

STATE OF NORTH DAKOTA
BEFORE THE INSURANCE COMMISSIONER

In the Matter of)	
)	
Michael J. Antonello,)	ORDER SUSPENDING LICENSE
NPN 53859,)	
DOB 02/17/52,)	FILE NO. AG-09-243
)	
Respondent.)	

Insurance Commissioner Adam Hamm (hereinafter "Commissioner") has determined as follows:

1. Michael J. Antonello, NPN 53859, DOB 02/17/52 (hereinafter "Respondent"), is presently and has been at all times pertinent to this action, a licensed nonresident North Dakota insurance agent.

2. Respondent holds a resident insurance producer license from the State of Minnesota.

3. N.D. Cent. Code § 26.1-26-42.1 states, in part, that:

. . . [A]ny nonresident license issued pursuant to this chapter may be suspended or revoked without notice and hearing to the licensee and without proceeding in conformity with chapter 28-32, upon evidence in the form of a certified copy that the authority which issued the resident license to the North Dakota nonresident licensee has revoked or suspended the resident license.

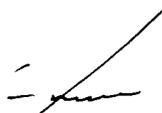
4. According to a certified copy of an Order obtained by the Department, Respondent's resident insurance agent license was summarily suspended by the State of Minnesota on April 16, 2009. See Attachment 1. Since the Respondent no longer holds an active resident license from another state, he no longer qualifies to hold an

active nonresident license in this state and, therefore, is subject to license suspension without notice and hearing pursuant to N.D.C.C. §§ 26.1-26-42(4), (13) and 26.1-26-42.1.

NOW, THEREFORE, IT IS HEREBY ORDERED that:

1. Respondent's nonresident license is hereby **SUSPENDED** effective immediately and shall remain so as long as Respondent's resident license is suspended.

This Order is effective this 24th day of July, 2009.

Adam Hamm
Commissioner
N.D. Insurance Department
600 East Boulevard Avenue
Bismarck, ND 58505
(701) 328-2440



85 7th Place East, Suite 600
St. Paul, Minnesota 55101-3165
651.296.4026 FAX 651.297.1959 TTY 651.297.3067

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

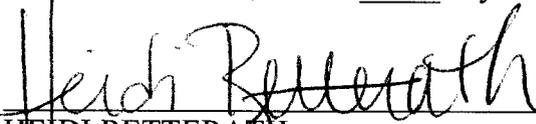
CERTIFICATE

In the Matter of the Resident Insurance Producer
License of Michael J. Antonello and the Resident Insurance
Agency License of Wealth Management Advisors, LLC.

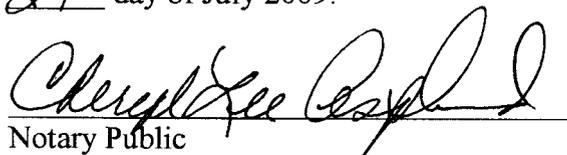
Our File No.: 2612/MBF

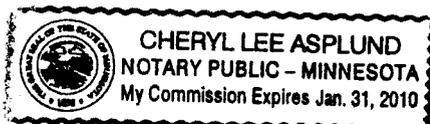
I, the undersigned, Heidi Retterath, Data Practices Compliance Official - Office of the Deputy
Commissioner, Minnesota Department of Commerce, do hereby certify that the attached Notice
and Order for Hearing and Order for Summary Suspension is a true and accurate copy of the
original on file here at the Minnesota Department of Commerce.

IN WITNESS WHEREOF, I have to this certificate set my hand and affixed the seal of said
Department at the City of Saint Paul, State of Minnesota, on this 21st day of July 2009.


HEIDI RETTERATH
Data Practices Compliance Official
Office of the Deputy Commissioner
Minnesota Department of Commerce
85 Seventh Place East, Suite 500
Saint Paul, Minnesota 55101

Subscribed and sworn to before me on this
21 day of July 2009.


Notary Public



2612/MBF

OAH Docket No. 4-1004-20470-2

STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS
FOR DEPARTMENT OF COMMERCE

In the Matter of the Resident Insurance
Producer License of Michael J. Antonello
and the Resident Insurance Agency License
of Wealth Management Advisors, LLC

**NOTICE AND ORDER FOR HEARING AND
ORDER FOR SUMMARY SUSPENSION**

TO: Michael J. Antonello
3013 13th Terrace NW
New Brighton, MN 55112

Wealth Management Advisors, LLC
5500 Wayzata Blvd., Ste. 280
Minneapolis, MN 55416

MICHAEL J. ANTONELLO AND WEALTH MANAGEMENT ADVISORS, LLC
("RESPONDENTS") is hereby notified that the Department of Commerce ("Department") has
initiated this action to determine whether Respondents committed the violations alleged below,
subjecting them to disciplinary action and sanctions, including revocation, suspension, censure,
or the imposition of civil penalties.

IT IS HEREBY ORDERED that a hearing will be held at 9:30 a.m. on May 14, 2009, at
the Office of Administrative Hearings, Harold E. Stassen Office Building, 600 North Robert
Street, St. Paul, Minnesota. If additional time is necessary, the hearing will continue at 9:30 a.m.
on May 15, 2009, at the Office of Administrative Hearings. All mail sent to the
Administrative Law Judge assigned to this matter should be directed to P.O. Box 64620,
St. Paul, MN 55164-0620.

The Chief Administrative Law Judge, Office of Administrative Hearings, has assigned
this matter to Bruce H. Johnson, Assistant Chief Administrative Law Judge, telephone 651-361-
7839.

The hearing will be conducted under the contested case procedures set out in chapters 14, 45, and 60K of Minnesota Statutes and the Rules of the Office of Administrative Hearings, Minnesota Rules chapter 1400 (2007). A copy of these materials may be purchased from the Minnesota Book Store, telephone (651) 297-3000, or are available at www.revisor.leg.state.mn.us. Copies of the rules are also available at www.oah.state.mn.us.

The attorney handling this case for the Department is Assistant Attorney General Christopher M. Kaisershot, 1200 Bremer Tower, 445 Minnesota Street, St. Paul, Minnesota 55101-2130, (651) 282-9992. Mr. Kaisershot may be contacted to discuss discovery or informal disposition of this matter.

IT IS FURTHER ORDERED that, pursuant to Minn. Stat. §§ 45.027, subds. 7(b), 60K.43, subd. 2(a) (2008), Respondents must show cause why their resident insurance producer license and resident insurance agency license, Nos. 1002914 and 20340483, respectively, should not be revoked or suspended, and why they should not be subject to a civil penalty as provided in Minn. Stat. §§ 45.027, subd. 6, and 60K.43, subd. 4 (2008).

IT IS FURTHER ORDERED that, pursuant to Minn. Stat. §§ 45.027, subd. 7(b), and 60K.43, subd. 2(a) (2008), Respondents' resident insurance producer license and resident insurance agency license, Nos. 1002914 and 20340483, respectively, are SUMMARILY SUSPENDED pending final determination of the Order to Show Cause.

STATEMENT OF CHARGES

1. On January 3, 1986, the Department issued Michael Antonello ("Antonello") a resident insurance producer license, No. 1002914. While Antonello has at one time had formal administrative action taken against one or more Commerce-issued license(s), Antonello's resident insurance producer license remains active.

2. On August 7, 2002, the Department issued Wealth Management Advisors, LLC ("WMA") a resident insurance agency license, No. 20340483. At all times relevant to this action, Antonello acted as WMA's chairman. WMA's license remains active.

3. Respondents engaged in pattern or practice whereby they obtained life insurance policies for their clients that substantially exceeded the clients' net worth. Respondents, who also personally invested in some of these policies, repeatedly made material misrepresentations on life insurance applications by failing to disclose and/or underreporting in force policies or pending applications. These material misrepresentations generated significant commissions for Respondents, in part, by inducing companies to issue life insurance policies that would not have been issued if accurate and complete information were provided on the applications. Thereafter, upon the expiration of the two year incontestability period, Respondents further profited by selling the life insurance policies on the secondary market to life settlement companies. *See* Minn. Stat. § 61A.03, subd. 1(c) (2008) (incontestability period). Specifically, in exchange for payment to the policy's owner (and another commission to Respondents), an investor purchases the life insurance policy and continues to make premium payments until the insured dies, at which time the investor collects the death benefits.

