

Mutual Benefits Chief Gets 20 Years in Billion-Dollar Scam

By Vanessa Blum
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A federal judge sentenced the former president of Fort Lauderdale investment firm Mutual Benefits Corp. to 20 years in prison on Friday for his role in a scheme prosecutors say bilked investors out of nearly \$1 billion.

Peter Lombardi, who pleaded guilty to securities fraud in October, said he was sorry for the harm he caused investors.

"I'm doing everything I can to assist the government in this investigation," he said.

U.S. District Judge Paul Huck agreed to postpone Lombardi's imprisonment until April so he can continue to help prosecutors investigating the case.

"His ability to remain out is critical to the ongoing investigation," said prosecutor Andrew Levi.

Lombardi, 56, is one of two individuals who has pleaded guilty in connection with the criminal investigation of Mutual Benefits. Prosecutors could request a sentence reduction for Lombardi in exchange for his assistance.

The firm, which was shut down in 2004, purchased life insurance policies from terminally ill and elderly people for less than face value and sold shares in the payouts to investors.

Such deals, known as viaticals and life settlement contracts, become profitable if the insured individual dies within a particular period of time. Prosecutors contend that Lombardi and his accomplices cheated the firm's almost 30 million investors by using false projections of how long the insured people would live and understating the risk of the investments.

Only five percent of the policies purchased by Mutual Benefits actually matured within the time predicted, according to prosecutors.

In December, Dr. Clark Mitchell pleaded guilty to signing off on bogus life expectancy estimates for some of those insured by the policies.

Prosecutors said Lombardi served as nominal head of Mutual Benefits to hide the involvement of other principals with criminal and regulatory infractions on their records that could have raised red flags.

Lombardi admitted that he lied to investors about the firm's track record and led investors to wrongly believe their investments had a level of risk comparable to a bank certificate of deposit, or CD.

In reality, Mutual Benefits operated like a massive Ponzi scheme and secretly used new investors' funds to pay premiums on old insurance policies, prosecutors said.

As part of his plea deal Lombardi agreed to cooperate with prosecutors in an ongoing investigation of the company. He agreed to pay \$7.5 million to settle a civil fraud suit brought by the Securities and

Exchange Commission in 2004 and additional suits brought on behalf of investors.

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