

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
JACKSON DIVISION**

**GEORGE DALE, Commissioner of Insurance for the
State of Mississippi, in his official capacity as Liquidator of
FRANKLIN PROTECTIVE LIFE INSURANCE
COMPANY, FAMILY GUARANTY LIFE INSURANCE
COMPANY, and FIRST NATIONAL LIFE INSURANCE
COMPANY OF AMERICA,**

**ANNE B. POPE, Commissioner of Commerce and Insurance
for the State of Tennessee, in her official capacity as Liquidator of
FRANKLIN AMERICAN LIFE INSURANCE COMPANY,**

**KEITH WENZEL, Director of the Department of Insurance
for the State of Missouri, in his official capacity as Liquidator of
INTERNATIONAL FINANCIAL SERVICES LIFE
INSURANCE COMPANY,**

**CARROLL FISHER, Insurance Commissioner for the State of
Oklahoma, in his official capacity as Receiver of FARMERS
AND RANCHERS LIFE INSURANCE COMPANY IN LIQUIDATION,**

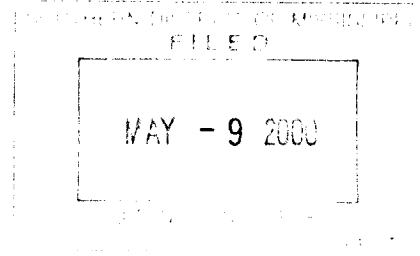
**MIKE PICKENS, Insurance Commissioner for the State of
Arkansas, in his official capacity as Rehabilitator of OLD
SOUTHWEST LIFE INSURANCE COMPANY,**

PLAINTIFFS,

VS.

CIVIL ACTION NO. 3:00cv359LN

**MARTIN FRANKEL (a/k/a Robert Guyer,
Martin King, Mike King, William Kok, David Ross,
David Rosse, David Rossi, Mark Shuki,
David Stevens, Eric Stevens, Will Stevens, and other
unknown aliases), AMERICAN LIFE ACQUISITIONS,
AMERICAN OPERATIONS CORPORATION,
AMERICAN SECURITY SERVICES,
CREATIVE PARTNERS FUND, BLOOMFIELD
INVESTMENTS, LTD., DEVONSHIRE TECHNOLOGIES, LTD.,
FRANKLIN AMERICAN CORPORATION, GATES
INVESTMENTS, INC., GOOD LUCK
CORPORATION, INTERNATIONAL FINANCIAL
CORPORATION, THE JUPITER FUND, LIBERTY
NATIONAL SECURITIES, INC., LUCKY STAR INVESTMENTS,**



**MIDDLEBURG INVESTMENTS, ST. FRANCIS OF ASSISI
FOUNDATION, ST. MARY'S FOUNDATION, SUNDEW
INTERNATIONAL, LTD., and THUNOR TRUST,**

DAVID ROSSE, KAREN TIMMINS and PHILIP MILLER,

JOHN HACKNEY and GARY ATNIP,

DEFENDANTS.

JURY TRIAL REQUESTED

COMPLAINT

COME NOW Plaintiffs, GEORGE DALE, ANNE B. POPE, KEITH WENZEL, CARROLL FISHER, and MIKE PICKENS, and for claims against Defendants would show unto the Court the following:

The Parties

1. Plaintiff George Dale ("Dale") is the duly-appointed Liquidator of the Mississippi-domiciled (a) Franklin Protective Life Insurance Company ("FPL"), (b) First National Life Insurance Company of America ("FNL"), and (c) Family Guaranty Life Insurance Company ("FGL"), pursuant to Orders of Liquidation entered on June 29, 1999, by the Chancery Court of the State of Mississippi, First Judicial District, Hinds County, in the respective actions George Dale, Commissioner v. Franklin Protective Life Insurance Company, G99-907, George Dale, Commissioner v. First National Life Insurance Company of America, G99-908, and George Dale, Commissioner v. Family Guaranty Life Insurance Company, G99-909. Prior to being placed into liquidation, FPL, FGL, and FNL had been under Orders of Rehabilitation which had been entered on May 10, 1999.

2. Plaintiff Anne B. Pope ("Pope") is the duly-appointed Liquidator of Tennessee-domiciled Franklin American Life Insurance Company ("FAL"), pursuant to a consent Order of Liquidation entered on October 25, 1999, by the Chancery Court of the State of Tennessee,

Twentieth Judicial District, Davidson County, in the action State of Tennessee, ex rel., Anne B. Pope v. Franklin American Life Insurance Company, 99-1326-II. Prior to being placed into liquidation, FAL had been under a consent Order of Rehabilitation which had been entered on May 11, 1999.

3. Plaintiff Keith Wenzel ("Wenzel") is the duly-appointed Liquidator of Missouri-domiciled International Financial Services Life Insurance Company ("IFS"), pursuant to an Order of Liquidation entered on November 30, 1999, by the Circuit Court of the State of Missouri, Cole County, in the action Keith A. Wenzel, Director v. International Financial Services Life Insurance Company in Liquidation, CV199-623CC. Prior to being placed into liquidation, IFS was under an Order of Rehabilitation which had been entered on May 12, 1999.

4. On May 21, 1999, the District Court of the State of Oklahoma, Oklahoma County entered an Order of Rehabilitation against Oklahoma-domiciled Farmers and Ranchers Life Insurance Company ("FRL"), appointing Plaintiff Carroll Fisher ("Fisher") as Receiver, in the action State of Oklahoma, ex rel., Carroll Fisher v. Farmers and Ranchers Life Insurance Company, CJ-99-3401. On January 14, 2000, that court entered an Order of Liquidation against FRL, appointing Fisher as Receiver.

