. *

Respondents. *

*

* * * * *

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted by section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (1999 Repl. Vol. and 2004 Supp.) (the “Act”), conducted an investigation with regard to apparent violations of the Act by Steven J. Balog (“Balog”) and Financial Concepts, Inc. (“Financial”) (collectively the “respondents”), the respondents in this proceeding; and

WHEREAS, Section 11-501 of the Act makes it unlawful for any person to offer or sell a security in this State unless the security is registered, exempt from registration under Subtitle 6 of the Act, or qualifies as a federal covered security; and

WHEREAS, Sections 11-301(2) of the Act makes it unlawful for any person in connection with the offer, sale or purchase of any security, directly or indirectly, to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

WHEREAS, on the basis of the investigation the Maryland Securities Commissioner (the “Commissioner”) determined that respondents may have engaged in acts or practices constituting violations of provisions of the Act; and

WHEREAS, without holding a hearing and without trial or adjudication of any issue of fact or law, and prior to the initiation of any formal proceeding, the Commissioner and respondents reached an agreement in full and final resolution of this matter; and

WHEREAS, respondents, without admitting or denying any of the Commissioner’s findings of fact or conclusions of law, expressly consent to the Commissioner’s jurisdiction in this proceeding pursuant to Section 11-701.1 of the Act, and to the terms of this Consent Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order.

THE COMMISSIONER FINDS:

JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to Section 11-701.1 of the Act; and

RESPONDENTS

2. Balog resides at 855 The Old Station Court, Woodbine, Maryland 21797. He registered as a broker-dealer agent in Maryland of The House of Securities Company (“House”) on January 6, 1997 and as an investment advisory representative in Maryland of House on January 1, 2000. He was terminated for cause on September 13, 2004.

3. Financial is a Maryland corporation doing business from 855 The Old Station

Court, Woodbine, Maryland 21797. Balog is president and sole owner of Financial.

FINDINGS OF FACT

4. Viatical settlement contracts (“viaticals”) are contracts to purchase an interest in the benefits of a life insurance policy of a terminally ill or elderly person. A viatical settlement company locates insureds, known as viators, who sell the rights to the benefits of their life insurance policies. Viatical settlement companies also locate investors to buy those benefits for less than the face value of the policy.

5. Mutual Benefits Corporation (“MBC”) is a viatical settlement company.

6. On May 1, 1998, the Securities and Exchange Commission (“SEC”) took action against the founders of MBC, Joel and Leslie Steinger, for misleading investors and selling unregistered securities in the form of viaticals in violation of the Securities Act of 1933 and the Securities Exchange Act of 1934. *See* Exhibit 1, SEC Litigation Release No. 15729.

7. On May 6, 2004, the SEC filed another action against the Steingers and MBC and requested the appointment of a receiver. The SEC’s complaint alleges that the Steingers and MBC raised over \$1 billion from more than 29,000 investors through a fraudulent, unregistered offering of securities. The SEC alleged that as a result of MBC’s use of fraudulent life expectancy evaluations, MBC did not set aside enough money to make premium payments to keep the life insurance policies in force. In order to keep overdue policies in effect, MBC used premiums set aside for other policies to pay the premiums of the overdue policies. The SEC alleged that this resulted in a traditional Ponzi scheme. The complaint also claimed that the Steingers and their relatives were paid over \$26 million in “consulting fees.” *See* Exhibit 2, SEC Litigation Release No. 18698.

8. Between October 1999 and May 2003, Balog and Financial sold MBC viaticals to at least 57 investors in or from Maryland who invested a total of \$4,591,101. Altogether, respondents earned approximately \$360,000 in commissions.

9. In February of 2002, the Division did an examination of Balog's books and records. As part of the routine examination questions, Balog was specifically asked if he sold viaticals. He denied that he sold viaticals. The Division later discovered that at the time of the examination he had sold over \$3 million dollars in viaticals to his clients.

10. After the Division's examination, Balog continued to sell hundreds of thousand of dollars in viaticals.

11. Respondents did not disclose to investors that the MBC viaticals are required to be registered in Maryland but are not.

CONCLUSIONS OF LAW

THE COMMISSIONER, THEREFORE, CONCLUDES AS A MATTER OF LAW:

12. The success of MBC's viatical settlement contracts is totally dependent on the efforts of the viatical settlement company and its agents. The viatical settlement contracts offered by respondents are investment contracts and, therefore, securities as defined by Section 11-101(r) of the Act.

13. Respondents violated Section 11-501 of the Act by offering securities that were neither registered nor exempt from registration in Maryland and that were not federal covered securities.

14. Respondents violated Section 11-301(2) of the Act, *inter alia*, because they failed to disclose that the MBC viaticals are required to be registered in Maryland but are not.

CONSENT TO CEASE AND DESIST AND OTHER RELIEF

NOW, THEREFORE IT IS HEREBY ORDERED, and respondents expressly consent and agree:

1. Respondents shall permanently cease and desist from offering or selling unregistered securities in violation of section 11-501 of the Act.

2. Respondents shall permanently cease and desist from violating section 11-301(2) of the Act.

3. Respondents are barred from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged.

4. Respondents are fined \$360,000. In light of the sworn financial statements, incorporated by reference herein, provided by respondents, collection of all but \$8,000 of that fine is waived and is to be paid at the time of execution of this Consent Order by check payable to the Office of the Attorney General.

5. According to Balog's sworn financial statement, he invested \$14,668 individually and he and his wife together invested an additional \$44,238 in MBC viaticals. Should Balog ever receive any return on either investment, he shall immediately forward his share of that return to the Office of the Attorney General, as payment toward the waived portion of the fine. If Balog incurs any tax liability as a result of his investment, he may reduce the amount that he forwards to the Office of the Attorney General by the tax liability.

6. According to Balog's sworn financial statement, he bought 310,000 shares in a company known as EAPI Entertainment, Inc. Balog claims that the shares are worthless. Should

those shares ever become worth anything Balog shall immediately notify the Division and forward anything of value that he receives in return for the shares to the Office of the Attorney General, as payment toward the waived portion of the fine. If Balog incurs any tax liability as a result of his investment, he may reduce the amount that he forwards to the Office of the Attorney General by the tax liability.

7. Respondents shall in all future activities in Maryland comply fully with the Securities Act and regulations promulgated thereunder.

If respondents fail to comply with any term of this Consent Order, the Division may institute administrative or judicial proceedings against respondents to enforce this Consent Order or to sanction respondents for violating an Order of the Commissioner, and may take any other action authorized under the Act or any other applicable law, including the issuance of fines or penalties as provided by the Act. For the purpose of determining those sanctions, the Findings of Fact and violations of the Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against respondents.

The terms of this Consent Order may only be modified by a subsequent order issued by the Commissioner.

DATE OF THIS ORDER:

SO ORDERED,

Melanie Senter Lubin
Securities Commissioner

Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

CONSENTED TO:

Steven J. Balog

On this ____ day of _____, 2005, personally appeared Steven J. Balog, signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed.

Notary Public

My Commission Expires: _____

Seal:

Financial Concepts, Inc.
Title: President
Name: Steven J. Balog

On this ____ day of _____, 2005, personally appeared Steven J. Balog president of Financial Concepts, Inc. signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed.

Notary Public

My Commission Expires: _____

Seal: