

BEFORE THE OFFICE OF THE INSURANCE COMMISSIONER

FILED

2010 JUN 24 P 2:16

In the Matter of )

WILLIAM S. BENNETT, JR., )

Licensee )

Order No. 10-0053

Hearings Unit, DIC  
Patricia D. Petersen  
Chief Hearing Officer

OIC HEARING MEMORANDUM

FACTS

By Order Revoking License dated March 16, 2010, effective April 5, 2010, William S. Bennett, Jr. ("Mr. Bennett" or "the Licensee") was notified that his insurance producer license was to be revoked pursuant to RCW 48.17.530, subject to his right to demand a hearing (Exhibit 1). The Licensee requested a hearing on or about June 4, 2010 and this adjudicative proceeding ensued. Mr. Bennett has been licensed to sell life and disability insurance since 1989.

By email on January 11, 2010, the Washington Department of Financial Institutions ("DFI") advised the OIC that Mr. Bennett had been terminated by New York Life Securities after the firm found out that Mr. Bennett had been convicted upon a guilty plea of felony theft of government funds under 18 U.S.C. § 641 in United States District Court for the Western District of Washington on December 15, 2009 (Exhibit 2). This offense carries a maximum punishment of a fine, ten years imprisonment, or both. By Order dated March 16, 2010, DFI denied Mr. Bennett any future application for registration as a securities salesperson on the basis of his conviction (Exhibit 3). The conviction arose when, after his mother passed away in October 2006, Mr. Bennett failed to notify the Department of Veterans Administration ("V.A.") of her death, causing her monthly Dependency and Indemnification Compensation payments to continue to accrue in her bank account, to which Mr. Bennett had access as the administrator of her estate. Over time, Mr. Bennett converted \$46,494 of the V.A. payments to his own use. The payments eventually stopped in December 2009. On December 18, 2009, Mr. Bennett repaid the government \$50,444 upon acceptance of his guilty plea.

The Licensee has not been the subject of prior disciplinary action by the OIC. Although no consumer complaints have been made to the OIC in regard to Mr. Bennett, New York Life Securities informed the OIC that Mr. Bennett replaced a client's universal life policy in October 2009, causing the client to incur a \$3,000 surrender charge that was falsely stated as inapplicable on the replacement form in violation of WAC 284-23-440 (Exhibit 4). By letter dated January 25, 2010, OIC Investigator Tom Talarico asked Mr. Bennett to comment on the conviction and submit documentation of the conviction (Exhibit 5). By letter dated February 2, 2010, Mr. Bennett responded to Mr. Talarico (Exhibit 6). Mr. Bennett faxed a copy of the District Court Judgment to Mr. Talarico from his office on March 18, 2010 (Exhibit 7). As of that date, Mr. Bennett continued to participate in the business of insurance and presumably continues to do so according to his letter to Mr. Talarico. Mr. Bennett has not requested the Commissioner's written consent to participate in the business of insurance, nor has the Commissioner granted such consent. Therefore, he today remains a prohibited person under 18 U.S.C. §1033 and

ineligible to work in the insurance industry.

Mr. Bennett requested a hearing on the revocation of his license by letter dated May 20, 2010 (Exhibit 8).

## **ARGUMENT AND AUTHORITY**

### **I. Grounds for Revocation**

RCW 48.17.230(1)(b) authorizes the Commissioner to revoke an insurance producer's license for violating any insurance law or regulation. RCW 48.17.530(1)(f) authorizes the commissioner to revoke an insurance producer's license if he or she has been convicted of a felony. RCW 48.17.530(1)(h) also authorizes revocation for using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility.

### **II. Federal Prohibition**

18 United States Code § 1033(e)(2) provides that any person, having been convicted of a felony involving dishonesty or a breach of trust, may only participate in the business of insurance if he or she has the written consent of "any insurance regulatory official authorized to regulate the insurer," including agents and employees thereof. The written consent must specifically refer to 18 U.S.C. § 1033(e)(2). In Washington, the regulatory official authorized to grant such consent is the Insurance Commissioner. Without such consent, any such individual who willfully engages in the business of insurance may be fined or imprisoned not more than five years, or both. The statute contains no grandfather provisions for persons already transacting the business of insurance.

### **III. Argument**

The fact of the matter in this case is that, with or without a valid Washington producer license, Federal law prohibits Mr. Bennett from engaging in the business of insurance without the Commissioner's written consent. That consent has neither been requested by Mr. Bennett nor granted by the Commissioner. New York Life Securities had no choice but to terminate Mr. Bennett, since it would also be in violation of federal law under 18 U.S.C. § 1033(e)(1)(B) if it allowed Mr. Bennett to keep representing it. So, contrary to Mr. Bennett's contention that he could place his security license with another broker-dealer, it is unlikely that any firm would risk employing him without the written consent of the Commissioner, even if he still had his registration. Similarly, any insurer that would appoint or affiliate with Mr. Bennett without his having the written consent of the Commissioner would also be in violation, with or without his having a Washington producer license.

For over three years, Mr. Bennett knowingly and continuously converted monies from the federal government to which he knew he was not entitled. This was not an impulsive, one-time incident. Mr. Bennett admits in his letter to Mr. Talarico that he made numerous conscious decisions over the three year period that culminated in his conviction. He repeatedly refers to his

thefts as a series of "mistake[s]" and attributes his failure to inform the V.A. to being "curious" as to how long he could get away with it. He also admits that he was facing health and financial problems that were assuaged considerably by the V.A. funds. While it is unfortunate that Mr. Bennett had to endure these problems, they are no excuse for a three-year pattern of criminality.

Mr. Bennett presumably will submit several letters from character witnesses attesting to his honesty, character, and integrity. Like Mr. Bennett himself does, the authors of these letters seek to minimize Mr. Bennett's criminal conduct by euphemistically alluding to "errors," "mishandling" of funds, more "mistakes," and the conclusion that "Bill fell victim" to "personal challenges" precipitating these criminal acts. Because Mr. Bennett just stole from the government, and not a client or a stranger in a dark alley, perhaps his theft does not resonate with his friends as the crime it truly is. But a three-year criminal enterprise it certainly was. And nowhere does Mr. Bennett show any efforts made by him during his health problems to get the financial help he needed in a legitimate way or explain why he didn't do so. And why not—he had his deceased mother's V.A. money. He may have incorrectly thought the government would do nothing more than demand repayment when the crime spree came to an end. That would have been a mistake.

Every month for over three years, Mr. Bennett was reminded that he was stealing money when the V.A. check was deposited into his mother's bank account. And every month, he made the conscious decision to keep the money rather than pick up the phone and make a short call to the V.A. Not only was each monthly theft a felony in itself, but the entire three-year episode was the epitome of dishonesty and breach of trust. For the above-stated reasons, the OIC urges the Administrative Law Judge to uphold the revocation of Mr. Bennett's producer license.

### III. Exhibits to be Presented

- Exhibit 1 Order Revoking License dated March 16, 2010 (4 pgs.)
- Exhibit 2 Email and CRD Report from Washington DFI dated January 11, 2010 (12 pgs.)
- Exhibit 3 DFI Order Denying Future Securities Salesperson Registration dated February 8, 2010 (8 pgs.)
- Exhibit 4 Email and attachments from New York Life dated February 19, 2010 (13 pgs.)
- Exhibit 5 Letter from Tom Talarico to Mr. Bennett dated January 25, 2010 (1 pg.)
- Exhibit 6 Letter to Tom Talarico from Mr. Bennett dated February 2, 2010 (2 pgs.)
- Exhibit 7 United States District Court Judgment dated March 8, 2010 (6 pgs.)
- Exhibit 8 Letter from Mr. Bennett to J. Hamje demanding a hearing dated May 20, 2010 (3 pgs.)

Respectfully Submitted this 24<sup>th</sup> day of June, 2010.

Marcia G. Stickler  
Legal Affairs Division  
Office of the Insurance Commissioner  
(360) 725-7048  
MarciaS@oic.wa.gov



ORDER REVOKING LICENSE

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The Licensee converted a total amount of \$46,494 from the funds deposited by the VA into his mother's account to his own personal use. The Licensee repaid the VA \$50,444 prior to the conviction.

As a result of his conviction, the Licensee's affiliation with NYLIFE Securities, LLC was terminated, effective March 1, 2010. But prior to being terminated, he arranged for a client to whom he had sold a New York Life Insurance and Annuity Corporation universal life insurance policy in 1995 to replace that policy with a John Hancock Life Insurance Company universal life policy. On the "Important Notice Regarding Replacement of Life Insurance - Washington" form given to the client as required by WAC 284-23-440, dated September 29, 2009, the Licensee falsely represented to the client that he would incur no surrender charge. The Licensee knew that there was a surrender charge in the New York Life policy for the first fifteen years, and the client thereafter paid a \$3,000 surrender charge by New York Life upon replacement of his policy.

RCW 48.17.530 provides that the Commissioner may suspend, revoke, or refuse to issue any license if the licensee has been convicted of a felony, has violated any insurance law or rule, or has used fraudulent or dishonest practices.

**IT IS FURTHER ORDERED** that you return your insurance producer's license certificate to the Commissioner no later than three days following entry of this Order, as required by RCW 48.17.530(4).

**NOTICE CONCERNING YOUR RIGHT TO A HEARING.** Please note that a detailed summary of your right to contest this Order is attached. Briefly, if you are aggrieved by this Order, RCW 48.04.010 permits you to demand a hearing. Pursuant to that statute and others: You must demand a hearing, in writing, within 90 days after the date of this Order, which is the day it was mailed to you, or you will waive your right to a hearing. Your demand for a hearing must specify briefly the reasons why you think this Order should be changed. If your demand for a hearing is received by the Commissioner before the effective date of the suspension, then the suspension will be stayed (postponed) pending the hearing, pursuant to RCW 48.04.020. Upon receipt of your demand for hearing, you will be contacted by an assistant of the Chief Hearing Officer to schedule a teleconference with you and the Insurance Commissioner's Office to discuss the hearing and the procedures to be followed.

Please send any demand for hearing to Insurance Commissioner, attention John Hamje, Deputy Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257.

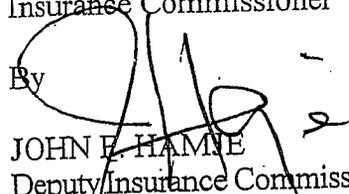
EXHIBIT 1 PAGE 2

ORDER REVOKING LICENSE  
No. 10 - 0053  
Page 3

ENTERED AT TUMWATER, WASHINGTON, this 16<sup>th</sup> day of March, 2010.