5. Plaintiff Mike Pickens ("Pickens") is the duly-appointed Rehabilitator of Arkansas-domiciled Old Southwest Life Insurance Company ("OSL"), pursuant to an Order of Rehabilitation entered on June 4, 1999, by the Circuit Court of the State of Arkansas, Seventh Division, Pulaski County, in the action Mike Pickens, Commissioner v. Old Southwest Life Insurance Company, 99-4541.

6. Defendant Martin (or "Marty") Frankel is a citizen of the State of Connecticut, who is currently incarcerated in the Federal Republic of Germany, and may be served with process at

Holstenglacis Prison, in Hamburg, Germany, or as otherwise provided by law. On information and belief, Frankel uses numerous alias identities (which are in some cases wholly fictitious, and in other cases appropriated from associates of defendant Frankel, which may be with or without their knowledge), including "Robert Guyer," "Martin King," "Mike King," "William Kok," "David Ross," "David Rosse," "David Rossi," "Mark Shuki," "David Stevens," "Eric Stevens," "Will Stevens," and others unknown to the Plaintiffs (hereinafter "Frankel" refers to Martin Frankel, inclusive of any other identities he may have used as an alias).

7. Defendant David Rosse is a citizen of the State of New York who, from approximately 1990 until some time in 1999, was an employee of and conspirator with Defendant Frankel.

8. Defendant Karen Timmins is a citizen of the State of New York, who from approximately 1996 until some time in 1999, was an employee of and conspirator with Defendant Frankel.

9. Defendant Philip Miller is a citizen of the State of New York and a relative of Defendant Rosse, who for several years until some time in 1999 was an associate of and conspirator with Defendant Frankel.

10. Defendant John Hackney ("Hackney") is a citizen of the state of Alabama, and may be served with process at 1303 Signal Point Road, Guntersville, AL 35976, or as otherwise provided by law. From time to time from 1991 through 1999, Hackney was the sole Trustee of the Thunor Trust, and President and/or CEO of each of FPL, FNL, FGL, FAL, IFS, FRL, and OSL (collectively hereinafter, the "Insurance Companies"), acting in those capacities from the time he assumed them

until some time in 1999. As such, Hackney diverted or caused to be diverted the funds of the Insurance Companies to defendant Frankel and others known or unknown to plaintiffs.

11. At all times relevant to this action, defendants Frankel, Hackney, and/or Atnip owned (directly and/or indirectly) and/or controlled defendants American Life Acquisitions, American Operations Corporation, American Security Services, Creative Partners Fund, Bloomfield Investments, Ltd., Devonshire Technologies, Ltd., Franklin American Corporation, Gates Investments, Inc., Good Luck Corporation, International Financial Corporation, The Jupiter Fund, Liberty National Securities, Lucky Star Investments, Middleburg Investments, St. Francis of Assisi Foundation, St. Mary's Foundation, Sundew International, Ltd., and the Thunor Trust (hereinafter collectively, the "Defendant Entities"). Each of the Defendant Entities may be served with process as provided by law.

12. Defendant Gary Atnip ("Atnip") is a citizen of the state of Tennessee, and may be served with process as provided by law. From time to time from 1991 through some time in 1999, Atnip was CFO of the Insurance Companies, except for FAL and OSL, acting in that capacity from the time he assumed the position until some time in 1999. During that same period, Atnip also was CFO of defendant Franklin American Corporation ("FAC"), which wholly owned FAL, which, in turn, wholly owned OSL. As CFO of those companies, Atnip diverted or caused to be diverted the funds of the Insurance Companies to defendant Frankel and others known and unknown to plaintiffs.

13. The Defendant Entities, and subsidiaries thereof, were utilized by defendants Frankel, Hackney and Atnip and others known and unknown to the Plaintiffs to further a repeated pattern to defraud the Insurance Companies by depleting and depriving them of their assets by (1) holding title to various bank and securities accounts within and outside the United States, (2) holding title to

certain real estate, automobiles, aircraft, and other tangible assets acquired as a part of or used to further the conspiracy, and/or (3) obscuring the true path and destination of funds and assets wrongfully transferred or diverted from the Insurance Companies, all for the personal benefit of defendant Frankel, Hackney, Atnip, and others known and unknown to the Plaintiffs. The assets of the Defendant Entities and assets held by defendants Frankel, Hackney and Atnip constitute either (1) funds and assets wrongfully diverted from the Insurance Companies, or (2) assets obtained through the illegal use of funds and assets wrongfully diverted from the Insurance Companies.

Jurisdiction and Venue

14. This Court has subject matter jurisdiction over the claims asserted herein pursuant to 28 U.S.C. § 1331, in that the activities complained of amount to a violation or violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. § 1961, et seq., and pursuant to 28 U.S.C. § 1367(a).

15. This Court has personal jurisdiction over each of the defendants pursuant to Miss. Code Ann. § 13-3-57, and pursuant to 18 U.S.C. § 1965. Each defendant has transacted and done business in the State of Mississippi personally, or by the acts of others acting in conspiracy with such defendant. Each defendant has committed a tort in whole or in part in the State of Mississippi or a tort that knowingly resulted in damage in the State of Mississippi. Each defendant individually, or acting through other defendants as part of the conspiracy and fraud, has entered into contracts to be performed in whole or in part in the State of Mississippi. Each defendant has acted as agent for or on behalf of each other defendants as a participant in a scheme or conspiracy to commit fraud. The business, contracts and torts alleged herein resulted in all or part of the damages alleged herein.