CONDUCT INVOLVING JOHN PAULSON

4. Between October 1999 and December 2004, Respondents participated in, directed, or authorized John Paulson ("Paulson") to secure more than \$127 million in life insurance coverage from multiple insurance companies. Antonello was paid significant commissions on these policies, even though a substantial number of the applications contained material misrepresentations.

Formation of Limited Liability Companies

5. On October 14, 2002, a limited liability company called John R. Paulson & Associates, LLC ("JPA") became legally organized under the laws of Minnesota. As organized, JPA was owned 37.5% by Antonello, 37.5% by Minnesota Estate Services, Inc.,¹ and by seven other owners with interests ranging from 1% to 9%. At its initial meeting, Antonello and Thomas Petracek were among JPA's appointed governors. At the initial board of governors meeting, Antonello and Petracek were elected vice presidents of JPA.

6. On December 23, 2003, a limited liability company called John R. Paulson Insurance Group, LLC ("JPIG") became legally organized under the laws of Minnesota. As organized, JPIG was owned 38.25% by Antonello, 38.25% by TMP, LLP,² and 23.5% by another owner. At its initial meeting, Antonello and Petracek were among JPIG's appointed governors. At the initial board of governors meeting, Antonello and Petracek were elected vice presidents of JPIG.

Paulson's Policies Obtained in 1999

7. On October 29, 1999, Paulson applied for a life insurance policy with a \$3 million death benefit from Lincoln National Life Insurance Company ("LNL"). As prepared under Antonello's direction, authorization, and control, the application indicated that Paulson intended to replace a \$2 million policy issued by Columbus Life, and listed a \$75,000 in force policy with Capital Bankers Life. On November 28, 1999, LNL issued Policy No. 7099023 ("Policy 023") with a \$4 million death benefit. On information and belief, on or about October 23, 2002,

¹ On information and belief, Minnesota Estate Services, Inc. was a company owned, operated, and/or managed by Thomas Petracek, Antonello's business partner at WMA.

² On information and belief, TMP, LLP was a limited liability partnership owned, operated, and/or managed by Thomas Petracek, Antonello's business partner at WMA.

Respondents were paid additional commissions by facilitating the sale of Policy 023 to an investor.

8. On October 29, 1999, Paulson applied for another life insurance policy with a \$3 million death benefit from LNL. As prepared under Antonello's direction, authorization, and control, the application indicated that Paulson intended to replace a \$500,000 policy issued by Columbus Life and a \$1.5 million policy issued by New England Life, and listed a \$75,000 in force policy with Capital Bankers Life and a \$2 million in force policy with Columbus Life. On November 28, 1999, LNL issued Policy No. 7099024 ("Policy 024") with a \$4 million death benefit. On information and belief, on or about October 23, 2002, Respondents were paid additional commissions by facilitating the sale of Policy 024 to an investor.

9. As such, by the end of 1999, Paulson's life was insured for at least \$8 million.

Paulson's Policies Obtained in 2000

10. On February 4, 2000, Paulson and the Paulson Family Grandchildren Trust applied for a life insurance policy with a \$3 million death benefit from LNL. As prepared under Antonello's direction, authorization, and control, the application listed Policy 023 and Policy 024 as Paulson's in force policies. On February 5, 2000, LNL issued Policy No. 7103728 ("Policy 728") with a \$3 million death benefit. On information and belief, on or about October 11, 2002, Respondents were paid additional commissions by facilitating the sale of Policy 728 to an investor.

11. On March 11, 2000, Paulson applied for a life insurance policy with a \$1.25 million death benefit from GE Life and Annuity ("GE"). As prepared under Antonello's direction, authorization, and control, the application listed the three in force LNL policies with death benefits totaling \$11 million. Effective February 5, 2000, GE issued Policy No.

T02758079 ("Policy 079") with a \$1.25 million death benefit. On information and belief, on or about November 5, 2002, Respondents were paid additional commissions by facilitating the sale of Policy 079 to an investor.

12. On March 11, 2000, Paulson applied for another life insurance policy with a \$1.25 million death benefit from GE. As prepared under Antonello's direction, authorization, and control, the application identified the three in force LNL policies with death benefits totaling \$11 million. Effective February 5, 2000, GE issued Policy No. T02758080 ("Policy G080") with a \$1.25 million death benefit. On information and belief, on or about November 5, 2002, Respondents were paid additional commissions by facilitating the sale of Policy 080 to an investor.

13. On March 11, 2000, Paulson applied for a life insurance policy with a \$500,000 death benefit from GE. As prepared under Antonello's direction, authorization, and control, the application identified a \$300,000 policy issued by Capitol Bankers Life, and identified the three in force LNL policies with death benefits totaling \$11 million. Effective February 5, 2000, GE issued Policy No. T02758081 ("Policy 081") with a \$500,000 death benefit. Policy 081 remained in force through at least July 2007. On or about February 7, 2003, Respondents were paid additional commissions by facilitating the sale of Policy 081 to an investor.

14. On July 26, 2000, Paulson applied for another life insurance policy with a \$1 million death benefit from LNL. As prepared under Antonello's direction, authorization, and control, the application identified the three in force LNL policies with death benefits totaling \$11 million and the GE policies with death benefits totaling \$3,000,000. On February 5, 2000, LNL issued Policy No. 7114674 ("Policy 674") with a \$700,000 death benefit. On information and

belief, on or about April 30, 2003, Respondents were paid additional commissions by facilitating the sale of Policy 674 to an investor.

15. As such, by the end of 2000, Paulson's life was insured for at least \$15 million.

Paulson's Policies Obtained in 2002

16. On July 19, 2002, Paulson applied for a life insurance policy with a \$4 million death benefit from General American Life Insurance Company, a MetLife Company ("MetLife"). As prepared under Antonello's direction, authorization, and control, the application identified a total of \$14.7 million of in force coverage, and incorrectly indicated that a \$4 million LNL policy (Policy 023 or Policy 024) would be replaced with the applied for coverage. Effective October 1, 2002, pursuant to Antonello's directions and request, MetLife issued the following three policies with death benefit totaling \$5 million: Policy No. 6223555 ("Policy 555") with a \$1 million death benefit that listed JPA as Policy 555's beneficiary and owner; Policy No. 6223388 ("Policy 388") with a \$2.5 million death benefit that listed "John Reid Paulson, Trustee" as Policy 388's beneficiary and owner; and, Policy No. 6223389 ("Policy 389") with a \$1.5 million death benefit that listed "John Reid Paulson, Trustee" as Policy 389's beneficiary and owner. On information and belief, on or about November 3, 2004, Respondents were paid additional commissions by facilitating JPA's sale of Policy 555 to an investor for \$250,000. On further information and belief, on or about November 3, 2004, Respondents were paid additional commissions by facilitating the sale of Policy 388 and Policy 389 to an investor.

17. On September 13, 2002, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$2 million death benefit from Sun Life Financial ("Sun Life"). As prepared under Respondents' direction, authorization, and control, the application identified a total of \$14.7 million of in force coverage, disclosed a \$4

million pending application to MetLife and a \$2 million pending application to MassMutual, and incorrectly stated that a \$2 million LNL policy would be replaced.³ On October 11, 2002, Sun Life issued Policy No. 020075360 ("Policy 360") with a \$2 million death benefit. On information and belief, on or about November 5, 2004, Respondents were paid additional commissions by facilitating the sale of Policy 360 to an investor.

18. On September 23, 2002, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$4 million death benefit from Hartford Life Insurance Company ("Hartford"). As prepared under Respondents' direction, authorization, and control, the application identified a total of \$14.7 million of in force coverage, disclosed the \$4 million pending application to MetLife ("pending to replace \$4 million [LNL] also"), and incorrectly implied that both \$4 million LNL policies (Policy 023 and Policy 024) would be replaced. On October 1, 2002, Hartford issued Policy No. U01800080 ("Policy H080") with a \$4 million death benefit. On information and belief, on or about November 5, 2004, Respondents were paid additional commissions by facilitating the sale of Policy H080 to an investor.