MIKE KREIDLER  
Insurance Commissioner

By

  
JOHN E. HAMME  
Deputy Insurance Commissioner  
Consumer Protection Division

cc: Thomas Talarico, Investigator

**DECLARATION OF MAILING**

I certify under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to *William S. Bennett, Jr.*

Dated: March 16, 2010  
At Tumwater, Washington

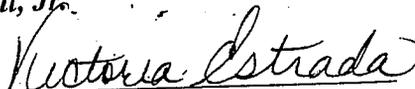
  
Victoria Estrada

EXHIBIT 1 PAGE 3

## NOTICE OF YOUR RIGHT TO A HEARING

You have the right to demand a hearing to contest this Order. During this hearing, you can present your argument that the Order should not have been entered for legal and/or factual reasons and/or to explain the circumstances surrounding the activities which are the subject of this Order. You may be represented by an attorney if you wish, although in some hearings before this agency parties do choose to represent themselves without an attorney.

Your Demand for Hearing should be sent to John F. Hamje, Deputy Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257, and must briefly state how you are harmed by this Order and why you disagree with it. You will then be notified both by telephone and in writing of the time and place of your hearing. If you have questions concerning filing a Demand for Hearing or the hearing process, please telephone the Hearings Unit, Office of the Insurance Commissioner, at 360/725-7002.

Your Demand for Hearing must be made within 90 days after the date of this Order, which is the date of mailing, or your Demand will be invalid and this Order will stand. If your Demand for Hearing is received before the effective date of this Order, the penalties contained in the Order will be stayed (postponed) until after your hearing.

It is important to know that if you demand a hearing, you will have two options for how it will be handled:

Option 1: Unless you specifically request Option 2, your hearing will be presided over by an administrative law judge from the Office of the Insurance Commissioner. Under this option, upon receipt of your Demand for Hearing, the Insurance Commissioner may refer the case to an administrative law judge. The administrative law judge is an individual who has not had any involvement with this case. The administrative law judge will hear and make the final decision in the case without any communication, input or review by the Insurance Commissioner or staff or any other individual who has knowledge of the case. This administrative law judge's final decision may uphold or reverse the Commissioner's action or may instead impose any penalties which are less than those contained in the Order.

Option 2: If you elect, your hearing will be presided over by an administrative law judge from the Office of Administrative Hearings. That administrative law judge will issue an initial or recommended decision which will then be sent to the Insurance Commissioner. The Insurance Commissioner, or his designee, will review the initial decision and make the final decision. The Insurance Commissioner's final decision in the case may uphold, reverse or modify the initial decision, thereby changing the penalty which is recommended in the initial decision. In writing the final decision, the Insurance Commissioner is not bound by the findings of facts or conclusions of law which were made in the initial decision.

**Talarico, Tom (OIC)**

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**From:** Shannon, Nelda (DFI)  
**Sent:** Monday, January 11, 2010 12:33 PM  
**To:** Jones, Joanne (DFI)  
**Cc:** Talarico, Tom (OIC)  
**Subject:** William S. Bennett, Jr. (CRD No. 2290482) (OIC No. believed to be 67550).  
**Attachments:** Bennett, William S.pdf; 18 USC 641.pdf

Information on this individual is being furnished to you to evaluate whether action on his securities-license and/or insurance license is warranted.

I am attaching a CRD report on this individual. He was terminated by NY Life Securities Inc. after the firm found out he recently pled guilty to felony theft of federal government funds (18 USC 641-attached).

It would appear that action might be taken on his securities license pursuant to RCW 21.20.110(1)(c)--moral turpitude, and on his insurance license pursuant to RCW 48.17.530(1)(f)--conviction of a felony.

Nelda Shannon  
State of Washington  
Dept. of Financial Institutions, Securities Division  
PO Box 9033, Olympia, WA 98507-9033  
Phone: 360-902-8746  
Fax: 360-704-6968  
E-mail: [nshannon@dfi.wa.gov](mailto:nshannon@dfi.wa.gov)  
Web: [www.dfi.wa.gov/sd](http://www.dfi.wa.gov/sd)

*DFI does not provide legal or financial advice and does not recommend or endorse any person, product, or institution*

EXHIBIT 2 PAGE 1

## Notice

**CRD® or IARD(SM) Information:** This report contains information from the CRD (Central Registration Depository) system, or the IARD system (Investment Advisers Registration Depository), which are operated by FINRA, a national securities association registered under the Securities Exchange Act of 1934. The CRD system primarily contains information submitted on uniform broker-dealer and agent registration forms and certain other information related to registration and licensing. The IARD system primarily contains information submitted on uniform investment adviser and agent registration forms and certain other information related to registration and licensing. The information on Uniform Forms filed with the CRD or IARD is deemed to have been filed with each regulator with which the applicant seeks to be registered or licensed and shall be the joint property of the applicant and such regulators. The compilation constituting the CRD database as a whole is the property of FINRA. Neither FINRA nor a participating regulator warrants or guarantees the accuracy or the completeness of the CRD or IARD information. CRD information consists of reportable and non-reportable information.

FINRA operates the CRD system in its capacity as a registered national securities association and pursuant to an agreement with the North American Securities Administrators Association, Inc. (NASAA).

FINRA operates the IARD system as a vendor pursuant to a contract with the Securities and Exchange Commission and undertakings with NASAA and participating state regulators.

**Reportable Information:** Information that is required to be reported on the current version of the uniform registration forms.

**Non-Reportable Information:** Information that is not currently reportable on a uniform registration form. Information typically is not reportable because it is out-of-date; it was reported in error; or some change occurred either in the disposition of the underlying event after it was reported or in the question on the form that elicited the information. Although not currently reportable, this information was once reported on a uniform form and, consequently, may have become a state record. Users of this information should recognize that filers have no obligation to update non-reportable data; accordingly, it may not reflect changes that have occurred since it was reported.

Details for Request#: 6950332  
Report: Snapshot - Individual  
Requested By: NJS

<u>Parameter Name</u>	<u>Value</u>
Request by CRD # or SSN:	CRD #
Individual CRD # or SSN	2290482
Include Personal Information?	Yes
Include All Registrations with Employments:	Both Current and Previous Employments
Include All Registrations for Current and/or Previous Employments with:	All Regulators
Include Professional Designations?	Yes
Include Employment History?	Yes
Include Other Business	Yes
Include Exam Information?	Yes
Include Continuing Education Information? (CRD Only)	No
Include Filing History? (CRD Only)	Yes
Include Current Reportable Disclosure Information?	Yes
Include Regulator Archive and Z Record Information? (CRD Only)	Yes

EXHIBIT 2 PAGE 3

Individual 2290482 - BENNETT JR, WILLIAM STEWART

Administrative Information  
 Composite Information

Full Legal Name BENNETT JR, WILLIAM STEWART  
 Year of Birth 1953  
 State of Residence WA  
 Active Employments <<No Current Active Employments found for this Individual.>>  
 Reportable Disclosures? Yes  
 Statutory Disqualification? BLNK  
 Registered With Multiple Firms? No  
 Material Difference in Disclosure? No

Personal Information

Individual CRD# 2290482  
 Other Names Known By BENNETT, BILL  
 Year of Birth 1953

Registrations with Current Employer(s)

<<No Registrations with Current Employer(s) found for this Individual.>>

Registrations with Previous Employer(s)

From 11/16/1986 To 01/05/2010 NYLIFE SECURITIES LLC(5167)

Reason for Termination Discharged

Termination Comment

MR. BENNETT WAS TERMINATED AFTER THE FIRM BECAME AWARE THAT HE HAD BEEN CHARGED WITH AND PLED GUILTY TO ONE COUNT OF FELONY THEFT OF GOVERNMENT FUNDS (US CODE 18:641). THE CRIMINAL CHARGE IS NOT IN ANYWAY RELATED TO NYLIFE SECURITIES LLC OR ANY OF OUR CLIENTS.

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AZ	AG	12/31/2004	TERMED	10/25/2002
AZ	AG	12/31/1998	TERMED	01/04/1996
CA	AG	01/08/2010	TERMED	02/10/2006
CO	AG	12/31/2007	TERMED	08/24/1998
FINRA	DR	01/08/2010	TERMED	06/27/1994
FINRA	IR	01/08/2010	TERMED	12/06/1993
ID	AG	12/31/2008	TERMED	04/21/2003
ID	AG	12/31/2001	TERMED	07/02/2001
ID	AG	12/31/1996	TERMED	04/20/1995
NV	AG	01/26/2000	TERMED	11/29/1995
OH	AG	12/31/2007	TERMED	02/23/2005
OR	AG	12/31/2003	TERMED	10/16/2000
OR	AG	12/31/2004	TERMED	01/23/2003
TX	AG	01/26/2000	TERMED	02/24/1999
TX	AG	01/08/2010	TERMED	01/25/1994
UT	AG			

Individual 2290482 - BENNETT JR, WILLIAM STEWART

Administrative Information

Registrations with Previous Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
WA	AG	01/08/2010	TERMED	12/06/1993

From 04/24/2007 To 11/06/2008 EAGLE STRATEGIES LLC(110826)

Reason for Termination Voluntary

Termination Comment

Regulator	Registration Category	Status Date	Registration Status	Approval Date
WA	RA	11/10/2008	TERMED	04/24/2007

From 10/06/1992 To 05/21/1993 NYLIFE SECURITIES INC.(5167)

Reason for Termination Other

Termination Comment PURGED REGISTRATION

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	IR	05/17/1993	PURGED	
WA	AG	05/17/1993	PURGED	

Individual 2290482 - BENNETT JR, WILLIAM STEWART

Administrative Information  
 Professional Designations

Designation	Designating Authority	First Filing to Include Current Designation	Most Recent Filing to Include Current Designation
Chartered Financial Consultant (ChFC)	The American College	U4 AMENDMENT 04/24/2007 NYLIFE SECURITIES LLC(5167)	U4 AMENDMENT 12/05/2009 NYLIFE SECURITIES LLC(5167)

Employment History

From	To	Name	Location	Position	Investment Related
01/2009	Present	BENNETT FINANCIAL GROUP	BELLEVUE, WA, USA	AGENT	Yes
10/1992	Present	NYLIFE SECURITIES INC.	BELLEVUE, WA	REGISTERED REPRESENTATIVE	Yes
09/1989	Present	NEW YORK LIFE INS CO	SEATTLE, WA	AGENT - Agent	No

Office of Employment History

From 11/1986 To 01/2010  
 Name NYLIFE SECURITIES LLC(5167)

Independent Contractor Yes

Office of Employment Address

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
379954		S51	Yes	No	09/04/2008	01/05/2010	Located At
101160		S51	Yes	No	09/01/1995	09/04/2008	Located At
		S51	No	No	11/16/1986	06/29/2006	Located At

CRD® or IARD(SM) System Report -- See notice regarding CRD Data on cover page.