16. Venue is proper in this district under 28 U.S.C. § 1391 and 28 U.S.C. § 1965.

Factual Allegations

17. Plaintiffs are the court-appointed Liquidators, Rehabilitators, and/or Receivers (referred to collectively herein as "Receivers") of the aforementioned Insurance Companies domiciled and doing business in their respective States. As Receivers, Plaintiffs have been directed by their respective receivership courts to administer the affairs of the Insurance Companies in accordance with the insurance statutes enacted by the individual States. To this end, all corporate authority of the Insurance Companies has been placed in the hands of the respective plaintiffs, and title to all assets and causes of action is vested by operation of law in the respective plaintiffs. Further, the plaintiffs have been ordered by their respective receivership courts to locate, marshal, and take into possession all of the assets of each of the Insurance Companies. In addition, plaintiffs are vested by operation of law with the authority to prosecute any action which may exist on behalf of each of the Insurance Companies, as well as on behalf of their creditors, policyholders, and shareholders, against any culpable parties.

18. The Insurance Companies were each owned and/or controlled by defendants Frankel, Hackney, Atnip, and others and were operated as ostensibly legitimate companies conducting the business of insurance, licensed in their states of domicile and various other states.

19. Defendant Thunor Trust was established in 1991. The three individuals identified as grantors of Thunor Trust under the third and final trust document were Ed Kraus, Mark Shuki, and Sonia Dix Howe (aka Sonia Dix Howe Schulte and Sonia Dix Howe Schulte Radencovici). The grantors' relatives were listed as the Trust's beneficiaries. On information and belief, these individuals made no material contributions to the Trust, and were not in fact grantors of the Trust; rather, they were merely nominees of, and/or were controlled by, defendant Hackney and defendant

Frankel, a former securities investment advisor who was banned in 1992 by the Securities and Exchange Commission from transacting securities business.

20. Defendant Thunor Trust controlled two companies, defendant International Financial Corporation ("IFC") and defendant Franklin American Corporation ("FAC") (collectively, the "Holding Companies"). Defendant Thunor Trust owned 100% of the outstanding shares of IFC, and owned approximately 84% of the outstanding shares of FAC, with the remainder of FAC being owned by individual public investors not affiliated with defendant Frankel. By 1999, the Insurance Companies were owned by either IFC or FAC, as described below.

21. International Financial Corporation wholly owned FNL, FRL, and IFS.

22. Franklin American Corporation wholly owned FGL and FAL. In turn, FAL wholly owned OSL. Also, Franklin American Corporation wholly owned FPL, either directly or indirectly, through another wholly owned subsidiary of FAC, a Mississippi entity named "Protective United Assets, Inc."

23. Defendant John Hackney and others ostensibly managed the assets of the Insurance Companies. The assets of the Insurance Companies were purportedly repeatedly invested with defendant Liberty National Securities, Inc., which was operated and controlled in whole or in part by defendant Frankel.

24. By 1991, Frankel and others known and unknown to Plaintiffs launched a scheme to defraud FAL of its assets. The scheme consisted of a pattern of illegal acts. The scheme was repeated with the acquisition of each of the Insurance Companies by and through one of the Defendant Entities, or subsidiaries thereof, for the purpose of and with the ultimate result of wrongfully depleting and depriving the Insurance Companies of their assets. Upon acquisition of

each of the Insurance Companies, its assets were transferred to Frankel's control by and through the use of Liberty National Securities. Ultimately, the assets were transferred to various investment accounts and/or bank accounts in the name of Defendant Entities and/or Frankel aliases, and/or in the names of other individuals, known and unknown to Plaintiffs, who participated in and profited from the scheme to defraud.

25. Beginning in 1991, as part of the scheme to defraud FAL, Frankel designated defendant Hackney to act as President and/or CEO. This pattern was repeated with each of the Insurance Companies, as they were acquired by one of the Defendant Entities or their subsidiaries. Aware of Frankel's scheme to defraud the Insurance Companies, Hackney and others known and unknown to Plaintiffs conspired with and agreed to assist Frankel and participate in his scheme to defraud by committing various acts in furtherance of the scheme, including but not limited to transferring, authorizing, or allowing the transfer by interstate wire transfer of the assets and funds of the Insurance Companies to Frankel's control, and using the mail, among other things, to solicit and receive insurance premiums from unsuspecting customers, and to correspond with and report to state regulatory agencies for the purpose of furthering and covering up their scheme.

26. At approximately the same time, defendant Atnip was designated to act as CFO of the Insurance Companies (except for FAL and OSL), and to act as CFO of FAC, the parent of FAL and OSL, as the Insurance Companies were acquired by Frankel through the use of the Defendant Entities and their subsidiaries. Atnip and others known and unknown to Plaintiffs, knowing of Frankel's scheme to defraud the Insurance Companies, conspired with and agreed to assist Frankel in his scheme to defraud by committing various acts in furtherance of the scheme including but not limited to transferring, authorizing, or allowing the transfer by interstate wire transfer of assets and

funds of the Insurance Companies to Frankel's control, and using the mail, among other things, to solicit and receive insurance premiums from unsuspecting customers, and to correspond with and report to state regulatory agencies for the purpose of furthering and covering up their scheme.