19. On October 3, 2002, Paulson and the Paulson Family Grandchildren Trust applied for a life insurance policy insuring the life of Paulson with a \$2.1 million death benefit from C.M. Life Insurance Company a/k/a Massachusetts Mutual Life Insurance Company ("MassMutual"). As prepared under Respondents' direction, authorization, and control, the application identified a total of \$14.7 million of in force coverage, disclosed the \$4 million pending application to MetLife and the \$2 million pending application to Sun Life, failed to disclose the September 23, 2002 application to Hartford, and incorrectly stated that a \$1.25

³ At the time of this application, there was not any \$2 million policy in force with LNL to replace. See Policy 023 (\$4 million), Policy 024 (\$4 million) and Policy 728 (\$3 million).

million GE policy (Policy G080) would be replaced. On October 11, 2002, MassMutual issued Policy No. 15533803 ("Policy 803") with a \$2 million death benefit. Even though the application denied that the policy would be viaticated after it was issued, on information and belief, on or about October 14, 2004, Respondents were paid additional commissions by facilitating the sale of Policy 803 to an investor.

20. On October 4, 2002, Paulson and the Paulson Family Grandchildren Trust applied for a life insurance policy insuring the life of Paulson with a \$3 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$14.7 million of in force coverage, disclosed the \$4 million pending application to MetLife ("pending to replace [LNL]"), failed to disclose the September 13, 2003 application to Sun Life, the September 23, 2002 application to Hartford, or the October 3, 2002 application to MassMutual, and incorrectly stated that the \$3 million LNL policy (Policy 728) would be replaced. After Hartford conditioned underwriting approval subject to an explanation on the need for an additional \$3 million in coverage, Antonello responded as follows: "There is no need; this will be a replacement of \$3 million in a legacy trust with Lincoln Life." On October 8, 2002, Hartford issued Policy No. U01800090 ("Policy 090") with a \$3 million death benefit. On information and belief, on or about November 5, 2004, Respondents were paid additional commissions by facilitating the sale of Policy 090 to an investor.

21. On December 9, 2002, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$5 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application identified \$7 million of existing coverage from Hartford, \$4.7 million of existing coverage from LNL, and \$3 million of existing coverage from GE, incorrectly stated that the 500,000 policy

issued by GE (Policy 081) would be replaced, and failed to disclose numerous other in-force policies. On December 11, 2002, Hartford issued Policy No. U01806124 ("Policy 124") with a \$5 million death benefit. On information and belief, on or about December 14, 2004, Respondents were paid approximately \$450,000 in additional commissions by facilitating the sale of Policy 124 to an investor.

22. On December 20, 2002, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$1 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application identified \$12 million of existing coverage from Hartford, \$4.7 million of existing coverage from LNL, and \$2.5 million of existing coverage from GE, and failed to disclose numerous other in force policies. On December 28, 2002, Hartford issued Policy No. U01806598 ("Policy 598") with a \$1 million death benefit. On information and belief, on or about December 27, 2004, Respondents were paid approximately \$90,000 in additional commissions by facilitating the sale of Policy 598 to an investor.

23. As such, by the end of 2002, Paulson's life was insured for at least \$37 million.

Paulson's Policies Obtained in 2003

24. On January 31, 2003, Paulson and the Paulson Family Grandchildren Trust applied for a life insurance policy insuring the life of Paulson with a \$2 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application identified \$13 million of existing coverage from Hartford, \$4.7 million of existing coverage from LNL, and \$2.5 million of existing coverage from GE, and failed to disclose the additional \$16.8 million in coverage with other in force policies. On February 1, 2003, Hartford issued Policy No. U01806425 ("Policy 425") with a \$2 million death benefit. On information

and belief, on or about February 4, 2005, Respondents were paid approximately \$180,000 in additional commissions by facilitating the sale of Policy 425 to an investor.

25. On April 1, 2003, Paulson and a private college applied for a life insurance policy insuring the life of Paulson with a \$1 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application identified \$15 million of existing coverage from Hartford, \$4.7 million of existing coverage from LNL, and \$2.5 million of existing coverage from GE, incorrectly reported that Policy 674 would be replaced, and failed to disclose the additional \$16.8 million in coverage with other in force policies. On April 8, 2003, Hartford issued Policy No. U01803756 ("Policy 756") with a \$1 million death benefit. On information and belief, on or about April 6, 2005, Respondents were paid additional commissions by facilitating the sale of Policy 756 to an investor.

26. On November 3, 2003, Paulson applied for a life insurance policy with a \$3 million death benefit from Jefferson Pilot Financial Insurance Company ("JP"). As prepared under Respondents' direction, authorization, and control, the application identified \$20 million of existing coverage, and failed to disclose the additional \$20 million in coverage with other in force policies. On December 18, 2003, JP issued Policy No. 5405938 ("Policy 938") with a \$5 million death benefit. On information and belief, on or about December 28, 2005, Respondents were paid additional commissions by facilitating the sale of Policy 938 to an investor.

27. On December 12, 2003, Paulson applied for a life insurance policy with a \$5 million death benefit from John Hancock Life Insurance Company ("Hancock"). As prepared under Respondents' direction, authorization, and control, the application identified \$2 million of existing coverage with Sun Life, \$2 million of existing coverage with MassMutual, \$4 million of existing coverage with MetLife, and \$12 million of existing coverage from Hartford, denied any

other pending applications, and failed to disclose significant amounts of coverage with other in force policies. On December 26, 2003, Hancock issued Policy No. 1005832 ("Policy 832") with a \$5 million death benefit. On information and belief, on December 16, 2005, in exchange "for one dollar and no/100ths (\$1.00) and other valuable consideration," Paulson assigned Policy 832 to JPIG. On further information and belief, on or about January 4, 2006, Respondents were paid approximately \$216,000 in additional commissions by facilitating the sale of Policy 832 to an investor.

28. On December 22, 2003, Paulson applied for a life insurance policy with a \$2.5 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application identified \$16 million of existing coverage from Hartford, \$4.7 million of existing coverage from LNL, and \$2.5 million of existing coverage from GE, and failed to disclose significant amounts of coverage with other in force policies. On December 26, 2003, Hartford issued Policy No. U01816918 ("Policy 918") with a \$2.5 million death benefit. On information and belief, on or about December 28, 2005, Respondents were paid additional commissions by facilitating the sale of Policy 918 to an investor.

29. December 22, 2003, Paulson and David R. Dahl ("Dahl"), identified as Paulson's "son-in-law," applied for a life insurance policy insuring the life of Paulson with a \$2.5 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application identified \$16 million of existing coverage from Hartford, \$4.7 million of existing coverage from LNL, and \$2.5 million of existing coverage from GE, identified a Lincoln Benefit application as pending ("not pursuing that insurance"), and failed to disclose significant amounts of coverage with other pending and/or in force policies. On December 26, 2003, Hartford issued Policy No. U01816475 ("Policy 475") with a \$2.5 million death benefit.

30. On December 26, 2003, Paulson applied for a life insurance policy with a \$5 million death benefit from Travelers Life & Annuity Company ("Travelers"). As prepared under Respondents' direction, authorization, and control, the application identified \$2 million of existing coverage with Sun Life, \$2 million of existing coverage with MassMutual, \$4 million of existing coverage with MetLife, and \$12 million of existing coverage from Hartford, and failed to disclose significant amounts of existing coverage with other pending and in force policies. On December 30, 2003, Travelers issued Policy No. 7421026 ("Policy 026") with a \$5 million death benefit. On information and belief, Travelers later initiated a lawsuit to rescind Policy 026. On further information and belief, pursuant to a Consent to Rescind executed on or about February 6, 2006, Policy 026 was rescinded and Travelers returned the premiums paid on the policy. Despite repeated demands from Travelers, Respondents failed to remit their commission of \$162,417.46 as a result of the rescission.