Individual 2290482 - BENNETT JR, WILLIAM STEWART

**Administrative Information**

**Office of Employment History**

From 04/2007 To 11/2008

Name EAGLE STRATEGIES LLC(110826)

Independent Contractor Yes

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office	
		S51	No	No	09/04/2008	11/06/2008	Located At	
Address	914 140TH NE BELLEVUE, WA 98005 UNITED STATES		S51	No	No	04/24/2007	09/04/2008	Located At
Address	11400 S.E. 8TH ST., SUITE 300 BELLEVUE, WA 98004 UNITED STATES							

From 10/1992 To 05/1993

Name NYLIFE SECURITIES INC.(5167)

Independent Contractor No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
		12	No	No	10/06/1992	05/21/1993	Located At
Address	2100 CENTURY SQ 1501 4TH AVE SEATTLE, WA 98101						

**Other Business**

INSURANCE BROKER  
 BROKERING INSURANCE WITH VARIOUS OUTSIDE INSURANCE COMPANIES  
 EARNING COMMISSIONS  
 2-4 HOURS MONTH  
 DBA BENNETT FINANCIAL GROUP  
 INSURANCE AGENT  
 EARNING COMMISSIONS  
 20-30 HOURS/WEEK

**Examination Information**

Exam	Status	Status Date	Exam Date	Grade	Score	Window Dates
S6	OFFICIAL_RESULT	12/03/1993	12/03/1993	PASSED	84	-
S6	EXPIRED	02/15/1993			0	-
S22	OFFICIAL_RESULT	06/24/1994	06/24/1994	PASSED	84	-
S63	OFFICIAL_RESULT	11/30/1993	11/30/1993	PASSED	90	-
S63	EXPIRED	01/15/1993			0	-

Individual 2290482 - BENNETT JR, WILLIAM STEWART

Administrative Information

Filing History

Filing Date	Form Type	Filing type	Source
01/08/2010	U5	Full termination	NYLIFE SECURITIES LLC (5167)
12/05/2009	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
10/06/2009	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
06/03/2009	U4	WILLFUL - REG ACTION QUESTIONS	NYLIFE SECURITIES LLC (5167)
04/22/2009	BR	Amendment filing	NYLIFE SECURITIES LLC (5167)
01/13/2009	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
12/04/2008	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
11/25/2008	U5	Partial termination	NYLIFE SECURITIES LLC (5167)
11/10/2008	U5	Full termination	EAGLE STRATEGIES LLC (110826)
09/04/2008	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
09/04/2008	BR	Initial filing	NYLIFE SECURITIES LLC (5167)
05/14/2008	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
11/28/2007	U5	Partial termination	NYLIFE SECURITIES LLC (5167)
08/20/2007	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
04/24/2007	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
02/16/2007	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
06/29/2006	U4	Individual-Branch Link	NYLIFE SECURITIES LLC (5167)
02/10/2006	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
02/23/2005	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
12/01/2004	U5	Partial termination	NYLIFE SECURITIES LLC (5167)
12/15/2003	U5	Partial termination	NYLIFE SECURITIES LLC (5167)
04/21/2003	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
01/23/2003	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
10/25/2002	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
12/21/2001	U5	Partial termination	NYLIFE SECURITIES LLC (5167)
07/02/2001	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
10/16/2000	U4	Amendment filing	NYLIFE SECURITIES LLC (5167)
01/26/2000	U5	Partial termination	NYLIFE SECURITIES LLC (5167)
07/05/1999	U5	Conversion Filing	NYLIFE SECURITIES LLC (5167)
07/05/1999	U4	Conversion Filing	NYLIFE SECURITIES LLC (5167)
07/05/1999	U5	Conversion Filing	NYLIFE SECURITIES LLC (5167)
07/05/1999	U4	Conversion Filing	NYLIFE SECURITIES LLC (5167)

Individual 2290482 - BENNETT JR, WILLIAM STEWART

Reportable Events

Number of Reportable Events

Bankruptcy	0
Bond	0
Civil Judicial	0
Criminal	1
Customer Complaint	0
Internal Review	0
Investigation	0
Judgment/Lien	1
Regulatory Action	0
Termination	1

Occurrence# 1401846  
 FINRA Public Disclosable Yes  
 Material Difference in Disclosure No

Disclosure Type Judgment/Lien  
 Reportable Yes

Filing ID 23115061  
 Filing Date 05/14/2008  
 Source 5167 - NYLIFE SECURITIES LLC  
 Disclosure Questions Answered 14M

Form (Form Version) U4 (10/2005)

Judgment/Lien DRP

DRP Version 10/2005

1. Judgment/Lien amount: \$1,059.41
2. Judgment/Lien holder: PROFESSIONAL COLLECTION AGENCIES INTERNATIONAL, INC
3. Judgment/Lien type: Civil
4. Date filed/Explanation: 04/16/2008  
DATE COMPANY WAS NOTIFIED.
5. Outstanding: Yes

Status date/Explanation:

Resolution:

6. Court Name, location and Docket/Case#: IN THE EAST DIVISION, ISSAQUAH COURTHOUSE DISTRICT COURT, KING COUNTY, WA, CASE NUMBER = 7315549.

7. Comment:

Occurrence# 1491168  
 FINRA Public Disclosable Yes  
 Material Difference in Disclosure No

Disclosure Type Criminal  
 Reportable Yes

Filing ID 27348422  
 Filing Date 01/08/2010  
 Source 5167 - NYLIFE SECURITIES LLC  
 Disclosure Questions Answered 7C(1),7C(2)

Form (Form Version) U5 (05/2009)

Individual 2290482 - BENNETT JR, WILLIAM STEWART

Reportable Events  
 Criminal DRP

DRP Version 05/2009

1. Formal action was brought in: Federal Court
  - A. Name of court: UNITED STATES DISTRICT COURT WESTERN DISTRICT OF WASHINGTON
  - B. Location of court: SEATTLE, WA
  - C. Docket/Case#: CR09-423
2. Event status:
  - A. Current status: Final
  - B. Event status date/Explanation: 12/15/2009
3. Event and disposition disclosure detail:
  - A. Date first charged/Explanation: 12/11/2009
  - B. Event and disposition detail:
 

Formal charge description:	THEFT OF GOVERNMENT FUNDS IN VIOLATION OF TITLE 18 UNITED STATES CODE, SECTION 641
No. of Counts:	1
Felony or misdemeanor:	Felony
Plea for each charge:	GUILTY
Disposition of charge:	Pled guilty
Explanation:	
Date of amended charge:	
Amended charge:	
No. of Counts:	
Amended felony or misdemeanor:	
Pleas for amended charge:	
Disposition of amended charge:	
Explanation:	
  - C. Date of disposition/Explanation: 12/15/2009
  - D. Sentence/Penalty details: SENTENCING IS SCHEDULED FOR MARCH 8, 2010. BENNETT PAID RESTITUTION OF \$50,444.00 ON DECEMBER 18, 2009. PENALTIES FOR THIS OFFENSE INCLUDE UP TO 10 YEARS IMPRISONMENT, A FINE UP TO \$250,000, A PERIOD OF SUPERVISION OF UP TO 3 YEARS AFTER RELEASE FROM PRISON.

4. Comment:

Occurrence#	1491169	Disclosure Type	Termination
FINRA Public Disclosable	Yes	Reportable	Yes
Material Difference in Disclosure	No		
Filing ID	27348422	Form (Form Version)	U5 (05/2009)
Filing Date	01/08/2010		

CRD® or IARD(SM) System Report -- See notice regarding CRD Data on cover page.

EXHIBIT 2 PAGE 10

Individual 2290482 - BENNETT JR, WILLIAM STEWART

Reportable Events

Source 5167 - NYLIFE SECURITIES LLC  
Disclosure Questions Answered 7F(1),7F(2)

Termination DRP

DRP Version 05/2009

1. Firm name: NYLIFE SECURITIES LLC
2. Termination type: Discharged
3. Date filed/Explanation: 01/05/2010
4. Allegation(s): MR. BENNETT WAS CHARGED WITH AND PLED GUILTY TO ONE COUNT OF FELONY THEFT OF GOVERNMENT FUNDS (US CODE 18:641). THE CHARGE STEMS FROM BENNETT'S UNLAWFUL RECEIPT AND USE OF VETERAN AFFAIRS BENEFIT PAYMENTS. THE MATTER IS NOT IN ANYWAY RELATED TO NYLIFE SECURITIES LLC OR ANY OF OUR CLIENTS.
5. Product type(s): No Product
6. Comment:

Regulator Archive and Z Records

Occurrence#	1478648	Disclosure Type	Judgment/Lien
FINRA Public Disclosable	No	Reportable	No
Material Difference in Disclosure	No		
Filing ID	27102543	Form (Form Version)	U4 (05/2009)
Filing Date	12/05/2009		
Source	5167 - NYLIFE SECURITIES LLC		
Disclosure Questions Answered	14M		

Judgment/Lien DRP

DRP Version 05/2009

1. Judgment/Lien Amount: \$512.77
2. Judgment/Lien holder: US TREASURY INTERNAL REVENUE SERVICE
3. Judgment/Lien type: Tax
4. Date filed/Explanation: 09/10/2009  
DATE NOTICE RECEIVED BY COMPANY
5. Court: Other: US TRÉASURY INTERNAL REVENUE SERVICE  
A. Name of court: US TREASURY INTERNAL REVENUE SERVICE  
B. Location of court: CINCINNATI, OHIO  
C. Docket/Case#: 539526482
6. Outstanding: No
7. Not outstanding:  
A. Disposition date/Explanation: 11/24/2009  
DATE NOTICVE RECEIVED BY THE COMPANY  
B. Resolution: Released

CRD® or IARD(SM) System Report -- See notice regarding CRD Data on cover page.

CRD® or IARD(SM) System      Current As Of: 01/10/2010  
Snapshot - Individual  
CRD® or IARD(SM) System Report provided to: Washington  
Request Submitted: 1/11/2010 3:16:01 PM

Page 11 of 11

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Individual    2290482 - BENNETT JR, WILLIAM STEWART  
Regulator Archive and Z Records

Judgment/Lien DRP

DRP Version    05/2009

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8. Comment:                      TAX-YEAR 2005

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CRD® or IARD(SM) System Report -- See notice regarding CRD Data on cover page.

EXHIBIT 2 PAGE 12

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF DETERMINING  
whether there has been a violation  
of the Securities Act of Washington by:

William S. Bennett, Jr.

Respondent.

Order Number S-10-032-10-FO01

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL  
ORDER TO DENY FUTURE SECURITIES  
SALESPERSON REGISTRATION

THE STATE OF WASHINGTON TO: William S. Bennett, Jr. (CRD #2290482)

On February 8, 2010, the Securities Administrator of the State of Washington issued a Statement of Charges and Notice of Intent to Deny Future Securities Salesperson Registration S-10-032-10-SC01, hereinafter referred to as "Statement of Charges," against Respondent William S. Bennett, Jr.

The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing," and an Application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing," was served on William S. Bennett, Jr. on February 12, 2010.