27. Ostensibly, defendant Liberty National Securities was to act as Custodian of the assets and funds of the Insurance Companies, and to invest them for the benefit of the Insurance Companies. Instead, defendants Frankel, Hackney and Atnip, and others known and unknown to Plaintiffs, through defendant Liberty National Securities, misappropriated those assets and funds for their own personal use and enjoyment, and for the benefit of those employees and associates who conspired with and assisted them in their fraudulent activities.

28. This scheme to defraud was accomplished in part through an account or accounts held at the Bank of New York, in New York City, for the benefit of Dreyfus Cash Management Plus ("Dreyfus Accounts"). These accounts were controlled by defendants Frankel and Hackney. Invested assets, securities, insurance premiums, fees, and other assets of the Insurance Companies were transferred by interstate wire from the Insurance Companies' bank accounts or investment accounts into other accounts, including the Dreyfus accounts, by or at the direction of defendants Frankel, Hackney and Atnip, and others known and unknown to the Plaintiffs.

29. Assets transferred to the Dreyfus accounts were frequently then transferred by wire to bank USB for credit to accounts at Banque SCS in Geneva, Switzerland. Defendant Frankel directly, or indirectly through other business entities or associates, was the owner and controller of accounts held at Banque SCS, and other accounts at other banks and brokerage firms to which assets of the Insurance Companies were fraudulently transferred and converted.

30. The proceeds from the sale of invested assets, insurance premiums, fees, and other assets of the Insurance Companies transferred to the various Swiss accounts and other accounts known and as yet unknown to Plaintiffs, were misappropriated by defendant Frankel for his own personal use and enjoyment, and for the benefit of his associates, and the other defendants.

31. Defendant Frankel was assisted in his illegal conduct by the participation of numerous persons who conspired with Frankel to carry out his scheme, including but not limited to Defendants Rosse, Timmins and Miller, and each of the other defendants who assisted in perpetuating and concealing the fraudulent activities which were occurring, and helped maintain Frankel's anonymity in the scheme.

32. In her plea of guilty to misprision of a felony in the United States District Court for the District of Connecticut, Defendant Timmins testified under oath that she knowingly assisted Frankel in transferring by wire the Insurance Companies' assets and funds to the Swiss accounts, and then back to the United States. Some of the funds transferred back to the United States were in the form of traveler's checks, which Defendant Timmins and others then distributed to Frankel's associates and other defendants in return for their participation in the scheme to defraud. A true and correct copy of the transcript of Defendant Timmins's Waiver of Indictment and Guilty Plea is attached as Exhibit A.

33. In pleading guilty to a RICO conspiracy in violation of 18 U.S.C. §1962(d) in the United States District Court for the District of Connecticut, Defendant Rosse testified that he knowingly conspired with Frankel to assist him in the scheme to defraud by receiving shipments of traveler's checks from Banque SCS, which were used to fund defendant Frankel's lifestyle and fraudulent operation, including the payment of Defendant Rosse and other Frankel associates.

Further, Defendant Rosse testified that he acted as a courier for fraudulently-obtained assets such as diamonds and large quantities of traveler's checks. Defendant Rosse also testified that in furtherance of Frankel's fraudulent scheme, Rosse purchased an airplane in his name and he arranged for the rental of post office boxes and telephone lines in furtherance of Frankel's fraudulent scheme. A true and correct copy of the transcript of Defendant Rosse's Waiver of Indictment and Change of Plea is attached as Exhibit B.

34. In pleading guilty to a violation of 18 U.S.C. § 371, conspiracy to structure transactions to avoid currency reporting requirements, Defendant Miller testified that he knowingly conspired with Frankel to assist him in the scheme to defraud by receiving weekly payments of \$10,000 from the Swiss accounts into his business bank account in the name of Highland Industrial Park and then withdrawing usually between \$9,200 and \$9,500 in cash to give to Frankel to fund his lifestyle and fraudulent operation. Defendant Miller kept the remaining funds each week as his fee for receiving and converting the monies to cash. As a result, defendants Frankel and Miller were able to avoid the currency reporting requirements imposed on banks, avoiding inquiry concerning the nature and source of the funds. A true and correct copy of the transcript of Defendant Miller's Change of Plea and Waiver of Indictment is attached as Exhibit C.

35. Also in furtherance of the scheme to defraud, defendants Frankel and Hackney, and others known and unknown to Plaintiffs, formed the defendant St. Francis of Assisi Foundation, a British Virgin Islands foundation (the "Foundation"). The Foundation purportedly acquired the Thunor Trust, including its ownership of the Insurance Companies. In reality, however, the main purpose and function of the Foundation was to aid and assist in the scheme to defraud, including providing another entity through which to launder or divert the Insurance Companies' assets.

36. Peter Jacobs, formerly a priest in the Roman Catholic Church, acted as the chair of the Foundation, concealing Frankel's control of the Foundation.

37. Emilio Colagiovanni, an Italian Monsignor, assisted Frankel in concealing the source of Frankel's fraudulently-obtained funds by attesting in two affidavits that the Monitor Ecclesiasticus Foundation, which Monsignor Colagiovanni controlled, was the source of an alleged \$1 billion in funds contributed to the St. Francis of Assisi Foundation.