31. December 30, 2003, Paulson and JPIG applied for a life insurance policy insuring the life of Paulson with a \$5 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application identified \$21 million of existing coverage from Hartford, \$4.7 million of existing coverage from LNL, and \$2.5 million of existing coverage from GE, identified a Lincoln Benefit application as pending ("not pursuing that insurance"), misrepresented that "[t]he total insurance in force with all companies will not exceed \$33,200,000," and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective December 28, 2003, Hartford issued Policy No. U01816976 ("Policy 976") with a \$5 million death benefit. On information and belief, on or about December 15, 2005, JPIG's board of governors agreed to sell Policy 976 (along with Policy 769 and Policy 700) to an investor for a total of \$3,215,000.

32. As such, by the end of 2003, Paulson's life was insured for at least \$65 million.

Paulson's Policies Obtained in 2004

33. On December 12, 2003, Paulson applied for a life insurance policy with a \$5 million death benefit from Transamerica Occidental Life Insurance Company ("Transamerica"). As prepared under Respondents' direction, authorization, and control, the application identified a total of \$20 million of in force coverage, identified a Lincoln Benefit application as pending ("not pursuing that coverage"), and failed to disclose significant amounts of coverage with other pending and/or in force policies. On January 6, 2004, Transamerica issued Policy No. 60115013 ("Policy 013") with a \$5 million death benefit. On information and belief, on December 16, 2005, in exchange "for one dollar and no/100ths (\$1.00) and other valuable consideration," Paulson assigned Policy 013 to JPIG. On further information and belief, on or about January 4, 2006, Respondents were paid approximately \$300,000 in additional commissions by facilitating the sale of Policy 013 to an investor.

34. On January 14, 2004, Paulson and JPIG applied for a life insurance policy insuring the life of Paulson with a \$7.5 million death benefit from Nationwide Life and Annuity Insurance Company ("Nationwide"). As prepared under Respondents' direction, authorization, and control, the application identified a "total other Ins. in force \$30M," identified a Lincoln Benefit application as pending ("am not pursuing that offer"), and failed to disclose at least \$40 million of coverage with other pending and/or in force policies. On January 21, 2004, Nationwide issued Policy No. N101506700 ("Policy 700") with a \$7.5 million death benefit. On information and belief, on or about December 15, 2005, JPIG's board of governors agreed to sell Policy 700 (along with Policy 976 and Policy 769) to an investor for \$3,215,000.

35. On January 14, 2004, Paulson and JPIG applied for a life insurance policy insuring the life of Paulson with a \$2.75 million death benefit from MONY Life Insurance Company ("MONY"). As prepared under Respondents' direction, authorization, and control, the application identified a total of \$30 million of in force coverage, identified a Lincoln Benefit application as pending ("am not pursuing that offer"), and failed to disclose at least \$40 million of coverage with other in force policies. On or about January 26, 2004, MONY issued Policy No. 2ULA001769 ("Policy 769") with a \$2.75 million death benefit. On information and belief, on or about December 15, 2005, JPIG's board of governors agreed to sell Policy 769 (along with Policy 976 and Policy 700) to an investor for a total of \$3,215,000.

36. On March 3, 2004, Paulson and Dahl, identified as Paulson's "son-in-law," applied for a life insurance policy insuring the life of Paulson with a \$2.5 million death benefit from Equitable Life Assurance Society of the United States ("Equitable"). As prepared under Respondents' direction, authorization, and control, the application identified a total of \$30 million of in force coverage and failed to disclose significant amounts of coverage with other pending and/or in force policies. On March 16, 2004, Equitable issued Policy No. 154204792 ("Policy 792") with a \$2.5 million death benefit. On information and belief, on or about March 17, 2006, Respondents were paid approximately \$162,000 in additional commissions by facilitating the sale of Policy 792 to an investor.

37. On March 3, 2004, Paulson and the "John R. Paulson Revocable Trust" applied for a life insurance policy insuring the life of Paulson with a \$2.5 million death benefit from Equitable. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$30 million of in force coverage, and failed to disclose significant amounts of coverage with other pending and/or in force policies. On March 16, 2004, Equitable issued

Policy No. 154204786 ("Policy 786") with a \$2.5 million death benefit. On information and belief, on or about March 17, 2006, Respondents were paid approximately \$162,000 in additional commissions by facilitating the sale of Policy 786 to an investor.

38. On August 18, 2004, Paulson and the Paulson Family Grandchildren Trust applied for a life insurance policy insuring the life of Paulson with a \$2.5 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$33 million of in force coverage, and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective August 4, 2004, Hartford issued Policy No. U01864077 ("Policy 077") with a \$2.5 million death benefit. On November 15, 2004, an amendment to application was completed by Paulson and Antonello as follows: "[A]ny other coverage pending with other companies will not be taken. Ultimate total line with all companies will not exceed \$35,000,000." Policy 077 remained in force until October 5, 2006, when Hartford rescinded the policy based on misrepresentations contained in the application and returned the premium payments.

39. On September 21, 2004, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$4 million death benefit from American General Life Insurance Company ("AIG"). As prepared under Respondents' direction, authorization, and control, the application identified a total of \$24 million of in force coverage, and failed to disclose significant amounts of coverage with other pending and/or in force policies. On October 8, 2004, AIG issued Policy No. UM0018332 ("Policy 332") with a \$4 million death benefit.

40. On September 21, 2004, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$4 million death benefit

from AIG. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$24 million of in force coverage, and failed to disclose significant amounts of coverage with other pending and/or in force policies. On October 8, 2004, AIG issued Policy No. UM0018333 ("Policy 333") with a \$4 million death benefit.

41. On September 21, 2004, Paulson and the Paulson Family Grandchildren Trust applied for a life insurance policy insuring the life of Paulson with a \$2 million death benefit from AIG. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$24 million of in force coverage, and failed to disclose significant amounts of coverage with other pending and/or in force policies. On October 8, 2004, AIG issued Policy No. UM0018334 ("Policy 334") with a \$2 million death benefit.

42. On October 4, 2004, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$2 million death benefit from Sun Life. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$24 million of in force coverage, incorrectly indicated that the applied for coverage would "replace Lincoln Life," and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective October 6, 2004, Sun Life issued Policy No. 020104970 ("Policy 970") with a \$2 million death benefit. On information and belief, on or about November 17, 2006, Respondents were paid additional commissions by facilitating the sale of Policy 970 to an investor.

43. On October 4, 2004, Paulson and JPA applied for a life insurance policy insuring the life of Paulson with a \$2 million death benefit from Sun Life. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$24 million of in force coverage, incorrectly indicated that the applied for coverage would "replace

Lincoln Life,” and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective October 6, 2004, Sun Life issued Policy No. 020104971 (“Policy 971”) with a \$2 million death benefit. On information and belief, on or about January 5, 2007, Respondents were paid additional commissions by facilitating JPA’s sale of Policy 971 to an investor for \$480,000.

44. On October 4, 2004, Paulson and the Paulson Family Grandchildren Trust applied for a life insurance policy insuring the life of Paulson with a \$3 million death benefit from Sun Life. As prepared under Respondents’ direction, authorization, and control, the application identified a total of \$24 million of in force coverage, incorrectly indicated that the applied for coverage would “replace Lincoln Life,” and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective October 6, 2004, Sun Life issued Policy No. 020104972 (“Policy 972”) with a \$3 million death benefit. On information and belief, on or about November 20, 2006, Respondents were paid additional commissions by facilitating the sale of Policy 972 to an investor.

45. On October 4, 2004, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$1 million death benefit from Sun Life. As prepared under Respondents’ direction, authorization, and control, the application identified a total of \$24 million of in force coverage, incorrectly indicated that the applied for coverage would “replace Lincoln Life,” and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective October 6, 2004, Sun Life issued Policy No. 020104973 (“Policy 973”) with a \$1 million death benefit. On information and belief, on or about November 20, 2006, Respondents were paid additional commissions by facilitating the sale of Policy 973 to an investor.

46. On October 4, 2004, Paulson and the Paulson Family Grandchildren Trust applied for a life insurance policy insuring the life of Paulson with a \$2 million death benefit from Sun Life. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$24 million of in force coverage, incorrectly indicated that the applied for coverage would "replace Lincoln Life," and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective October 6, 2004, Sun Life issued Policy No. 020104974 ("Policy 974") with a \$2 million death benefit. On information and belief, on or about November 20, 2006, Respondents were paid additional commissions by facilitating the sale of Policy 974.