The Notice of Opportunity for Hearing advised William S. Bennett, Jr. that he had twenty days from the date he received the notice to file a written application for an adjudicative hearing on the Statement of Charges. William S. Bennett, Jr. failed to request an adjudicative hearing within twenty days of his receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF  
LAW AND FINAL ORDER TO DENY FUTURE SECURITIES  
SALESPERSON REGISTRATION

1

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

EXHIBIT 3 PAGE 1

1 The Securities Administrator therefore adopts as final the Tentative Findings of Fact and  
2 Conclusions of Law as set forth in the Statement of Charges and enters a final order against William  
3 S. Bennett, Jr. to deny William S. Bennett Jr.'s future securities salesperson registration. The  
4 Securities Administrator finds as follows:

5 **FINDINGS OF FACT**

6 **I. Respondents**

7 1. William S. Bennett, Jr. (Bennett) is an individual residing in the State of Washington.  
8 Bennett was registered with the Securities Division as a securities salesperson for NYLife Securities, Inc.  
9 from October of 1992 to January of 2010. In January of 2010, Bennett's employment with NYLife  
10 Securities was terminated. Bennett is not currently registered as a securities salesperson with the  
11 Securities Division. While registered, Bennett's securities salesperson license was CRD # 2290482.

12 **II. Nature of the Conduct**

13 2. Bennett's mother, Lila S. Bennett, received benefit payments from the United States  
14 Department of Veterans Affairs ("VA") as the surviving spouse of a deceased veteran.

15 3. On August 7, 2006, Ms. Bennett died. Ms. Bennett's eligibility for VA benefits terminated  
16 upon her death.

17 4. After Ms. Bennett's death, the VA continued to make benefit payments by depositing funds  
18 in Ms. Bennett's Bank of America account.

19 5. Bennett was aware of his mother's death at the time she died. Bennett also knew that his  
20 family's eligibility for VA benefit payments terminated upon Bennett's mother's death.

21 6. After his mother's death, Bennett routinely transferred VA benefit payments that had been  
22 deposited into his mother's account to his personal bank account for his own use. In total, Bennett

1 transferred \$46,494 in VA benefit payments to his personal account before he was contacted by law  
2 enforcement.

3 7. Bennett spent these funds on personal expenditures despite knowing that he was not entitled  
4 to the funds.

5 8. Bennett pled guilty to one felony count of theft of government funds in violation of 18  
6 U.S.C. § 641 on December 15, 2009.

7 9. Bennett paid restitution of \$50,444 on December 18, 2009.

### 8 CONCLUSIONS OF LAW

9 Based upon the above Findings of Fact, the following Conclusions of Law are made:

10 1. Bennett, by pleading guilty to a felony count of theft of government funds in violation of 18  
11 U.S.C. § 64, has been convicted within the past ten years of a felony involving moral turpitude, which is a  
12 ground, pursuant to RCW 21.20.110(1)(c), for denial of any future securities salesperson registration  
13 application Bennett might file with the Securities Division.

### 14 FINAL ORDER

15 IT IS HEREBY ORDERED that William S. Bennett Jr.'s future securities salesperson  
16 registration be denied.

### 17 AUTHORITY AND PROCEDURE

18 This Order is entered pursuant to the provisions of RCW 21.20.110(1), and is subject to the  
19 provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to petition the  
20 superior court for judicial review of this agency action under the provisions of chapter 34.05 RCW. For the  
21 requirements for filing a Petition for Judicial Review, see RCW 34.050.510 and sections following.

22 Pursuant to RCW 21.20.395, a certified copy of this order may be filed in Superior Court.

23 ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF  
LAW AND FINAL ORDER TO DENY FUTURE SECURITIES  
24 SALESPERSON REGISTRATION

3

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

25 EXHIBIT

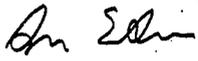
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**WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

DATED AND ENTERED this 16<sup>th</sup> day of March, 2010.

Approved by:



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SUZANNE SARASON  
Chief of Enforcement

Presented by:



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Edward R. Thunen  
Financial Legal Examiner

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF  
LAW AND FINAL ORDER TO DENY FUTURE SECURITIES  
SALESPERSON REGISTRATION

4

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

EXHIBIT 3 PAGE 4

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF DETERMINING  
whether there has been a violation of the  
Securities Act of Washington by:

William S. Bennett, Jr.

Respondent.

Order Number S-10-032-10-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO DENY FUTURE  
SECURITIES SALESPERSON  
REGISTRATION

THE STATE OF WASHINGTON TO: William S. Bennett, Jr.

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondent, William S. Bennett, Jr. has violated the Securities Act of Washington. The Securities Administrator believes those violations justify the suspension of William S. Bennett, Jr.'s future securities salesperson registration pursuant to RCW 21.20.110(1). The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

I. Respondent

1. William S. Bennett, Jr. (Bennett) is an individual residing in the State of Washington. Bennett was registered with the Securities Division as a securities salesperson for NYLife Securities, Inc. from October of 1992 to January of 2010. In January of 2010, Bennett's employment with NYLife Securities was terminated. Bennett is not currently registered as a securities salesperson with the Securities Division. While registered, Bennett's securities salesperson license was CRD # 2290482.

STATEMENT OF CHARGES AND NOTICE OF INTENT TO  
DENY FUTURE SECURITIES SALESPERSON  
REGISTRATION

1

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

EXHIBIT

3

PAGE

5

II. Nature of the Conduct

2. Bennett's mother, Lila S. Bennett, received benefit payments from the United States Department of Veterans Affairs ("VA") as the surviving spouse of a deceased veteran.

3. On August 7, 2006, Ms. Bennett died. Ms. Bennett's eligibility for VA benefits terminated upon her death.

4. After Ms. Bennett's death, the VA continued to make benefit payments by depositing funds in Ms. Bennett's Bank of America account.

5. Bennett was aware of his mother's death at the time she died. Bennett also knew that his family's eligibility for VA benefit payments terminated upon Bennett's mother's death.

6. After his mother's death, Bennett routinely transferred VA benefit payments that had been deposited into his mother's account to his personal bank account for his own use. In total, Bennett transferred \$46,494 in VA benefit payments to his personal account before he was contacted by law enforcement.

7. Bennett spent these funds on personal expenditures despite knowing that he was not entitled to the funds.

8. Bennett pled guilty to one felony count of theft of government funds in violation of 18 U.S.C. § 641 on December 15, 2009.

9. Bennett paid restitution of \$50,444 on December 18, 2009.

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**CONCLUSIONS OF LAW**

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

1. Bennett, by pleading guilty to a felony count of theft of government funds in violation of 18 U.S.C. § 64, has been convicted within the past ten years of a felony involving moral turpitude, which is a ground, pursuant to RCW 21.20.110(1)(c), for denial of any future securities salesperson registration application Bennett might file with the Securities Division.

**NOTICE OF INTENT TO DENY FUTURE REGISTRATION**

Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the future securities salesperson registration of the Respondent be denied.

**AUTHORITY AND PROCEDURE**

This Order is entered pursuant to the provisions of RCW 21.20.110 and RCW 21.20.390, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. The Respondent may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If the Respondent does not request a hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of Fact and Conclusions of Law as final, and enter a permanent order against that Respondent denying the

Respondent's future securities salesperson registration.  
STATEMENT OF CHARGES AND NOTICE OF INTENT TO DENY FUTURE SECURITIES SALESPERSON REGISTRATION

3

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

EXHIBIT 3 PAGE 7

1 DATED AND ENTERED this 8th day of February, 2010.

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Approved by:

Presented by:

*Suzanne Sarason*

*Edward R. Thunen*

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SUZANNE SARASON  
Chief of Enforcement

\_\_\_\_\_  
Edward R. Thunen  
Financial Legal Examiner

STATEMENT OF CHARGES AND NOTICE OF INTENT TO  
DENY FUTURE SECURITIES SALESPERSON  
REGISTRATION

4

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

EXHIBIT 3 8

Talarico, Tom (OIC)

From: Scott Weinstein/NYLIC [Scott\_Weinstein@newyorklife.com]  
Sent: Friday, February 19, 2010 8:55 AM  
To: Talarico, Tom (OIC)  
Subject: [WARNING: MESSAGE ENCRYPTED][WARNING: MESSAGE ENCRYPTED]RE: William Bennett - Felony Conviction  
Attachments: William Bennett - Replacement Violation-pdf.zip

Tom:

We ran a report identifying any policies from Bennett's book of business that may have been replaced with external companies in the last six months and identified a possible replacement issue. A New York Life Universal Life Insurance Policy was replaced by Bennett in October 2009 with a John Hancock Universal Life policy. The client incurred \$3000 in surrender charges that were not disclosed on the John Hancock replacement documents. The New York Life policy was originally sold by Bennett in 1995.

Attached are the relevant documents. The attachment is password protected. Password is the last 4 digits of Bennett's social security number. Please call me if you have any questions.

(See attached file: William Bennett - Replacement Violation-pdf.zip)

Sincerely,  
Scott Weinstein  
Corporate Vice President  
Phone: (212) 576-3831  
Fax: (646) 348-7422

"Talarico, Tom  
(OIC)"  
<TomTal@OIC.WA.GO  
V>

02/18/2010 10:54  
AM

"Scott Weinstein/NYLIC"  
<Scott\_Weinstein@newyorklife.com>

To

cc

Subject

RE: William Bennett - Felony  
Conviction

EXHIBIT 4 PAGE 1

Scott, thank you for the information regarding Mr. Bennett. Please let us know if any of his business begins to fall off of the books. tom

-----Original Message-----

From: Scott Weinstein/NYLIC [mailto:Scott\_Weinstein@newyorklife.com]  
Sent: Thursday, February 18, 2010 7:44 AM  
To: Talarico, Tom (OIC)  
Subject: RE: William Bennett - Felony Conviction

Tom:

Attached are the criminal records.

(See attached file: Bennett, William DOI Attachment-pdf.zip)

Sincerely,  
Scott Weinstein  
Corporate Vice President  
Phone: (212) 576-3831  
Fax: (646) 348-7422

EXHIBIT 4 PAGE 2

*John Hancock*

John Hancock Life Insurance Company (U.S.A.)

October 21, 2009

New York Life  
14600 Detroit Ave, Suite 1000  
Lakewood, OH 44107 USA

RE:

Timothy Baxter

Your Policy Number(s): 62738333  
John Hancock Policy Number: 94 754 702

**To Whom It May Concern:**

You were previously notified that an application on the above named has been received by us and we were advised that the applicant intends to replace, change or borrow on a policy in your company.

At that time we advised the replacement form was found to be incomplete, therefore, it was returned to the agent in order that a properly completed statement could be given to the applicant.

We are now attaching a copy of the replacement form given to our applicant.

An acknowledgement of this letter will not be necessary.