38. Thomas Corbally, Thomas F. Quinn, and Kaethe Schuchter solicited additional sources of funds and various charities and foundations through which the Frankel could launder the assets and funds of the Insurance Companies.

39. Fausto Fausti established Italian bank accounts in his own name for Frankel's use, thereby allowing Frankel to remain anonymous and to avoid detection of the scheme to defraud.

40. In May, 1999, defendant Frankel, knowing his fraud had been detected, fled from the United States to Europe for the purpose of avoiding arrest. At various times, Frankel was accompanied and assisted in Europe by Karen Timmins, Kaethe Schuchter, and Cynthia Allison. In September 1999, Frankel was arrested in Hamburg, Germany, where he remains in the Holstenglacis Prison. Frankel is presently resisting extradition to the United States.

41. The activities of defendants Frankel, Hackney, Atnip and their associates and the Defendant Entities are currently under investigation by numerous law enforcement agencies.

42. In an indictment returned in the United States District Court for the District of Connecticut in the action United States of America v. Martin R. Frankel, 3:99-cr-235 (D. Conn.), which is attached hereto as Exhibit D, defendant Frankel has been accused of multiple acts of wire fraud, money laundering, securities fraud, racketeering, and conspiracy to commit racketeering, in

violation of 18 U.S.C. §§ 1343, 1956, 15 U.S.C. § 78j(b), and 18 U.S.C. § 1962(c) and (d). The Indictment further alleges that since approximately 1991, Frankel, operating under several alias identities and corporate entities (including Thunor Trust, The St. Francis of Assisi Foundation, Liberty National Securities, Inc., Sundew International, Gates Investments, Bloomfield Investments, and Devonshire Technologies), devised and executed a scheme to defraud by wire the Insurance Companies. See Indictment at ¶¶ 3-6, 11-42. The Indictment further alleges that Frankel, through fraudulent pretenses, representations, and promises, obtained control of the liquid assets and insurance policy premium proceeds of the Insurance Companies through acquisition, reinsurance or other agreements, and ostensibly invested these assets in government securities through defendant Liberty National Securities, Inc. See id. It is further alleged that Frankel systematically drained these assets through various financial accounts and transferred them into accounts in and outside this country under his control and for his use. See id. The Indictment further alleges that Frankel then laundered these funds, purchasing untraceable assets and paying for the expenses of his operations in this country and elsewhere. See id.

43. Pursuant to the regulatory process of applicable state insurance laws governing the Insurance Companies, those companies were required to file periodic financial statements with the governing state regulatory agencies. Defendants Frankel, Thunor Trust and Liberty National Securities, Inc. provided fictitious statements indicating that the assets and funds of the Insurance Companies had been invested in U.S. Government securities, which in fact were never purchased. As a result of those activities and the other actions of defendants Frankel, Hackney, Atnip and the Defendant Entities set forth herein, the financial statements of the Insurance Companies filed with state insurance regulatory agencies in Mississippi, Tennessee, Oklahoma, Missouri, and Arkansas

were materially false and misrepresented the true assets and financial condition of the Insurance Companies. These false financial statements misled insurance regulators in the various states, thereby permitting Defendants, and others known and unknown to the Plaintiffs, to perpetuate their fraudulent scheme undetected.

44. In the aggregate, assets and funds, substantially in excess of \$200,000,000 were fraudulently and wrongfully diverted from the Insurance Companies to the defendants. As a result of the activities described above, the Insurance Companies were financially damaged and placed into receivership in their respective states of domicile, Tennessee, Mississippi, Missouri, Oklahoma, and Arkansas.

FIRST CLAIM

Violations of 18 U.S.C. § 1962(c)

45. Plaintiffs reallege paragraphs 1 through 44 as if set forth verbatim herein.

46. At all relevant times, the Insurance Companies each constituted an enterprise within the meaning of 18 U.S.C. § 1961(4). Furthermore, Defendants along with Sonia Howe Dix Schulte Radencovici, Peter Jacobs, Emilio Colagiovanni, Thomas Corbally, Fausto Fausti, Kaethe Schuchter, Thomas F. Quinn, Robert Guyer, Cynthia Allison, and other persons known and unknown, constitute an association-in-fact enterprise ("the Association") within the meaning of 18 U.S.C. § 1961(4).

47. The Insurance Companies and the Association are or were at all relevant times engaged in activities which affect interstate commerce.

48. Defendants each are "persons" within the meaning of 18 U.S.C. §§ 1961(3) and 1962(c) and each was associated with the Insurance Companies and/or the Association.

49. By the conduct alleged above, Defendants, and others known and unknown to Plaintiffs, violated 18 U.S.C. § 1962(c), in that they knowingly conducted the affairs, participated in the affairs, controlled the affairs, manipulated the affairs, or directed the affairs of the Insurance Companies, and the Association through a pattern of racketeering activity, to wit:

(a) by devising, implementing, and/or participating in a scheme with specific intent to defraud the Insurance Companies and misappropriate their assets;

(b) by devising, implementing, and/or participating in a scheme with specific intent to defraud the Insurance Companies and misappropriate their assets, by mailing or causing to be mailed through the U.S. Postal Service, false and fraudulent statements regarding the assets and investments of the Insurance Companies to insurance regulators and the general public with the intent to mislead and deceive the recipients of such material as to the financial strength and stability of the Insurance Companies;

(c) by conspiring, devising, implementing, and/or participating in a scheme with specific intent to defraud the Insurance Companies and misappropriate their assets, by purporting to cause insurance premiums and other fees, funds and assets of the Insurance Companies to be sent to and received to be held on account at certain financial institutions at which the Insurance Companies maintained accounts, when in truth and in fact the funds and assets were removed from such accounts and appropriated to the use of Defendants; and

(d) by conspiring, devising, implementing, and/or participating in a scheme with specific intent to defraud the Insurance Companies and misappropriate their assets, by causing insurance premiums, fees, funds and other assets of the Insurance Companies to be transferred, through the use of wire transfers, directly and/or indirectly, to bank accounts within and outside the United States

maintained by, and/or held in the names and aliases of Defendants, and other persons or entities known and unknown to plaintiffs.