47. On October 4, 2004, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$5 million death benefit from Sun Life. On information and belief, as prepared under Respondents' direction, authorization, and control, the application identified a total of \$24 million of in force coverage, incorrectly indicated that the applied for coverage would "replace Lincoln Life," and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective October 6, 2004, Sun Life issued Policy No. 020104238 ("Policy 238") with a \$5 million death benefit. On information and belief, on or about March 17, 2006, Respondents were paid additional commissions by facilitating the sale of Policy 238 to an investor.

48. On November 9, 2004, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$5 million death benefit from MassMutual. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$25 million of in force coverage, and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective November 22, 2004,

MassMutual issued Policy No. 15584118 ("Policy 118") with a \$5 million death benefit. Based on another application prepared under Respondents' direction, authorization and control, on November 22, 2004, MassMutual also issued Policy No. 15584184 ("Policy 184") with a \$1 million death benefit. The owner and beneficiary of Policy 184 was the John R. Paulson Irrevocable Trust. On or about November 3, 2005, MassMutual rescinded Policy 118 and Policy 184 and returned the premiums.

49. On November 19, 2004, Paulson and the John R. Paulson Irrevocable Trust applied for a life insurance policy insuring the life of Paulson with a \$5 million death benefit from MetLife. As prepared under Respondents' direction, authorization, and control, the application identified a total of \$27 million of in force coverage, and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective November 29, 2004, MetLife issued Policy No. 6603107 ("Policy 107") with a \$5 million death benefit. On June 28, 2005, MetLife rescinded Policy 107 due to material misrepresentations concerning in force coverage and, thus, refunded the premiums.

50. On December 9, 2004, Paulson and JPA applied for a life insurance policy insuring the life of Paulson with a \$2 million death benefit from MetLife. On information and belief, as prepared under Respondents' direction, authorization, and control, the amendment to application specified that "total amount of coverage is \$32 million all companies," and failed to disclose significant amounts of coverage with other pending and/or in force policies. Effective December 9, 2004, MetLife issued Policy No. 6603311 ("Policy 311") with a \$2 million death benefit. On June 28, 2005, MetLife rescinded Policy 311 due to material misrepresentations concerning in force coverage and, thus, refunded the premiums.

51. Effective December 21, 2004, Paulson and JPA obtained Policy No. 01N1214750 ("Policy 750") insuring the life of Paulson with a \$2 million death benefit from LNL. On information and belief, the application was prepared under Respondents' direction, authorization, and control, and failed to disclose significant amounts of coverage with other pending and/or in force policies. On information and belief, on or about January 30, 2007, Respondents were paid additional commissions by facilitating JPA's sale of Policy 750 to an investor for \$275,000.

52. As such, by the end of 2004, Paulson's life was insured for approximately \$127,750,000.

Paulson Litigation:

53. The misrepresentations contained in Paulson's insurance applications resulted in numerous lawsuits seeking to rescind the policies, plus claims directly against Antonello alleging fraud, misrepresentation, and the like. In addition to other lawsuits referenced herein, litigation arising directly from the misrepresentations contained in the insurance policy applications include, without limitation, the following:

- On January 24, 2006, AXA/MONY initiated a lawsuit in United States District Court - District of Minnesota (File No. 06-CV-341 (DSD/SRN)) seeking rescission of Policy 769, Policy 786, and Policy 792. On information and belief, the parties entered into a settlement agreement to resolve this litigation.
- On September 19, 2006, AIG initiated a lawsuit in United States District Court - District of Minnesota seeking rescission of Policy 332, Policy 333, and Policy 334 based on fraudulent misrepresentations in the applications (Case No. 06-CV-3744 (DWF/SRN)). On information and belief, that lawsuit settled whereby Policy 332, Policy 333, and Policy 334 were rescinded and the premiums were returned. Nevertheless, after Antonello refused to return the commissions paid on these rescinded policies, on or about April 30, 2007, AIG was required to initiate another lawsuit in United States District Court - District of Minnesota (Case No. 07-CV-2116 (DWF/SRN)) seeking to enforce the agency contract that required Antonello to repay the unearned commissions. On further information and belief, the lawsuit settled before Antonello submitted his Answer to the Complaint.

- On August 31, 2007, Sun Life initiated a lawsuit in United States District Court - District of Minnesota seeking rescission of Policy 360, Policy 970, Policy 971, Policy 972, Policy 973, Policy 974, and Policy 238 based on fraudulent misrepresentations in the applications, as well as breach of contract, and fraud, deceit, and misrepresentation against Antonollo (Case No. 07-CV-3877 (DSD/JJG)). Sun Life's arguments that the policies were wagering contracts and, thus, void *ab initio* for lack of an insurable interest were denied, in part, because it did not produce affirmative evidence concerning identity of the third party who intended to buy the policies at the time they were procured. Consequently, the investors' motion for judgment on the pleadings was granted (*i.e.*, the claims to rescind the policies were dismissed). *Sun Life Assurance Co v. Paulson*, 2008 WL 5120953, **4-6 (D. Minn. 2008). To date, on information and belief, Sun Life's claims against Paulson and Antonello have not been adjudicated.
- After Antonello refused to return commissions paid on Policy 026, Policy 107, and Policy 311 (all of which had been rescinded), on November 19, 2008, MetLife (which had purchased the entity that had issued Policy 026) initiated a lawsuit against Antonello in United States District Court - District of Minnesota (Case No. 08-CV-6095 (DSD/FLN)) seeking to enforce the agency contract that required Antonello to repay the unearned commissions. To date, on information and belief, this litigation remains pending.

CONDUCT INVOLVING IRVING MARGOLIS

54. Between February 2003 and August 2003, Respondents participated in, directed, or authorized Irving Margolis ("Margolis") to secure more than \$38 million in life insurance coverage from multiple insurance companies. Antonollo was paid significant commissions on these policies, even though a substantial number of the applications contained material misrepresentations.

55. On March 21, 2003, a limited liability company called Irving T. Margolis & Associates, LLC ("IMA") became legally organized under the laws of Minnesota. As organized, IMA was owned 24.75% by Antonello, 24.75% by TMP, LLP,⁴ 24.75% by Ben Smith, 24.75%

⁴ On information and belief, TMP, LLP was a limited liability partnership owned, operated, and/or managed by Thomas Petracek, Antonello's business partner at WMA.

by Mark Smith, and 1% by Irving Margolis. Antonello and Thomas Petracek were among IMA's first governors. IMA's organization agreement included the following terms:

The Company, using cash contribution from the Members, other than Irving T. Margolis, agree to and shall pay Irving T. Margolis guaranteed payments in the amounts of Twenty-Five Thousand Dollars (\$25,000) upon execution of the Agreements and an additional Twenty-Five Thousand Dollars (\$25,000) 24 months from the effective date of the Agreements, for his participation in the activities of, and ownership in, the Company. . . .

However, Mr. Margolis hereby acknowledges and agrees that immediately prior to the Company's sale of all insurance policies on Mr. Margolis' life, for the sum of One Dollar and other good and valuable consideration, his Membership Interest shall be extinguished and he shall have no right, title or interest in any proceeds of such sale. If the Company owns more than one insurance policy on Mr. Margolis' life and the Company sells only one such policy, Mr Margolis agrees that he shall not be entitled to any of [sic] sale proceeds of such policy.

56. On July 3, 2003, a limited liability company called Irving T. Margolis Insurance, LLC, ("IMI") became legally organized under the laws of Minnesota. As organized, IMI was owned 33.3% by Antonello, 33.3% by TMP, LLP, 33.3% by Ben Smith, and 1% by Margolis. Antonello and Petracek were among IMI's first governors.

57. On or about February 19, 2003, Margolis and IMA applied for a life insurance policy insuring the life of Margolis from Hartford. On April 3, 2003, Hartford issued Policy No. 1806625 ("Policy 625") with a \$9 million death benefit.