Sincerely,

Amanda MacFarlane  
Replacement Analyst  
John Hancock Life Operations  
(800) 505-9427, Option #2, Extension: 720501

EXHIBIT 4 PAGE 3



### The Informed Decision

- John Hancock Life Insurance Company (U.S.A.)
- John Hancock Variable Life Insurance Company
- John Hancock Life Insurance Company  
(hereinafter referred to as The Company)

Existing Policy Number	Date Issued	Insurer
62738333	1/20/95	New York Life

REPLACEMENT is when you LAPSE, SURRENDER, CONVERT to Paid-up insurance, PLACE on extended term, or BORROW all or part of the policy loan values on an existing insurance policy to purchase a new life insurance policy or annuity contract with the same insurer (internal replacement) or with another insurer (external replacement).

#### Comparing the Existing Policy to Proposed New Policy

In comparison with the existing policy, indicate the appropriate answer to the following questions. (ALL questions must be answered.)

On the new policy:	Yes	No	Not Applicable
• Is the guaranteed death benefit higher?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• Are the guaranteed cash values higher?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• Is the guaranteed interest rate higher?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Is the face amount higher?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Is the annual premium lower?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Is the loan interest rate lower?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Is the underwriting classification more favorable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Will any ownership problems be resolved?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Will any beneficiary problems be resolved?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

You have a "free-look" period within which to examine the proposed policy. If you are not satisfied, you can return it for a full refund within the period stated in the new policy.

Before making a final decision, compare important policy provisions such as the contestability provision, suicide limitation provision, loan interest rate and tax treatment. Note the initial issue expenses charged against cash values in early policy years may be charged anew and new surrender charges may apply. You may want to seek additional information about your existing policy or policies to ensure you understand all of the facts.

#### Agent's Statement

My reason(s) for recommending the replacement of the existing policy (policies) is (are) (attach additional sheet if necessary):

TO PROVIDE A GUARANTEED DEATH BENEFIT TO AGE 100 AT A FIXED AND GUARANTEED PREMIUM FOR 10 YEARS.

(X) Robert Williams Bennett  
Name of Agent (Please print) Number

(X) [Signature] 09/29/2009  
Signature of Agent Date (dd/mm/yyyy)

#### Applicant's Certification

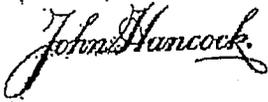
I hereby certify that I have considered the above information and I understand the consequences of replacing my life insurance policy (policies).

(X) Timothy D. Baxter  
Name of Applicant (Please print)

(X) [Signature] 9/29/09  
Signature of Applicant Date (dd/mm/yyyy)

14623 128<sup>th</sup> Ave. NE Woodinville, WA 98072  
Street Address City State Zip Code

**IMPORTANT: THIS FORM IS IN ADDITION TO ANY STATE REQUIRED DISCLOSURE FORM.**  
Please see the reverse side for instructions on how to complete this Form.



**Important Notice Regarding Replacement of Life Insurance - Washington**

- John Hancock Life Insurance Company (U.S.A.)
- John Hancock Variable Life Insurance Company
- John Hancock Life Insurance Company  
*(hereinafter referred to as The Company)*

Company Being Replaced New York Life  
 Policy Number(s) 62738333

**IMPORTANT NOTICE REGARDING REPLACEMENT OF INSURANCE**  
 (Save this notice! It may be important to you in the future.)

The decision to buy a new life insurance policy or annuity and discontinue or change an existing one is very important. Your decision could be a good one -- or a mistake. It should be carefully considered. The Washington State Insurance Commissioner requires us to give you this notice to help you make a wise decision.

**STATEMENT TO APPLICANT BY AGENT OR BROKER (Use additional sheets, as necessary)**

I believe the replacement of insurance involved in this transaction materially improves your position, except as noted in my answers to the following questions:

1. Can there be reduced benefits or increased premiums in later years?

NO  YES, Explain:

2. Are there penalties, set up or surrender charges for the new policy?

NO  YES, Explain, emphasizing any extra cost for early withdrawal:

3. Will there be penalties or surrender charges under the existing insurance as a result of the proposed transaction?

NO  YES, Explain:

4. Are there adverse tax consequences?

NO  YES, Explain:

5. a) Are interest earnings a consideration in this replacement?

NO  YES

b) If Yes, explain what portions of premiums or contributions will produce limited or no earnings. As pertinent, include in your explanation the need for minimum deposits to enhance earnings, and the reduction of earnings that may result from set-up charges, policy fees, and other factors.

(see over)

6. Are minimum amounts required to be on deposit before excess interest will be paid?

NO  YES, Explain:

7. If the new program is based on a single-premium policy or annuity?

- a) Are the interest rates quoted before  or after  fees and mortality charges have been deducted?
- b) Interest rates are guaranteed for how long? until age 101
- c) The minimum interest rate to be paid is how much? 3%
- d) If applicable, the rate you pay to borrow is N/A and the limit on the amount that can be borrowed is N/A
- e) The surrender charges are N/A
- f) The death benefit is level at \$1,000,000

8. Are there other short or long term effects from the replacement that might be adverse?

NO  YES, Explain: NEW TWO YEAR INCONTESTIBLE PERIOD

William S. Bennett, Jr.  
Signature of Agent or Broker

9/29/09  
Date

William S. Bennett, Jr. 914 140th Ave NE #202 Bellevue, WA 98005  
Name of Agent or Broker (Print or Type) Address

CAUTION: The insurance commissioner suggests you consider these points:

Usually, contestable and suicide periods starts again under a new policy. Benefits might be excluded under a new policy that would be paid under existing insurance.

Terminating or altering existing coverage, before new insurance has been issued, might leave you unable to purchase other life insurance or let you buy it only at substantially higher rates.

You are entitled to advice from the existing agent or company. Such advice might be helpful.

Study the comments made above by the agent or broker. They apply to you and this proposal. They are important to you and your future.

Completed Copy Received:

[Signature]  
Applicant's Signature

9/29/09  
Date

THIS COMPLETED FORM SHOULD BE FILED PERMANENTLY WITH YOUR NEW INSURANCE POLICY

John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION  
 A Flexible Premium Adjustable Life Insurance Policy  
 Basic Illustration Summary

Protection UL-G Form: 08PROULG

Presented By: William S. Bennett

Illustration Assumptions

T.D. Baxter  
 Male - Preferred NonSmoker  
 Age: 56

Initial Death Benefit \$600,000  
 Initial Planned Premium: \$1,118.82 / Billing Mode: Monthly  
 Death Benefit Option 1; Cash Value Accumulation Test  
 State: Washington

Based on Current Charges and an Initial Current Rate of 4.50%

Coverage Summary

Coverage Description	Initial Amount	Initial Annualized Premium
Face Amount - Level for all years	\$600,000	\$13,425.84
Additional Coverage On Insured		
Policy Protection Rider - Quick		

Policy Summary

State	Washington	
Death Benefit Option	1	From 1 Thru 65
Definition of Life Insurance	CVAT	
Payment Mode	Monthly	
Charges	Current	
Assumed Interest Rate	4.50%	From 1 Thru 65
Loan Interest Rate	6.00%	From 1 Thru 65
Owner Tax Bracket	35.00%	From 1 Thru 65
1035 Exchange Cash Value	\$11,125.00	
1035 Exchange Cost Basis	\$11,125.00	
1035 Exchange Loan Amount	\$0.00	
1035 Exchange Is a MEC	No	
1035 Exchange Month	1	
1035 Rollover	External	
Adjusted 7-Pay Premium	\$38,795.00	
Target Premium	\$7,910.48	
Minimum Initial Premium	\$385.23	

\* This illustration assumes the 1035 Exchange will be received at the beginning of month 1 in the first policy year.

This is your Basic Illustration and is valid only if all illustration pages are included.

ULG09R Version: 5.2S[0-24576-3584-8192] - SP 1

Page 4 of 14

9/25/2009 2:37:03 PM

3484086  
NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION  
(A DELAWARE CORPORATION)  
PO BOX 6916  
CLEVELAND OH 44101-6916  
1-800-695-9873  
www.newyorklife.com



Agent  
WILLIAM S BENNETT JR CLU CHFC  
(425) 289-2900

November 5, 2009

MR T D SAM BAXTER  
14623 128TH AVE NE  
WOODINVILLE WA 98072-4651

Policy: 62 738 333  
Insured: Mr T D Sam Baxter

This statement of account provides a breakdown of values that comprise this settlement. Please note that any premiums paid subsequent to the surrender request date (full surrenders only) will be refunded separately. If you have any questions regarding this information, please contact your agent or one of our customer service representatives at 1-800-695-9873.

80H

**This payment is a full cash value benefit.**

Policy Cash Value as of 10/28/2009		\$14,168.33
	Subtotal	\$14,168.33
<b>Less:</b>		
Surrender Charge		\$3,000.00
<b>Check Amount</b>		<b>\$11,168.33</b>

P.S. Please note that there may be alternative transactions available to you. Life insurance is a critical part of a broader financial plan. There are many options available, and you have the right to shop around and seek advice from different financial advisers in order to find the option best suited for you.

This is not a Modified Endowment Policy.

- Enclosed is a check for the amount payable.  
 Funds have been forwarded to  MainStay  \_\_\_\_\_  
 Money has been applied to N.Y. Life policy(s). \_\_\_\_\_  
Tax Cost Basis = \$30,236.59

S51 DSC0118

COPY

New York Life Insurance and Annuity Corporation  
**EXHIBIT**            **PAGE**   8

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION (A DELAWARE CORPORATION)  
 PO BOX 130539  
 DALLAS TX 75313-0539  
 www.newyorklife.com

**New York Life Insurance and Annuity Corporation** (A Delaware Corporation)  
**Annual Policy Summary** Page 1 of 5

Policyowner

Agent/Representative

!980724651233!

WILLIAM S BENNETT JR CLU CHFC  
 (425) 289-2900

MR T D SAM BAXTER  
 14623 128TH AVE NE  
 WOODINVILLE, WA 98072-4651

Date Prepared: Jan 20, 2009

This annual summary highlights the financial activity for your policy during the period from Jan 20, 2008 to Jan 19, 2009. If you have any questions, please contact your New York Life Agent listed above or one of our Customer Service Representatives at 1-800-695-1314. For policy information and online service, please visit us at [www.newyorklife.com/vsc](http://www.newyorklife.com/vsc).

Coverage	Insured:	T D SAM BAXTER
	Policy Number:	62 738 333
	Policy Plan:	Adjustable (Target) Life Insurance
	Base Plan Face Amount:	\$600,000.00
	Policy Date:	Jan 20, 1995
	Scheduled Check-O-Matic Premium:	\$257.00
Life Insurance	Total Death Benefit - Level Option	\$600,000.00
Death Benefit	on Jan 19, 2009 (see page 3 for details)	
Policy	Gross Cash Value on Jan 19, 2009	\$13,879.03
Cash Value	(see page 3 for details)	
Cash Surrender	Cash Surrender Value on Jan 19, 2009	\$10,879.03
Value	(see page 3 for details)	

Without unscheduled premium payments and/or loan repayments (if applicable), your policy could lapse within the next five years. Please review the Conditions of Policy Coverage on Page 5 for more details. Now may also be a good time to contact your agent to review the status of your policy.