50. The above-described pattern of racketeering activity was continuous over a period of years, beginning as early as 1990 and continuing until some time in 1999 when Defendants activities were exposed. The racketeering activities were related to each other by virtue of common participants, common victims, and the common purpose and common result of misappropriating the funds and assets of the Insurance Companies, all to the enrichment of Defendants and their associates. The pattern of racketeering activity engaged in by Defendants involved multiple, complex schemes carried out through numerous racketeering acts, examples of which are described herein, resulting in damage to the Insurance Companies.

51. In furtherance or execution of their scheme to defraud and pattern of racketeering activity, Defendants and other persons known and unknown used or caused to be used, on numerous occasions, the U.S. Postal Service, express mail service, and/or interstate wires and/or telephone lines, in violation of the federal mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343, to take actions including but not limited to the following:

- (a) mailing of insurance policies and premium notices to insureds of the Insurance Companies;

- (b) mailing and/or wiring false and fraudulent statements regarding the assets and investments of some or all of the Insurance Companies to insurance regulators and others;

- (c) mailing and/or wiring insurance premiums and other funds and fees belonging to the Insurance Companies to certain financial institutions at which the Insurance Companies maintained accounts; and

(d) transferring by mail and/or wire or causing to be so transferred insurance premiums, fees, funds and other assets of the Insurance Companies directly and/or indirectly to bank or other financial accounts within and outside the United States maintained by, controlled by, and/or held in the names or aliases of Defendants and other persons or entities known and unknown to Plaintiffs. By way of example only, those transfers include the following illegal wire transfers of funds from accounts held by the above-named insurance companies, to wit ("FANB" below refers to "First American National Bank"):

Date	Amount of Wire Transfer	Originating Account	Receiving Account
11/8/94	\$ 4,300,000	FAL acct. #1000143490 at FANB	Dreyfus NY acct. #7190791361199
1/30/95	\$ 1,888,000	IFS acct. #1001172693 at FANB	Dreyfus NY acct. #7190791361199
6/22/95	\$ 4,560,000	FPL acct. #1001172431 at FANB	Dreyfus NY acct. #2640791367121
8/2/95	\$ 2,360,000	FPL acct. #1001172431 at FANB	Dreyfus NY acct. #2640791367121
10/19/95	\$ 600,000	FGL acct. #1000858235 at FANB	Dreyfus NY acct. #2640791367121
3/7/96	\$ 2,000,000	IFS acct. #1001172693 at FANB	Dreyfus NY acct. #2640791367121
6/25/96	\$ 550,000	FGL acct. #1000858235 at FANB	Dreyfus NY acct. #2640791367121
8/12/96	\$ 350,000	FAL acct. #1000143490 at FANB	Dreyfus NY acct. #2640791367121
12/27/96	\$ 900,000	FPL acct. #1001172431 at FANB	Dreyfus NY acct. #2640791367121

8/5/97	\$ 500,000	FAL acct. #1000143490 at FANB	Dreyfus NY acct. #2640791367121
9/24/97	\$32,000,000	IFS acct. #1001172693 at FANB	Dreyfus NY acct. #7190791402712
12/9/97	\$14,600,000	IFS acct. #100057671 at 1st Tennessee	Dreyfus NY acct. #7190791402712
Date	Amount of Wire Transfer	Originating Account	Receiving Account
3/23/98	\$ 400,000	FGL acct. #100057692 at 1st Tennessee	Dreyfus NY acct. #7190791402712
11/6/98	\$ 7,287,504	1st National Bank of MD acct. #89487248	FNL 1st Tennessee acct. #100057727
1/13/99	\$69,000,000	FAL acct. #100057708 at 1st Tennessee	Dreyfus NY acct. #7190360111496
1/19/99	\$ 2,134,101	1st National Bank of MD acct. #89487248	FNL 1st Tennessee acct. #100057727
2/25/99	\$ 5,267,988	1st National Bank of MD acct. #89487248	FNL 1st Tennessee acct. #100057727
3/2/99	\$ 600,000	FGL acct. #100057692 at 1st Tennessee	Dreyfus NY acct. #7190360112270
4/6/99	\$ 5,280,000	OSL acct. #100279796 at 1st Tennessee	Dreyfus NY acct. #7190360115224
4/9/99	\$44,795,000	FNL acct. #100057727 at 1st Tennessee	Dreyfus NY acct. #7190791438435

(e) mailing and/or wiring insurance premiums, fees, funds and other assets of the Insurance Companies from bank accounts within and outside the United States maintained by, controlled by, and/or held in the names and aliases of Defendants and other persons or entities known and unknown to Plaintiffs. By way of example only, those transfers include the following illegal wire transfers

of funds to David Rosse from numbered Swiss bank accounts which had been funded with assets belonging to the Insurance Companies, to wit:

Date	Assets Transferred	Originating Bank
9/20/93	\$ 15,000 in traveler's checks (through U.S. Postal Service)	Banque SCS Alliance Geneva, Switzerland
10/7/93	\$30,000 in traveler's checks (through U.S. Postal Service)	Banque SCS Alliance Geneva, Switzerland
Date	Assets Transferred	Originating Bank
11/5/93	\$ 15,000 in traveler's checks (through U.S. Postal Service)	Banque SCS Alliance Geneva, Switzerland
11/18/96	\$ 50,000 in traveler's checks (through U.S. Postal Service)	Banque SCS Alliance Geneva, Switzerland
3/31/99	\$2,000,000 (wire transfer to Bank Leumi, Beverly Hills, California, for the account of Worldwide Diamonds)	Banque SCS Alliance Geneva, Switzerland

52. As a direct result of the violations of 18 U.S.C. § 1962(c) by defendants the Insurance Companies were financially damaged and placed into receivership in their respective States of Tennessee, Mississippi, Missouri, Oklahoma, and Arkansas. As a direct result of Defendants' violations of 18 U.S.C. § 1962, the Insurance Companies have been injured in their business and property in an amount not yet fully determined but believed to be no less than \$200,000,000, to the unjust and illegal benefit of Defendants.

53. Pursuant to 18 U.S.C. § 1964(c), Plaintiffs are entitled to recover for the benefit of their receivership estates their damages, trebled.

SECOND CLAIM

Violations of 18 U.S.C. § 1962(d)

54. Plaintiffs reallege paragraphs 1 through 53 as if set forth verbatim herein.

55. The Defendants were at all relevant times associated with the Insurance Companies and/or the Association.

56. Each Defendant conspired to participate in the enterprises' affairs through a pattern of racketeering activity, specifically: multiple acts of mail and wire fraud in violation of 18 U.S.C. s 1341 and 18 U.S.C. § 1343, in violation of 18 U.S.C. § 1962(c): all in violation of 18 U.S.C. § 1962(d).

57. Defendants each facilitated the illegal schemes described above, by devising, implementing, or participating in them.

58. By their conduct each of the Defendants agreed to participate in the affairs of the Insurance Companies and/or the Association through a pattern of racketeering activity.

59. The Insurance Companies were injured in their business and property by reason of this violation of 18 U.S.C. § 1962(d) and suffered damages in an amount not yet fully determined but believed to be no less than \$200,000,000.

60. Pursuant to 18 U.S.C. § 1964(c), Plaintiffs are entitled to recover for the benefit of their receivership estates their damages, trebled.

THIRD CLAIM

Common Law Fraud

61. Plaintiffs reallege paragraphs 1 through 60 as if set forth verbatim herein.

62. By the conduct alleged above, the affairs of the Insurance Companies were conducted, directed, manipulated and controlled by Defendants, and other persons known and unknown.

63. Defendants, and other persons known and unknown, devised and implemented a scheme to defraud the Insurance Companies by systematically misappropriating their funds and assets to Defendants' own personal use, in violation of the law of the States of Tennessee, Mississippi, Missouri, Oklahoma, and Arkansas.

64. As a proximate result of the conduct of Defendants and others known and unknown to Plaintiffs, the Insurance Companies were financially damaged and placed into receivership in the respective States of Tennessee, Mississippi, Missouri, Oklahoma, and Arkansas. As a proximate result of Defendants' conduct, Plaintiffs' respective receivership estates have been injured in their business and property in an amount not yet fully determined but believed to be no less than \$200,000,000, to the unjust and illegal benefit of Defendants. Plaintiffs are entitled to recover for the benefit of their receivership estates compensatory damages for those lost funds and assets, and for the costs and expenses incurred by Plaintiffs as Receivers of the Insurance Companies and by the Insurance Companies in receivership, together with pre-judgment interest on all funds fraudulently and wrongfully transferred from the accounts of or otherwise diverted from the Insurance Companies from the date of those transfers or diversions until entry of judgment herein, and punitive damages in and amount to be determined at trial.

FOURTH CLAIM

Conversion

65. Plaintiffs reallege paragraphs 1 through 64 as if set forth verbatim herein.

66. By the conduct alleged above, Defendants, and other persons known and unknown, engaged in the conversion of the property of the Insurance Companies by systematically

misappropriating funds and assets of the Insurance Companies for Defendants' own personal use, in violation of the law of the States of Tennessee, Mississippi, Missouri, Oklahoma, and Arkansas.

67. As a proximate result of the conduct of Defendants and others known and unknown to Plaintiffs, the Insurance Companies were financially damaged and placed into receivership in the respective States of Tennessee, Mississippi, Missouri, Oklahoma, and Arkansas. As a proximate result of Defendants' conduct, Plaintiffs' respective receivership estates have been injured in their business and property in an amount not yet fully determined but believed to be no less than \$200,000,000, to the unjust and illegal enrichment of Defendants. Plaintiffs are entitled to recover for the benefit of their receivership estates compensatory damages for those lost funds and assets, together with pre-judgment interest on all funds converted and wrongfully transferred from the accounts of or otherwise diverted from the Insurance Companies from the date of those transfers or diversions until entry of judgment herein, and punitive damages in an amount to be determined at trial.

FIFTH CLAIM

Breach of Fiduciary Duties Against Hackney and Atnip

68. Plaintiffs reallege paragraphs 1 through 67 as if set forth verbatim herein. Hackney and Atnip are the sole defendants in this claim.