58. On March 31, 2003, Margolis and IMA applied for a life insurance policy insuring the life of Margolis with a \$6 million death benefit from Jefferson-Pilot Life Insurance Company ("JP"). As prepared under Respondents' direction, authorization, and control, the application indicated Margolis had \$1 million of in force coverage with an unidentified insurer and specifically denied any other pending life insurance applications existed. Effective March 28, 2003, JP issued Policy No. 5273859 ("Policy 859") with a \$6 million death benefit.

59. On May 27, 2007, Margolis and IMA applied for a life insurance policy insuring the life of Margolis with a \$3.6 million death benefit from Hartford. As prepared under Respondents' direction, authorization, and control, the application indicated Margolis had \$1 million of in force coverage with an unidentified insurer and \$9 million of in force coverage with Hartford, and failed to identify any other in force and/or applied for coverage. On May 28, 2003, Hartford issued Policy No. 1806936 ("Policy 936") with a \$3.6 million death benefit.

60. On July 2, 2003, Margolis and IMI applied for a life insurance policy insuring the life of Margolis with a \$1 million death benefit from Lincoln Benefit. As prepared under Respondents' direction, authorization, and control, the application indicated Margolis had \$1 million of in force coverage with an unidentified insurer, did not identify any other applied for coverage, and failed to disclose significant amounts of coverage with other in force policies. Effective May 27, 2003, Lincoln Benefit issued Policy No. 7171399 ("Policy 399") with a \$1 million death benefit. On information and belief, between May 2005 and May 2006, Respondents received additional commissions by facilitating IMI's sale of Policy 399 to an investor.

61. On July 2, 2003, Margolis and IMI applied for a life insurance policy insuring the life of Margolis with a \$4 million death benefit from MONY. As prepared under Respondents' direction, authorization, and control, the application indicated Margolis had \$1 million of in force coverage with an unidentified insurer, did not identify any other applied for coverage, and failed to disclose significant amounts of coverage with other in force policies. On July 16, 2003, MONY issued Policy No. 2ULA001086 ("Policy 086") with a \$4 million death benefit.

62. On July 2, 2003, Margolis and IMI applied for a life insurance policy insuring the life of Margolis with a \$10 million death benefit from Transamerica. As prepared under

Respondents' direction, authorization, and control, the application indicated Margolis had \$1 million of in force coverage with an unidentified insurer, specifically denied any other pending life insurance applications existed, and failed to disclose significant amounts of coverage with other in force policies. On August 14, 2003, Transamerica issued Policy No. 60109157 ("Policy 157") with a \$15 million death benefit.

63. As such, in six months, Respondents had placed \$38.6 million of life insurance coverage on Margolis' life.

64. On information and belief, on or about April 29, 2005, Respondents were paid additional commissions by facilitating IMA's sale of Policy 936, Policy 625, and Policy 859 to an investor for \$5.27 million.

65. On information and belief, on or about June 27, 2005, Respondents were paid additional commissions by facilitating IMI's sale of Policy 086 and Policy 157 to an investor for \$6.2 million.

CONDUCT INVOLVING MARJORIE ASHBACH

66. Between October 1995 and June 2003, Respondents participated in, directed, or authorized Marjorie Ashbach ("Ashbach") to secure more than \$19 million in life insurance coverage from multiple insurance companies. Antonello was paid significant commissions on these policies, even though a substantial number of the applications contained material misrepresentations.

67. On October 4, 1995, Ashbach and the Marjorie E. Ashbach Irrevocable Insurance Trust applied for a life insurance policy insuring the life of Ashbach with a \$3 million death benefit from First Colony Life Insurance Company, a GE Financial Assurance Company ("GE"). As prepared under Antonello's direction, authorization, and control, the application indicated

that Ashbach did not have any life insurance. On February 13, 1996, GE issued Policy No. 2504233 ("Policy 233") with a \$3 million death benefit. On information and belief, on or about October 9, 1998, Antonello was paid additional commissions by facilitating the sale of Policy 233 to an investor.

68. On October 9, 1998, Ashbach and the Marjorie E. Ashbach Irrevocable Insurance Trust applied for a life insurance policy insuring the life of Ashbach with a \$3 million death benefit from United of Omaha Life Insurance Company ("Omaha Life"). As prepared by "Antonello and Associates," the application disclosed Policy 233. On October 13, 1998, Omaha Life issued Policy No. BU1060629 ("Policy 629") with a \$2 million death benefit. On information and belief, on or about November 13, 2000, Antonello was paid additional commissions by facilitating the sale of Policy 629 to an investor.

69. On October 9, 1998, Ashbach and the Ashbach's adult children applied for a life insurance policy insuring the life of Ashbach with a \$1.5 million death benefit from Omaha Life. As prepared by "Antonello and Associates," the application disclosed Policy 233. On October 13, 1998, Omaha Life issued Policy No. BU1060710 ("Policy 710") with a \$2.5 million death benefit. On information and belief, on or about November 13, 2000, Antonello was paid additional commissions by facilitating the sale of Policy 710 to an investor.

70. On August 28, 2000, Respondents sent Ashbach a letter that stated, in part, as follows: "As you may recall, two years ago we were able to sell the old policy to another insurance company for a profit. This can be done every two years as long as we can get you insured at low rates"

71. On October 27, 2000, Ashbach and the Marjorie E. Ashbach Irrevocable Insurance Trust applied for a life insurance policy insuring the life of Ashbach with a \$2.25

million death benefit from Lincoln Benefit. . As prepared under Antonello's direction, authorization, and control, the application identified Policy 629 and Policy 710, incorrectly reported that Policy 629 would be replaced with the applied for coverage, and failed to disclose the in force coverage provided by Policy 233. On November 3, 2000, Lincoln Benefit issued Policy No. U0404871 ("Policy 871") with a \$2.25 million death benefit. On information and belief, on or about November 8, 2002, Antonello was paid additional commissions by facilitating the sale of Policy 871 to an investor.

72. On October 27, 2000, Ashbach and her adult children applied for a life insurance policy insuring the life of Ashbach with a \$2.25 million death benefit from Lincoln Benefit. As prepared under Antonello's direction, authorization, and control, the application identified Policy 629 and Policy 710, incorrectly reported that Policy 710 would be replaced with the applied for coverage, and failed to disclose the in force coverage provided by Policy 233. On November 3, 2000, Lincoln Benefit issued Policy No. U0405240 ("Policy 240") with a \$2.25 million death benefit. On information and belief, on or about November 8, 2002, Antonello was paid additional commissions by facilitating the sale of Policy 240 to an investor.

73. On April 29, 2003, Ashbach and her adult children applied for a life insurance policy insuring the life of Ashbach with a \$5 million death benefit from Lincoln Benefit. As prepared under Antonello's direction, authorization, and control, the application identified Policy 871 and Policy 240, and failed to disclose the in force coverage provided by Policy 233, Policy 629, and Policy 710. On May 13, 2003, Lincoln Benefit issued Policy No. 1151029 ("Policy 029") with a \$5 million death benefit. When Respondents communicated Lincoln Benefit's offer for the \$5 million of coverage to the Ashbachs, Respondents indicated that once viaticated, "[t]his policy will prove to be the most profitable one yet." Thereafter, on information and

belief, on or about July 20, 2005, Antonello was paid additional commissions by facilitating the sale of Policy 029 to an investor.

74. On June 9, 2003, Ashbach and her adult children applied for a life insurance policy insuring the life of Ashbach with a \$2.5 million death benefit from Lincoln Benefit. As prepared under Antonello's direction, authorization, and control, the application identified Policy 871, Policy 240, and Policy 029, and failed to disclose the in force coverage provided by Policy 233, Policy 629, and Policy 710. On June 12, 2003, Lincoln Benefit issued Policy No. 1151006 ("Policy 006") with a \$2.5 million death benefit. On information and belief, on or about July 29, 2005, Antonello was paid additional commissions by facilitating the sale of Policy 006 to an investor.

CONDUCT INVOLVING MARIETTA CAMPBELL

75. In approximately June 2005, Tom Campbell contacted Respondents about securing life insurance for his mother Marietta Campbell ("MC"), a North Dakota resident. Mr. Campbell was referred to Antonello by Clay Swanson, a friend and un-related North Dakota resident who utilized Respondents to obtain life insurance policies on his mother's life, Wilma Swanson. MC completed the preliminary inquiry form on June 2, 2005.