Use this portion and the enclosed envelope to make an unscheduled premium payment to your policy.

Policy Number: 62 738 333

Premium Amount: \_\_\_\_\_

(Minimum amount: \$50.00)

Please be sure to make your check payable to NYLIAC and include your policy number on it. Please send your check to:

!452742525257!

New York Life Insurance and Annuity Corporation  
 PO Box 742525  
 Cincinnati, OH 45274-2525

Unscheduled premiums are subject to Internal Revenue Service regulations and may be subject to underwriting approval. There also may be a limit on the amount of money you can put into your policy and have it retain its status as life insurance for tax purposes. Unscheduled payments can also cause the policy to become a Modified Endowment Contract (MEC) with possible tax consequences. If a MEC classification occurs, we will notify you in writing and advise you of any tax implications. If you wish to avoid a MEC status, you must promptly apply for a refund of that premium at the time you receive our notice.

If you feel you need more information before making an unscheduled premium payment, please contact your agent or call a Customer Service Representative at the number shown above.

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EXHIBIT 4 PAGE 9

This Annual Policy Summary is not a contract. Please refer to your policy contract or contact your agent for a more complete explanation of your coverage. We reserve the right to correct errors.

**DEFINITIONS OF TERMS FOR THE ANNUAL POLICY SUMMARY** - Not all terms will appear nor will all be applicable on all Annual Policy Summaries.

**Additional Benefits** - The listing of features included in the policy in addition to the Death Benefit.

**Base Plan Face Amount** - The initial Death Benefit under the policy. The amount does not include Accidental Death Benefit coverage, the cash value under Option 2, nor Term Rider Death Benefits. It also does not reflect a reduction for a policy loan.

**Cash Loan(s)** - The amount of money paid out in loans against the policy during the period covered by this summary.

**Cash Surrender Value** - The net amount payable to the policyowner if the policy is surrendered to the Company on the specified "as of" date. The amount is based on the net cash value, less the surrender charge. A surrender may result in a taxable gain that may be subject to federal and state withholding.

**Corridor Death Benefit** - The increase in death benefit necessary to maintain the relationship between the policy's death benefit and cash value prescribed by the Internal Revenue Code.

**Cost of Insurance** - The amount deducted to pay the insurance cost of the policy.

**Current Loan Interest Rate** - The rate of interest currently charged on a policy loan.

**Gross Cash Value** - The amount representing the value of the policy on the specified "as of" date. This value includes payments received and interest credited to date minus the cost of insurance and the administrative fees.

**Interest Earned** - The amount of interest earned on the policy's cash value during the prior year, ending on the anniversary date of the policy.

**Loan Interest Paid** - The policy loan interest paid in cash during this summary period.

**Loan Repayment(s)** - The amount(s) paid to reduce the outstanding policy loan principal during this period. This includes receipt of both internal and external funds.

**Outstanding Loan Balance** - The policy loan amount and any unpaid interest due on a specified "as of" date.

**Policy Date** - The date when the insurance coverage began.

**Policy Fees** - The amount of the monthly administrative fees, the premium expense charges, and any partial withdrawal service charges during the period of the summary.

**Policyowner** - The person or organization who has the rights of ownership in the policy during the lifetime of the primary insured.

**Scheduled (pay mode) Premium** - The frequency of premium payments and the amount of the current scheduled premium.

**Summary of our Disbursements** - The amount(s) of money the Company paid out of the policy during the summary period.

**Summary of Payments** - The various payments made to the Company for the policy during the summary period.

**Surrender Charge** - The charge subtracted from the policy's cash value at the time of surrender or from the proceeds of a partial surrender of the cash value. It is based on the insured's age at issue and is in effect for the first 15 policy years.

**Taxes Withheld** - The amount withheld to pay federal and or state taxes on money paid from the policy.

**Total Death Benefit** - A summary of the elements of Death Benefit contained in the policy that would be payable if the insured had died on the "as of" date. This amount includes the total face amount of the base policy, any term insurance rider, and depending upon the Death Benefit Option elected, the cash value amount. The benefit has been reduced by any outstanding loan and loan interest due.

**Total Loan Interest Charged** - The sum of the policy loan interest charged during the period, including interest charged on the anniversary.

**New Jersey, Vermont & Florida Residents** - If the insured covered by this policy and/or policyowner is age 62 or older (NJ), age 64 or older (VT) or any age (FL), you can designate a third party to whom we will mail copies of cancellation and lapse notices. Please call a Customer Service Representative at the toll-free number on page one for more information regarding this procedure.

OVTL05 11/04

**New York Life Insurance and Annuity Corporation**  
(A Delaware Corporation)

Annual Policy Summary

Policy Number: 62 738 333

Page 3 of 5

<b>Insured Name: T D SAM BAXTER</b>	<b>Date Prepared: Jan 20, 2009</b>
-------------------------------------	------------------------------------

<b>Life Insurance Death Benefit</b>	<b>As of Jan 19, 2009</b>	<b>Policy Cash Value*</b>	<b>Period from Jan 20, 2008 to Jan 19, 2009</b>
-------------------------------------	---------------------------	---------------------------	---

Base Plan Face Amount on Jan 20, 2008	<u>\$600,000.00</u>	Gross Cash Value on Jan 20, 2008	\$13,460.03
		Increased by:	
		Premium Payment(s)	3,084.00
		Interest Earned	646.56
		Decreased by:	
		Total Cost of Insurance	3,069.88
		Policy Fees	241.68
		<b>GROSS CASH VALUE on Jan 19, 2009</b>	<b>\$13,879.03</b>
		Less Surrender Charge	<u>3,000.00</u>
<b>TOTAL DEATH BENEFIT on Jan 19, 2009</b>	<u><b>\$600,000.00</b></u>	<b>CASH SURRENDER VALUE on Jan 19, 2009</b>	<u><b>\$10,879.03</b></u>

\*Any gain in the policy may be subject to taxation if it lapses or is surrendered prior to the death of the insured.

<b>Loan Summary</b>	<b>Period from Jan 20, 2008 to Jan 19, 2009</b>	<b>Additional Information</b>
---------------------	---	-------------------------------

No activity during this period

The current crediting interest rate as of Jan 19, 2009 is 4.85%. This rate may change at any time.

According to Section 7702 or 101(F) of the Internal Revenue Code, premiums paid may not exceed the greater of \$163,982.22 or annual equivalents of \$14,287.97.

To obtain an updated policy illustration based on our current interest rate, contact your agent.

<b>Summary of Our Disbursements</b>	<b>Period from Jan 20, 2008 to Jan 19, 2009</b>	<b>Summary of Your Payments</b>	<b>Period from Jan 20, 2008 to Jan 19, 2009</b>
-------------------------------------	---	---------------------------------	---

No activity during this period

Premium Payment(s) Received	<u>\$3,084.00</u>
<b>TOTAL PAYMENTS</b>	<u><b>\$3,084.00</b></u>

**EXHIBIT** 4 **PAGE** 11

**New York Life Insurance and Annuity Corporation**  
 (A Delaware Corporation)  
**Annual Policy Summary**  
 Policy Number: 62 738 333 Page 4 of 5

Insured Name: T D SAM BAXTER	Date Prepared: Jan 20, 2009
------------------------------	-----------------------------

Transaction Details						
Date	Activity	Amount Received/ (Charged)/ (Disbursed)	Policy Fees	Cost of Insurance	Interest Rate *	Interest Earned
Jan 20, 2008	Monthly Activity		\$6.00	\$256.01	4.85 %	
Jan 21, 2008	Payment	\$257.00	14.14			
Feb 20, 2008	Payment	257.00	14.14			
	Monthly Activity		6.00	255.90	4.85 %	\$54.14
Mar 20, 2008	Payment	257.00	14.14			
	Monthly Activity		6.00	255.88	4.85 %	49.06
Apr 20, 2008	Monthly Activity		6.00	255.97	4.85 %	54.43
Apr 21, 2008	Payment	257.00	14.14			
May 20, 2008	Payment	257.00	14.14			
	Monthly Activity		6.00	255.85	4.85 %	52.79
Jun 20, 2008	Payment	257.00	14.14			
	Monthly Activity		6.00	255.84	4.85 %	54.69
Jul 20, 2008	Monthly Activity		6.00	255.93	4.85 %	53.09
Jul 21, 2008	Payment	257.00	14.14			
Aug 20, 2008	Payment	257.00	14.14			
	Monthly Activity		6.00	255.81	4.85 %	54.94
Sep 20, 2008	Monthly Activity		6.00	255.90	4.85 %	55.12
Sep 22, 2008	Payment	257.00	14.14			
Oct 20, 2008	Payment	257.00	14.14			
	Monthly Activity		6.00	255.58	4.85 %	53.44
Nov 20, 2008	Payment	257.00	14.14			
	Monthly Activity		6.00	255.56	4.85 %	55.43
Dec 20, 2008	Monthly Activity		6.00	255.65	4.85 %	53.77
Dec 22, 2008	Payment	257.00	14.14			
Jan 19, 2009	Monthly Activity				4.85 %	55.66
Totals as of Jan 19, 2009			<u>\$241.68</u>	<u>\$3,069.88</u>		<u>\$646.56</u>

\* The interest crediting rate of this universal life policy can change from month to month as stated in your policy contract. The interest crediting rate can increase, decrease or stay the same based on the returns of our NYLIAC portfolio, and may not change in direct correlation to current movements in the interest rate marketplace. This may have had an adverse effect on the interest crediting rate for this period. Please see the above table for detailed information on each month's interest crediting rate. The interest crediting rate will never be less than the guaranteed interest crediting rate specified in your policy contract.

For the next policy year, the current percent of premium expense charge is 5.50% of premium paid. The current monthly administrative fee is \$6.00 and the current monthly cost of insurance is \$0.44200 per \$1,000 of insurance.

**New York Life Insurance and Annuity Corporation** (A Delaware Corporation)  
**Annual Policy Summary**  
 Policy Number: 62 738 333 Page 5 of 5

Insured Name: T D SAM BAXTER	Date Prepared: Jan 20, 2009
------------------------------	-----------------------------

Summary of Rider(s) Costs	<u>Name of Rider</u>	<u>Cost of Rider(s) for the Summary Period</u>
	Other Covered Insured Term Rider(s)	\$98.40

- Conditions of Policy Coverage**      If you make no future withdrawals or loans, your policy will continue in force until:
1. Jan 2019, assuming that you make all scheduled check-o-matic premium payments of \$257.00 and that the current interest rate is credited and the cost of insurance and administrative fees that are currently utilized continue to be deducted.
  2. Jul 2012, assuming that you make all scheduled check-o-matic premium payments of \$257.00 and that the guaranteed interest rate is credited and the maximum cost of insurance and administrative fees that are guaranteed by the policy are deducted.
  3. Feb 2013, assuming that you make no further payments, and that the current interest rate is credited and the cost of insurance and administrative fees that are currently utilized continue to be deducted.
  4. Feb 2011, assuming that you make no further payments, and that the guaranteed interest rate is credited and the maximum cost of insurance and administrative fees that are guaranteed by the policy are deducted.