69. Defendants, and other persons known and unknown, each owed fiduciary duties to the Insurance Companies.

70. By systematically misappropriating the funds and assets of the Insurance Companies to their own personal use in violation of the law of the States of Tennessee, Mississippi, Missouri,

Oklahoma, and Arkansas, Defendants, and other persons known and unknown, each breached those fiduciary duties owed to the Insurance Companies.

71. As a proximate result of the fiduciary breaches of Defendants and others known and unknown to Plaintiffs, the Insurance Companies were financially damaged and placed into receivership in the respective States of Tennessee, Mississippi, Missouri, Oklahoma, and Arkansas. As a proximate result of Defendants' conduct, Plaintiffs' respective receivership estates have been injured in their business and property in an amount not yet fully determined but believed to be no less than \$200,000,000, to the unjust and illegal benefit of Defendants. Plaintiffs are entitled to an accounting of the location, status and disposition of all funds transferred from the accounts of or otherwise diverted from the Insurance Companies; and Plaintiffs are entitled to recover for the benefit of their receivership estates compensatory damages for those lost funds and assets, together with pre-judgment interest on all funds transferred from the accounts of or otherwise diverted from the Insurance Companies in breach of Defendants' fiduciary duties, from the date of those transfers or diversions until entry of judgment herein, and punitive damages in and amount to be determined at trial.

SIXTH CLAIM

Common Law Negligence

72. Plaintiffs reallege paragraphs 1 through 71 as if set forth verbatim herein.

73. As a proximate result of the negligence of Defendants and others known and unknown to Plaintiffs, the Insurance Companies were financially damaged and placed into receivership in the respective States of Tennessee, Mississippi, Missouri, Oklahoma, and Arkansas. As a proximate result of Defendants' negligence, Plaintiffs' respective receivership estates have been

injured in their business and property to the unjust and illegal benefit of Defendants in an amount not yet fully determined but believed to be no less than \$200,000,000. Plaintiffs are entitled to recover for the benefit of their receivership estates compensatory damages for those lost funds and assets, together with pre-judgment interest on all funds wrongfully transferred from the accounts of or otherwise diverted from the Insurance Companies due to Defendants' negligence, from the date of those transfers or diversions until entry of judgment herein, and punitive damages in and amount to be determined at trial.

SEVENTH CLAIM

Constructive Trust

74. Plaintiffs re-allege paragraphs 1 through 73 as if set forth verbatim herein.

75. By the conduct alleged above, including fraud and breach of fiduciary duties, Defendants have obtained money and other personal and real property which does not equitably belong to them, but justly belongs to Plaintiffs. Plaintiffs are entitled to the imposition of a constructive trust on that money and other property in favor of Plaintiffs, and an order compelling Defendants and others to transfer and convey all such money and property, and title thereto, to Plaintiffs.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs do hereby pray for the following relief against Defendants, jointly and severally, as follows:

- (a) a trial by jury of appropriate number;
- (b) with regard to the violations of RICO as described in the First and Second Claims of this Complaint, Plaintiffs pray for compensatory damages from Defendants, jointly and severally, in an

amount to reasonably compensate plaintiffs for their loss and no less than \$200,000,000, all of which will be more precisely established by the proof in this action, together with treble damages, as provided by 18 U.S.C. § 1964(c);

(c) with regard to the common law fraud violations as described in the Third Claim of this Complaint, Plaintiffs pray for compensatory damages from Defendants, jointly and severally, in an amount to reasonably compensate the plaintiffs for their loss and no less than \$200,000,000, which will be more precisely established by the proof in this action, together with prejudgment interest, and punitive damages in an amount to be determined at trial;

(d) with regard to the acts of conversion as described in the Fourth Claim of this Complaint, Plaintiffs pray for compensatory damages from Defendants, jointly and severally, in an amount to reasonably compensate plaintiffs for their loss and no less than \$200,000,000, which will be more precisely established by the proof in this action, together with prejudgment interest, and punitive damages in an amount to be determined at trial;

(e) with regard to the breaches of fiduciary duties as described in the Fifth Claim of this Complaint, Plaintiffs pray (i) for the Court to direct Defendants to make an accounting of the location, status and disposition of all funds transferred from the accounts of or otherwise diverted from the Insurance Companies; and (ii) for an award of compensatory damages from Defendants, jointly and severally, an amount to reasonably compensate plaintiffs for their loss and no less than \$200,000,000, which will be more precisely established by the proof in this action, together with prejudgment interest, and punitive damages in an amount to be determined at trial;

(f) with regard to the acts of negligence as described in the Sixth Claim of this Complaint, Plaintiffs pray for compensatory damages from Defendants, jointly and severally, in an amount to

reasonably compensate plaintiffs for their loss and no less than \$200,000,000, which will be more precisely established by the proof in this action, together with prejudgment interest, and punitive damages in an amount to be determined at trial; and

(g) for the imposition of a constructive trust on money and property in favor of Plaintiffs, and an order compelling Defendants and others to transfer and convey that money and property to Plaintiffs.

THIS the 9th day of May, 2000.

Respectfully submitted,

GEORGE DALE, Commissioner of Insurance for
the State of Mississippi, in his official capacity as
Liquidator of **FRANKLIN PROTECTIVE LIFE
INSURANCE COMPANY, FAMILY
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and FIRST NATIONAL LIFE INSURANCE
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