76. Thereafter, Respondents participated in, directed, or authorized MC to receive at least 5 different insurance applications: Jefferson-Pilot Life Insurance Company ("JP"); American General Life Insurance Company ("AIG"); The Hartford; Allianz Life Insurance Company ("Allianz"); and Lincoln Benefit Life Company ("Lincoln Benefit"). Antonello directed MC to sign the applications and return them to him blank.

77. By October 2005, Respondents participated in, directed, or authorized MC to secure life insurance policies from these 5 insurance carriers for a combined total of \$14 million

in death benefits. Significantly, each policy application contained material misrepresentations because the applications only referenced 1 other life insurance application and failed to reference the other 3 life insurance applications. Respondents' failure to provide accurate and complete information to the insurance carriers precluded them from considering a full and fair evaluation of their risk of loss on the application.

JP Application

78. On or about July 13, 2005, JP received MC's life insurance application, which MC had signed blank on June 27, 2005. As prepared under Respondents' direction, authorization, and control, the application disclosed MC's pending life insurance application with AIG.

79. On September 9, 2005, JP issued Policy No. JP552166 ("Policy 166") with a death benefit of \$3 million. At all times before she died on April 2, 2006, the beneficiary of Policy 166 remained the Estate of Marietta Campbell.

80. Respondents failed to reference in the JP application or any other supplemental materials filed with JP that MC applied for insurance with Hartford, Allianz, or Lincoln Benefit before JP issued Policy 166 on September 9, 2005.

AIG Application

81. On or about July 13, 2005, AIG received MC's life insurance application, which MC had signed blank on June 27, 2005. As prepared under Respondents' direction, authorization, and control, the application disclosed MC's pending life insurance application with JP.

82. On August 17, 2005, AIG issued Policy No. UME166004 ("Policy 004") with a death benefit of \$3 million. At all times before she died on April 2, 2006, the beneficiary of Policy 004 remained the Estate of Marietta Campbell.

83. Respondents failed to reference in the AIG application or any other supplemental materials filed with AIG that MC applied for insurance with Hartford and Allianz before AIG issued Policy 004 on August 17, 2005.

Hartford Application

84. On or about August 11, 2005, Hartford received MC's life insurance application, which MC had signed blank on June 27, 2005. On August 18, 2005, Hartford returned MC's application because Antonello was not appointed to sell insurance in North Dakota.

85. After Respondents cured the appointment issue, on September 29, 2005, Antonello countersigned the application and participated in, directed, or authorized the completion and submission of the revised application to Hartford. As prepared under Respondents' direction, authorization, and control, the application disclosed MC's pending life insurance application with AIG.

86. On October 3, 2005, Hartford issued Policy No. U01877973 ("Policy 973") with a death benefit of \$3 million. Pursuant to the application, the beneficiary was the Estate of Marietta Campbell.

87. Respondents failed to reference in the Hartford application or any other supplemental materials filed with Hartford that MC applied for and/or secured insurance with JP, Allianz, and Lincoln Benefit before Hartford issued Policy 973 on October 3, 2005.

Allianz Application

88. On or about August 17, 2005, Allianz received MC's life insurance application, which MC had signed blank on June 27, 2005. As prepared under Respondents' direction, authorization, and control, the application disclosed MC's pending life insurance application with AIG. Moreover, Antonello signed a certification indicating that he was not aware of any information not given in the application which might affect MC's insurability.

89. On September 23, 2005, Allianz issued Policy No 60011222 ("Policy 222") with a death benefit of \$1.5 million. Significantly, the Allianz policy contained a "total line" provision that prohibited total coverage on MC's life from exceeding \$2.5 million.

90. Respondents failed to reference in the Allianz application or any other supplemental materials filed with Allianz that MC applied for insurance with JP, Hartford, and Lincoln Benefit before Allianz issued Policy 222 on September 23, 2005.

Lincoln Benefit Application

91. On or about September 8, 2005, Lincoln Benefit received MC's life insurance application, which MC had signed blank application on June 27, 2005. Respondents participated in, directed, or authorized the completion and submission of the application to Lincoln Benefit (although, another agent signed the application and was listed as the issuing agent). As prepared under Respondents' direction, authorization, and control, the application disclosed MC's pending life insurance application with AIG.

92. On September 26, 2005, Lincoln Benefit issued Policy No. N1258784 ("Policy 784") with a death benefit of \$3 million. Pursuant to the application, the beneficiary was the Marietta Campbell Insurance Group, LLC. Antonello has since testified that he incorrectly identified the beneficiary when he participated in, directed, or authorized the completion and

submission of the application, and that the beneficiary should have been the Estate of Marietta Campbell.

93. Respondents failed to reference in the Lincoln Benefit application or any other supplemental materials filed with Lincoln Benefit that MC applied for and/or secured insurance with JP, Allianz, and Hartford before Lincoln Benefit issued Policy 784 on September 26, 2005.

Formation of Limited Liability Companies

94. On or about August 11, 2005, a limited liability company called Marietta Campbell Insurance Group, LLC ("MCIG") became legally organized under the laws of Minnesota. According to Mr. Campbell, MCIG was created pursuant to Antonello's recommendations. Antonello facilitated MCIG's organization, including paying \$100 to open MCIG's bank account. As organized, MC was the sole member of the LLC and held 100% of its shares. MCIG was established for the purpose of funding MC's life insurance policies issued by JP and AIG.

95. On August 13, 2005, MCIG issued 4,950 shares to Tom Campbell, MC's son, and 4,950 shares to Clay Swanson, a North Dakota resident unrelated to MC, leaving MC with 100 shares. In exchange, Messrs. Campbell and Swanson each agreed to contribute \$276,870 to MCIG. Thereafter, Mr. Campbell drafted a \$114,990 check from MCIG's bank account to pay the first JP life insurance premium.

96. On September 16, 2005, another limited liability company, Marietta Campbell and Associates ("MCA") became legally organized in Minnesota. As with MCIG, Antonello facilitated organizing MCA, including paying \$100 to open MCA's bank account. Mr. Swanson and his brothers contributed a total of \$173,000 to MCA, and Antonello personally contributed \$173,000 to MCA. These contribution amounts were established by dividing in half the total

premiums required to pay for the life insurance policies issued by Hartford, Allianz, and Lincoln Benefit.

97. The Campbell family did not contribute to MCA because they did not want to spend more money to purchase life insurance policies.⁵ MCA was established for the purposes of funding MC's life insurance policies issued by Hartford, Allianz, and Lincoln Benefit.

Fallout After MC's Unexpected Death

98. MC unexpectedly died on April 2, 2006.

99. Prior to her death, Messrs. Swanson and Campbell discussed selling the life insurance policies to life settlement companies, similar to how Mr. Swanson had sold some of his mother's policies once the two year incontestability period expired.⁶

100. "Although the Campbells, the Swansons, and Antonello had planned to designate MCIG and MCA as the beneficiaries of the respective life insurance policies those entities had funded, the necessary paperwork was not submitted before [MC's] sudden death." *Jefferson-Pilot Life Ins. Co. v. Marietta Campbell Ins. Group, LLC*, 2008 WL 3582751, *3 (D. Minn. 2008).⁷

101. At the time of MC's death on April 2, 2006, the beneficiary on the AIG and JP life insurance policies remained the Estate of Marietta Campbell. Nevertheless, Respondents had in their file blank change of beneficiary ("COB") forms for the AIG and JP policies that had been signed by MC on August 31, 2005. According to Antonello, MC had signed these COB

⁵ Even though they did not contribute, Mr. Campbell became a 9% owner of MCA and MC became a 1% owner of MCA to "be fair since it was [Mr Campbell's] mother's life insurance policy on her life . . .". Tom Campbell Dep., p. 79.

⁶ See, e.g., T. Campbell Dep., p. 93; C. Swanson Deposition, p. 71.

⁷ See also T. Campbell Dep., p. 80; C. Swanson Dep., pp. 18 and 69.

forms to expedite estate planning once such planning became finalized. Antonello further testified that he did not have any authority, direction, or permission from MC, the Campbells, or the Swansons to submit the COB forms to either AIG or JP.