Additional Benefits	<u>Other Covered Insured Term Rider</u>	
	SAMUEL KYLE BAXTER	\$25,000.00
	JOSEPH MICHAEL BAXTER	\$25,000.00
	ANDREA BAXTER	\$25,000.00

The **NUMBER ONE** cause of problems in processing claims is inaccurate or invalid beneficiary designations. - Call your Agent **TODAY** to review yours.

**IMPORTANT POLICYOWNER NOTICE:** Remember, your policy is a valuable asset. If someone suggests that you cancel or replace it, you should immediately contact your agent listed on page 1 or one of our Customer Service Representatives at 1-800-695-1314.

MIRAL KHEIDLER  
STATE OF WASHINGTON

STATE OF WASHINGTON



OFFICE OF  
INSURANCE COMMISSIONER

REPLY TO  
One Bank Pacific  
1212 North Washington St.  
Suite 106  
Spokane, Washington 99201

January 25, 2010

William A. Bennett, Jr  
11400 SE 8<sup>th</sup> Street, #300  
Bellevue, WA 98004

SUBJECT: Criminal Charge

Dear Mr. Bennett:

The Washington State Office of the Insurance Commissioner (OIC) has received information that you charged with a crime involving Theft of Government funds, a felony. The information also indicates that you had pleaded guilty to that charge.

Based upon the forgoing information, please provide this office with written comment regarding the charge and plea. Furthermore, you are to provide this office with all court related documents. In addition, please provide information if the crime involved the use of your insurance license and involved any insurance and/or securities clients.

I must bring to your attention that RCW 48.17.530(1)(f) which concerns the conviction of a felony.

I expect to receive your written reply no later than February 22, 2010. RCW 48.17.475 requires the prompt response of a Licensee to an inquiry of the Insurance Commissioner.

Sincerely,

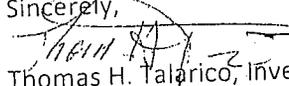
  
Thomas H. Talarico, Investigator  
Consumer Protection Division  
(509) 568-3043, Direct  
(509) 568-3046, Fax  
Investigation 1035307

EXHIBIT 5 PAGE 1

February 2, 2010

Thomas H. Talarico, Investigator  
Consumer Protection Division  
One Rock Pointe  
1212 North Washington St.  
Suite 106  
Spokane, WA 99201

Spokane Insurance Commissioner

FEB 16 2010

Investigations & Enforcement

Dear Mr. Talarico,

I am in receipt of your letter dated January 25, 2010 and am responding in kind. I have been charged with the offense of benefits fraud, which is a felony. I pled "guilty" to the charge on December 16, 2010. My sentencing is scheduled for March 8, 2010 in federal court.

Beginning in 2003, my health began to deteriorate due to a disease called Polycystic Kidney Disease (PKD) which had been progressing over the previous twenty years. As I became more ill, my production and my income began to taper off, and continued to decline until I received a kidney transplant in January of 2006. Even after the transplant, a recovery period was required until finally this past year I was able to perform as well as I had before becoming ill. During the period of illness, I depleted over \$100,000 of savings and took on considerable debt in order to meet my obligations. In August of 2006, my mother passed away having lived in our home for the previous five years. I submitted the appropriate forms and information to the Social Security Administration and to New York Life (relating to my father's pension) and erroneously assumed that the information submitted to the SSA would be forwarded to the VA. That was my first mistake. The next month, the Social Security payment stopped as did the New York Life payment, but the VA continued to fund the account. I had no intention of accessing the money that continued to flow in my mother's account, then being used as her estate account to take care of final expenses, but I was curious as to how long the VA would take to discover that they were still paying benefits to a deceased person. That was my second mistake. Over time as my financial situation continued to worsen, I converted funds from time to time over to my personal account to pay for basic expenses, paying some back and then when needed, converting some more, always with the intent to replace all that I had taken. That was my third and most damning mistake. The payments from the VA continued until December 2009, when they finally stopped. Meanwhile, in July 2009 two federal agents from the VA visited my office and interviewed me for an hour and a half and asked me for a written statement, which I provided a couple of days later fully admitting what I had done. I then asked them when I could pay the money back and they indicated that they would instruct me in the future as to how to handle that. I was charged with benefits fraud in September 2009 and requested a meeting with the Assistant U.S. Attorney, getting some clarification of the charge, etc. and I indicated at that time that I wished to plead "guilty" to the charges, because I had accessed the funds

EXHIBIT 6 PAGE 1

indicated. As noted above, I pled "guilty" to the charge in federal court on December 16, 2009. Finally, although prepared to pay the amount paid to my mother's account in full in August 2009, I was given instructions as to how to direct the amount owed back to the VA (\$50,444) and sent a cashier's check to the VA in the next couple of days, for the full amount. I had converted over \$45,000 of that amount over the almost three year period. I reiterate that I always had intended to pay it back in full.

In no way were my clients for insurance, securities or anything else involved, affected or victimized in any way by my actions in this case. I have come forward to several of my clients and disclosed what I have done, and I am humbled by their grace and goodness in their response to my plea for forgiveness and a reaffirmation of their trust.

After over twenty years of honorable service with the New York Life, my affiliation with my broker-dealer, NYLIFE Securities, LLC, has been terminated. My ability to represent New York Life has been suspended pursuant to a termination of my current contract on March 1, 2010. I will then assume a retired (inactive) contract in order to receive the benefits that I have been vested in over the past 20+ years with the company.

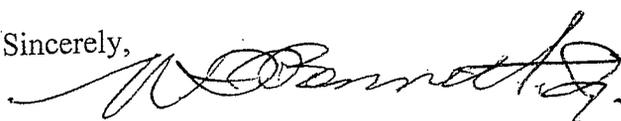
I operate under a DBA, Bennett Financial Group, 914 140<sup>th</sup> Ave. N.E. - Suite 202, Bellevue, WA 98005. My office phone is (425) 289-2900. My cell phone is (425) 890-2900. I have been in my current location since September of 2008.

I would never dream of misusing my insurance practice to take advantage of or victimize any of my clients. Of course, I could have never conceived of doing what I have done, even with the best of intentions. But in over twenty years of practice in the insurance industry, I have never had a customer complaint about my honesty or integrity.

If allowed to continue to practice in the state of Washington, I will not place my securities licenses with another broker-dealer. I would be content to confine my practice to the sales of fixed life, disability, long term care insurance and fixed annuities and only products that are guaranteed. I don't have the stomach for being in a position of having to report to my clients that they have less money than they had originally entrusted to my care, due to volatility in the markets.

If you could specify which court documents you wish to receive, I will send them under separate cover. I am patently aware that the decision of your office will impact not only my ability to practice my profession in the state of Washington, but also the same in the states of Idaho, Oregon and Utah. My sincere hope is that you can view the good that I've done for my clients during the time that I have practiced and also my sincere regret for having to learn this lesson by these means.

Sincerely,



William S. Bennett, Jr. CLU, ChFC

UNITED STATES DISTRICT COURT

Western District of Washington

UNITED STATES OF AMERICA  
V.

JUDGMENT IN A CRIMINAL CASE

WILLIAM S. BENNETT, JR.

Case Number: 2:09CR00423JLR-001  
USM Number: 39831-086

Tyler K. Firkins  
Defendant's Attorney

THE DEFENDANT:

pleaded guilty to count(s) 1 of the Information

pleaded nolo contendere to count(s) which was accepted by the court.

was found guilty on count(s) after a plea of not guilty.

FILED ENTERED  
LODGED RECEIVED  
MAR 8 2010

The defendant is adjudicated guilty of these offenses: CLERK U.S. DISTRICT COURT AT SEATTLE  
WESTERN DISTRICT OF WASHINGTON DEPUTY

Title & Section	Nature of Offense	BY	Offense Ended	Count
18 U.S.C. § 641	Theft of Government Funds		07/21/2009	1

The defendant is sentenced as provided in pages 2 through 6 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

The defendant has been found not guilty on count(s)

Count(s) is/are dismissed on the motion of the United States.

It is ordered that the defendant must notify the United States attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant must notify the court and United States Attorney of material changes in economic circumstances.



09-CR-00423-JGM

Spokane Insurance Commissioner

MAR 18 2010

Investigations & Enforcement

*Thomas M. Woods*  
Thomas M. Woods, Assistant United States Attorney

March 8, 2010  
Date of Imposition of Judgment

*James L. Robart*  
Signature of Judge

The Honorable James L. Robart  
United States District Judge

March 8, 2010  
Date

EXHIBIT 7 PAGE 1

DEFENDANT: WILLIAM S. BENNETT, JR.  
CASE NUMBER: 2:09CR00423JLR-001

**PROBATION**

The defendant is hereby sentenced to probation for a term of: 3 years

The defendant shall not commit another federal, state or local crime.

The defendant shall not unlawfully possess a controlled substance. The defendant shall refrain from any unlawful use of a controlled substance. The defendant shall submit to one drug and/or alcohol test within 15 days of placement on probation and at least two periodic drug tests thereafter not to exceed eight valid tests per month, pursuant to 18 U.S.C. § 3563(a)(5) and 18 U.S.C. § 3583(d).

- The above drug testing condition is suspended, based on the court's determination that the defendant poses a low risk future substance abuse. (Check, if applicable.)
- The defendant shall not possess a firearm, ammunition, destructive device, or any other dangerous weapon. (Check, if applicable.)
- The defendant shall cooperate in the collection of DNA as directed by the probation officer. (Check, if applicable.)
- The defendant shall register with the state sex offender registration agency in the state where the defendant resides, student, as directed by the probation officer. (Check, if applicable.)
- The defendant shall participate in an approved program for domestic violence. (Check, if applicable.)

If this judgment imposes a fine or restitution, it is a condition of probation that the defendant pay in accordance with the Schedule of Payments sheet of this judgment.

The defendant must comply with the standard conditions that have been adopted by this court as well as with any additional conditions on the attached page.

**STANDARD CONDITIONS OF SUPERVISION**

- 1) the defendant shall not leave the judicial district without the permission of the court or probation officer;
- 2) the defendant shall report to the probation officer and shall submit a truthful and complete written report within the first five days of each month;
- 3) the defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer;
- 4) the defendant shall support his or her dependents and meet other family responsibilities;
- 5) the defendant shall work regularly at a lawful occupation, unless excused by the probation officer for schooling, training, or other acceptable reasons;
- 6) the defendant shall notify the probation officer at least ten days prior to any change in residence or employment;
- 7) the defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any controlled substance or any paraphernalia related to any controlled substances, except as prescribed by a physician;
- 8) the defendant shall not frequent places where controlled substances are illegally sold, used, distributed, or
- 9) the defendant shall not associate with any persons engaged in criminal activity and shall not associate with any person convicted of a felony, unless granted permission to do so by the probation officer;
- 10) the defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view of the probation officer;
- 11) the defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer;
- 12) the defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the court; and
- 13) as directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

EXHIBIT 7 PAGE 2

DEFENDANT: WILLIAM S. BENNETT, JR.  
CASE NUMBER: 2:09CR00423JLR-001

### SPECIAL CONDITIONS OF SUPERVISION

The defendant shall submit his/her person, residence, office, safety deposit box, storage unit, property, or vehicle to a search, conducted by a U.S. Probation Officer or any other law enforcement officer, at a reasonable time and in a reasonable manner, based upon reasonable suspicion of contraband or evidence of a violation of a condition of supervision. Failure to submit to a search may be grounds for revocation; the defendant shall notify any other residents that the premises may be subject to searches pursuant to this condition.

The defendant shall complete 120 hours of community service as approved and directed by the probation officer, to be completed within the first three years of supervision.

The defendant shall provide his or her probation officer with access to any requested financial information including authorization to conduct credit checks and obtain copies of the defendant's Federal Income Tax Returns.

The defendant shall maintain a single checking account in his or her name. The defendant shall deposit into this account all income, monetary gains, or other pecuniary proceeds, and make use of this account for payment of all personal expenses. This account, and all other bank accounts, must be disclosed to the probation office.

If the defendant maintains interest in any business or enterprise, the defendant shall, upon request, surrender and/or make available, for review, any and all documents and records of said business or enterprise to the probation office.

The defendant shall disclose all assets and liabilities to the probation office. The defendant shall not transfer, sell, give away, or otherwise convey any asset, without first consulting with the probation office.

The defendant shall be prohibited from incurring new credit charges, opening additional lines of credit, or obtaining a loan without approval of the defendant's U.S. Probation Officer.

The defendant shall participate in and complete Moral Reconciliation Therapy (MRT) as determined by the U.S. Probation Officer.

EXHIBIT 7 PAGE 3

DEFENDANT: WILLIAM S. BENNETT, JR.  
 CASE NUMBER: 2:09CR00423JLR-001

**CRIMINAL MONETARY PENALTIES**

**TOTALS**      Assessment      Fine      Restitution  
 \$ 100                                      \$ Waived                                      \$ N/A

- The determination of restitution is deferred until \_\_\_\_\_ . An Amended Judgment in a Criminal Case (AO 245C) will be entered after such determination.
- The defendant must make restitution (including community restitution) to the following payees in the amount listed below.

If the defendant makes a partial payment, each payee shall receive an approximately proportioned payment, unless specified otherwise in the priority order or percentage payment column below. However, pursuant to 18 U.S.C. § 3664(i), all nonfederal victims must be paid before the United States is paid.

<u>Name of Payee</u>	<u>Total Loss*</u>	<u>Restitution Ordered</u>	<u>Priority or Percentage</u>
	N/A	N/A	
<b>TOTALS</b>	\$ <u>0</u>	\$ <u>0</u>	

- Restitution amount ordered pursuant to plea agreement \$ \_\_\_\_\_
- The defendant must pay interest on restitution and a fine of more than \$2,500, unless the restitution or fine is paid in full before the fifteenth day after the date of the judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options on Sheet 6 may be subject to penalties for delinquency and default, pursuant to 18 U.S.C. § 3612(g).
- The court determined that the defendant does not have the ability to pay interest and it is ordered that:
  - the interest requirement is waived for the  fine  restitution.
  - the interest requirement for the  fine  restitution is modified as follows:
- The court finds that the defendant is financially unable and is unlikely to become able to pay a fine and, accordingly, the imposition of a fine is waived

\* Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of Title 18 for offenses committed on or after September 13, 1994, but before April 23, 1996.

EXHIBIT 7 PAGE 4

DEFENDANT: WILLIAM S. BENNETT, JR.  
CASE NUMBER: 2:09CR00423JLR-001

### SCHEDULE OF PAYMENTS

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties are due as follows:

PAYMENT IS DUE IMMEDIATELY. Any unpaid amount shall be paid to Clerk's Office, United States District Court, 700 Stewart Street, Seattle, WA 98101.

- During the period of imprisonment, no less than 25% of their inmate gross monthly income or \$25.00 per quarter, whichever is greater, to be collected and disbursed in accordance with the Inmate Financial Responsibility Program.
- During the period of supervised release, in monthly installments amounting to not less than 10% of the defendant's gross monthly household income, to commence 30 days after release from imprisonment.
- During the period of probation, in monthly installments amounting to not less than 10% of the defendant's gross monthly household income, to commence 30 days after the date of this judgment.

The payment schedule above is the minimum amount that the defendant is expected to pay towards the monetary penalties imposed by the Court. The defendant shall pay more than the amount established whenever possible. The defendant must notify the Court, the United States Probation Office, and the United States Attorney's Office of any material change in the defendant's financial circumstances that might affect the ability to pay restitution.

Unless the court has expressly ordered otherwise, if this judgment imposes imprisonment, payment of criminal monetary penalties is due during imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program are made to the United States District Court, Western District of Washington. For restitution payments, the Clerk of the Court is to forward money received to the party(ies) designated to receive restitution specified on the Criminal Monetaries (Sheet 5) page.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

Joint and Several

Defendant and Co-Defendant Names and Case Numbers (including defendant number), Total Amount, Joint and Several and corresponding payee, if appropriate.

- The defendant shall pay the cost of prosecution.
- The defendant shall pay the following court
- The defendant shall forfeit the defendant's interest in the following property to the United States:

Payments shall be applied in the following order: (1) assessment, (2) restitution principal, (3) restitution interest, (4) fine principal, (5) fine interest, (6) community restitution, (7) penalties, and (8) costs, including cost of prosecution and court costs.

EXHIBIT 7 PAGE 5

AO 245B (Rev. 06/05) Judgment in a Criminal Case  
Sheet 6B — Schedule of Payments

Judgment — Page 6 of 6

DEFENDANT: WILLIAM S. BENNETT, JR.  
CASE NUMBER: 2:09CR00423JLR-001

**ADDITIONAL FORFEITED PROPERTY**

EXHIBIT 7 PAGE 6

HAMJE

JUN 04 2010

CONSUMER PROTECTION

May 20, 2010

John Hamje  
Deputy Insurance Commissioner  
Office of the Insurance Commissioner  
P.O. Box 40257  
Olympia, WA 98504-0257

Re: No. 10-0053

Mr. Hamje,

The intent of this communication is to request a hearing to contest the above referenced order. The reasons for my request are that:

(1) although it is within the authority of the Office of the Insurance Commissioner to revoke my license on the grounds that I have committed a felony, the felony had nothing whatsoever to do with my conduct relative to my being an insurance agent in the state of Washington, nor did it have anything to do with my conduct relating to my clients or any action concerning them, individually or collectively. As such, it is also within the Office's authority to choose to not revoke my license.

(2) My failing to notify the Office of the Insurance Commissioner of my change of office address was not intentional, but rather, heretofore, all actions pertaining to any licensing, etc. in this state or any other were previously taken care of by New York Life Insurance Company, with whom I was a career agent for over twenty years. During my twenty plus years with New York Life, my office address changed four times, but I was not aware that I needed to make the change personally with the Office of the Insurance Commissioner. I was automatically renewed every two years without any input on my part with regard to my life and health licenses in my state of domicile (Washington). Due to the fact that I was a registered representative for NYLIFE Securities, all documentation was handled for me by the compliance channels, with the exception of my U-4, which most recently showed my office address as: 914 140<sup>th</sup> Ave. N.E. Suite #202, Bellevue, WA 98005.

(3) The incident cited in the letter of revocation was not entirely accurate. Although, in error, I did initially indicate that there was no surrender charge on the replacement of the New York Life policy, after further review of the policy replacement, I discovered that I had not been accurate and informed the policy owner of the correct surrender charge before the delivery of the policy. Attached, is a letter from that client, Sam Baxter, with regard to that transaction.

Additionally, although submitted previous to the revocation order, I am again including letters from some of my most esteemed clients and peers regarding my personal integrity and character. Yes, I did make a mistake and committed a felony in the process. I have made full restitution of the money converted and am serving probation for three years and

EXHIBIT

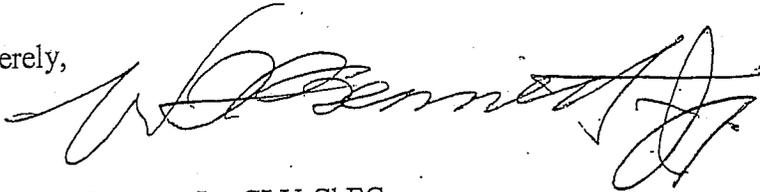
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PAGE

1

providing 120 hours of community service for my crime. I have been terminated by New York Life as an agent with that company after over twenty years of unblemished service. My past and present record within the scope of the practice of insurance and securities and taking good care of my clients is without stain. It is for all of the reasons above that I request a hearing in the interest of regaining my ability to continue to take care of my clients. I have not requested a hearing with the Department of Securities because I no longer wish to work in that arena. However, I very much desire to resume my career in the insurance business.

Sincerely,



William S. Bennett, Jr. CLU ChFC

May 20, 2010

John F. Hamje  
Deputy Insurance Commissioner  
Office of the Insurance Commissioner  
P.O. Box 40257  
Olympia, Washington 98504-0257

SUBJECT: No. 10-0053 (William S. Bennett, Jr.)

Dear Mr. Hamje,

I am writing this letter in the interest of clarifying a point of misunderstanding with regard to the replacement of New York Life policy # 62 738 333 with John Hancock policy # 94 754 702 for the same face amount of \$600,000.

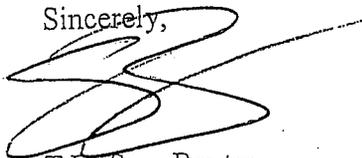
When the policy application was written, I was informed there would be no surrender charge associated with the replacement policy. After further review of the former policy and before delivering the new policy to me, William S. Bennett, Jr. (Bill Bennett) informed me he had failed to disclose there would be a \$3,000 surrender charge but assured me the \$3,000 surrender charge would more than be made up in future premium savings.

Bill emphasized the new policy was guaranteed to persist to age 100 at the proposed premium. The former policy would not have persisted at the current premium due to interest rate reductions over the years and was not guaranteed to persist to age 100 even at the new policy's premium.

It is important that you know Bill Bennett has been my friend for over thirty years and my insurance advisor for over twenty years. He has been forthcoming about his situation with your department and I trust him now as much as I did when I first took a policy with him over twenty years ago. There were no omissions that were not later corrected and he has put my family in a better position for having replaced the previous policy with a more current and appropriate policy.

Thank you for your attention in considering the above facts. If you have questions or desire further information, please feel free to contact me at (425) 688-5156 (work).

Sincerely,



T.D. Sam Baxter