102. Upon learning about MC's death, on or about April 3, 2006, Respondents participated in, directed, or authorized the completion and submission of COB forms for both the AIG and JP life insurance policies to change the designated beneficiary to MCIG.

103. Unaware that MC had died, JP returned the COB form to Respondents via facsimile and indicated that the form was too old and that the description of the relationship between MC and MCIG was inadequate. As such, on or about April 10, 2006, Respondents participated in, directed, or authorized altering the COB form to misrepresent that MC signed it on March 30, 2006, and to falsely reflect that MC owned 100% of MCIG. Indeed, MC did not sign the COB form on March 30, 2006 and, on that date, MC only owned 1% of MCIG, while Messrs. Campbell and Swanson owned the remaining 99% of MCIG. *Jefferson-Pilot*, 2008 WL 3582751 at *3.

104. On or about April 12, 2006, pursuant to the falsified COB form submitted by Respondents, JP changed the beneficiary to MCIG.

105. On November 16, 2006, JP notified Mr. Campbell that JP intended to rescind its policy due to misrepresentations in the application concerning pending applications with other companies.

106. Litigation ensued concerning the JP policy in State of North Dakota - District Court, and in United States District Court - District of Minnesota (File No. 07-CV-4534 (ADM/RLE)). After the cases were consolidated, on August 18, 2008, U.S. District Court Judge Ann Montgomery held that the failure to notify JP about the Allianz and Hartford life insurance

applications that were submitted before the JP policy was issued on September 7, 2005, was a "material misrepresentation." *Jefferson-Pilot*, 2008 WL 3582751 at *9.

107. Judge Montgomery held that as JP's contracted agent, Antonello's knowledge of the material misrepresentation could be imputed to JP unless the Campbells colluded with Antonello. As such, the Campbell's motion for summary judgment seeking to collect the death benefits was denied because a question of fact existed as to whether the Campbells acted in good faith or colluded with Antonello in making the material misrepresentation on the JP life insurance policy application. *Id.* at **10-11.

108. Litigation also ensued concerning the AIG policy in the State of North Dakota - Grand Forks District Court. On information and belief, MCIG sued to collect the death benefits, while AIG filed a claim to declare the policy void *ab initio*. On further information and belief, to date, this litigation remains pending.

109. On or about September 5, 2006, an attorney for the Campbell estate sent Allianz a letter requesting the rescission of Allianz' policy issued to MC. On further information and belief, the Campbells never filed death claims against the policies issued by Hartford or Lincoln Benefit, which policies were also rescinded.

110. This Order is in the public interest.

VIOLATIONS

COUNT I

Respondents participated in, directed, or authorized, or failed to learn about, diligently investigate, or prevent the submission of material misrepresentations, each of which constitutes a separate violation of law, including without limitation the status of pending and/or in force coverage, on life insurance policy applications completed for and/or submitted on behalf of John Paulson, Irving Margolis, Marjorie Ashbach, and Marietta Campbell. Antonello received

commissions from the sale of these policies and personally invested in numerous policies and, thus, gained or intended to gain substantial economic benefit as a result of his willful misconduct. Respondents engaged in fraudulent, coercive, or dishonest practices, and/or engaged in acts that demonstrate they are incompetent, untrustworthy, financially irresponsible, or otherwise unqualified to act under the license granted by the Commissioner. Minn. Stat. §§ 45.027, subd. 7(a)(4), 60K.43, subd. 1(8), and 72A.20, subd. 18(b) (2008), and Minn. Rule 2795.1000 (2007).

COUNT II

Without the consent, authorization, or instruction of the Campbell family, Respondents participated in, directed, or authorized, or failed to learn about, diligently investigate, or prevent the submission of change of beneficiary forms to JP and AIG after MC passed away. Thereafter, Respondents altered the form submitted to JP to falsely reflect that MC signed it on March 30, 2006, and to falsely reflect that MC owned 100% of MCIG. Respondents forged MC signature or caused it to be forged, engaged in fraudulent, coercive, or dishonest practices, and/or engaged in acts that demonstrate they are incompetent, untrustworthy, financially irresponsible, or otherwise unqualified to act under the license granted by the Commissioner. Minn. Stat. §§ 45.027, subd. 7(a)(4), 60K.43, subd. 1(8) and (10), and 72A.20, subd. 18(b) (2008), and Minn. Rule 2795.1000 (2007).

COUNT III

Antonello submitted MC's first life insurance application to Hartford without the company's appointment or permission to transact business on its behalf. Minn. Stat. §§ 60K.43, subd. 1(2), and 60K.49, subd. 2 (2008).

ADDITIONAL NOTICE

1. Respondents' failure to appear at the prehearing conference, settlement conference, or the hearing, or failure to comply with any order of the Administrative Law Judge, may result in a finding that Respondents are in default, that the Department's allegations contained in the Statement of Charges may be accepted as true, and that Respondents may be subject to discipline by the Commissioner, including revocation, suspension, censure, or the imposition of civil penalties.

2. If any party has good cause for requesting a delay of the prehearing conference or hearing, the request must be made in writing to the Administrative Law Judge at least five days prior to the hearing or prehearing conference. A copy of the request must be served on the other party.

3. Any party intending to appear at the prehearing conference or hearing must file a Notice of Appearance form and return it to the Administrative Law Judge within 20 days of the date of service of this Notice and Order. A copy must be served on the Department of Commerce's attorney, Assistant Attorney General Christopher M. Kaisershot. A Notice of Appearance form is attached.

4. At the hearing, all parties have the right to represent themselves or to be represented by legal counsel, or by a person of their choice if not otherwise prohibited as the unauthorized practice of law. The parties may obtain subpoenas to compel witnesses to attend the hearing. The parties will have the opportunity to be heard orally, to present evidence and cross-examine witnesses, and to submit evidence and argument. Ordinarily, the hearing is tape-recorded. The parties may request that a court reporter record the testimony at their expense.

5. Persons attending the hearing should bring all evidence bearing on the case, including any records or other documents. Be advised that if data that is not public is admitted into the record, it may become public data unless an objection is made and relief is requested under Minn. Stat. § 14.60, subd. 2 (2008).

6. Requests for subpoenas for the attendance of witnesses or the production of documents at the hearing shall be made in writing to the Administrative Law Judge pursuant to Minn. R. 1400.7000 (2007). A copy of the subpoena request shall be served on the other parties. A subpoena request form is available at www.oah.state.mn.us or by calling (651) 361-7900.

7. This case may be appropriate for mediation. The parties are encouraged to consider requesting the Chief Administrative Law Judge to assign a mediator so that mediation can be scheduled promptly.

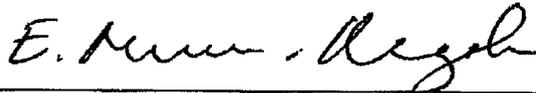
8. The Office of Administrative Hearings conducts contested case proceedings in accordance with the Minnesota Rules of Professional Conduct and the Professionalism Aspirations adopted by the Minnesota Supreme Court. A publication entitled *A Guide to Participating in Contested Case Proceedings at the Office of Administrative Hearings* is available at www.oah.state.mn.us or by calling (651) 361-7900.

9. Any party who needs an accommodation for a disability in order to participate in this hearing process may request one. Examples of reasonable accommodations include wheelchair accessibility, an interpreter, or Braille or large-print materials. If any party requires an interpreter, including a foreign language interpreter, the Administrative Law Judge must be promptly notified. To arrange for an accommodation or an interpreter, contact the Office of Administrative Hearings, P.O. Box 64620, St. Paul, Minnesota 55164-0620, or call (651) 361-7900 (voice) or (651) 361-7878 (TTY).

10. Under Minn. Stat. § 45.027, subd. 6 (2008), Respondents may be subject to a civil penalty not to exceed \$10,000 per violation upon a final determination that Respondents violated any law, rule or order related to the duties and responsibilities entrusted to the Commissioner.

GLENN WILSON
Commissioner

Dated: 4-16-09



EMMANUEL MUNSON-REGALA
Deputy Commissioner
Market Assurance Division

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