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EASTERN DISTRICT OF CALIFORNIA
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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF CALIFORNIA

CIV.S- 02 - 1395 LKK JFM

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. GREGORY P. WALDON, Defendant.	Civil Action No. COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

SUMMARY OF THE ACTION

1. From at least January 1998 through November 2001, Gregory P. Waldon, a Redding, California broker, defrauded scores of retirees by recommending that they replace one variable annuity with a similar variable annuity, knowing that the customers would either receive no economic benefit or lose money in the transaction. By "switching" variable annuities in this manner Waldon profited at the expense of his customers. Waldon received approximately $275,000 in ill-gotten commissions from approximately 57 instances of switching, while his

customers incurred unreasonable and unnecessary costs and risks, including more than $200,000 in transaction costs alone.

2. Waldon misrepresented and hid facts to induce his customers to switch their variable annuities. Among other things, Waldon misrepresented switching as a beneficial means for his customers to avoid further losses in value of their investments due to declines in the stock market, and he overstated the value to customers of purported benefits of switching variable annuities. Waldon further failed to disclose material costs and risks and failed to tell his customers that switching variable annuities was unsuitable to their needs.

3. The Commission seeks to enjoin Waldon from future violations of the federal securities laws. In addition, the Commission seeks to obtain disgorgement of benefits received by Waldon from his violations of the securities laws and civil monetary penalties.

JURISDICTION AND VENUE

4. The Commission brings this action pursuant to Sections 20(b), 20(c) and 20(d) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b), 77t(c) and 77t(d)], and Sections 21(d) and 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and 78u(e)]. This Court has jurisdiction over this action pursuant to Sections 20(c), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(c), 77t(d) and 77v(a)], and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].

5. Waldon made use of the means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, in connection with the acts, practices, and courses of business and transactions alleged herein.

6. This district is an appropriate venue for this action under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. The defendant resides in this district, and certain transactions, offers or sales, acts, practices and

courses of business constituting the violations alleged herein occurred within the Eastern District of California.

7. Pursuant to Local Rule 3-120(b), commencement of this action in this Court sitting in Sacramento, California is appropriate because a substantial part of the events that give rise to the claims occurred in Butte County, Shasta County and Tehama County, California.

THE DEFENDANT

8. **Gregory P. Waldon**, age 50, resides in Redding, California. From at least January 1998 until approximately February 2002, Waldon was a registered representative associated successively with four different broker-dealers, each of which was registered with the Commission pursuant to Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)]. For the majority of this period, from approximately March 1998 until approximately May 2001, Waldon was a registered representative of FASCO International, Inc. ("FASCO"), a registered broker-dealer and member of the National Association of Securities Dealers, Inc. ("NASD") then headquartered in Chico, California. Waldon holds a Series 6 (Investment Company/Variable Products Representative) license issued by the NASD. Waldon sometimes used the fictitious business name "Legacy Senior Services" for promotions of variable annuity products.

VARIABLE ANNUITIES AND SWITCHING

9. During the period January 1998 to November 2001, Waldon sold the variable annuity contracts of several separate annuity companies. Variable annuities are securities that are long-term investments. Variable annuities may be sold to customers through registered representatives associated with broker-dealers. The companies that issue variable annuities are typically insurance companies, and the variable annuity contracts include insurance-related features.

10. Variable annuities are often sold as an alternative to mutual funds. Like mutual funds, customers may purchase a variable annuity with a single, up-front investment, or

by transferring funds from another investment. Also like mutual funds, purchasers may buy a variable annuity with the goal that, over time, their investment will appreciate in value. Unlike mutual funds, variable annuities provide for deferral of federal income taxes on investment gains until those gains are withdrawn. In addition, variable annuities allow the customer to elect annuity payments, which are periodic income payments made on an agreed schedule based upon the value of the annuity that usually do not begin until more than a year after the initial investment. Variable annuities also provide for a payment to a designated beneficiary upon the customer's death (the "death benefit").

11. A variable annuity allows the customer to select how his or her funds are invested. The customer applies the funds in the variable annuity to purchase "units" of a "separate account" established by the annuity company. Each separate account is an entity that is required to register with the Commission under the Investment Company Act of 1940 [15 U.S.C. §§ 80a-1, et seq.]. The separate account pools customer funds and invests the pooled funds in specific types of securities. Under the terms of the variable annuity contracts, customers are permitted to apportion their investments among different investment "subaccounts" within the separate account – essentially different investment programs similar to mutual funds – and to make transfers among the subaccounts, usually without incurring any additional fees. For example, a customer might choose to allocate her investment between two subaccounts, with half allocated to an equity growth fund and the other half to a corporate bond fund.

12. Switching variable annuities – that is, selling one variable annuity and reinvesting the proceeds in another variable annuity offered by a different annuity company – subjects customers to additional costs. The annuity companies assess a penalty – called a "surrender charge" – if during the first several years of ownership (the "surrender period") the customer surrenders the annuity for cash, withdraws funds in excess of the contract limits, or switches the annuity for another company's annuity. These surrender charges are highest during

the initial two years of the surrender period and typically decrease during the rest of the surrender period. The surrender charge is eliminated altogether by the end of the surrender period, typically 5 to 8 years after purchase. When a customer switches his variable annuity for another variable annuity during the surrender period, the original variable annuity issuer deducts the surrender charge from the funds in the annuity and transfers the balance of the customer's funds to the new annuity company. The customer then starts a new surrender period under the new variable annuity, thereby often extending the time during which the customer will be subject to surrender charges.

WALDON'S DUTIES TO CUSTOMERS

13. As a registered representative of four broker-dealers at various times, each of which was a member of the NASD, Waldon was required to adhere to rules established by the NASD concerning fair practices in the sales of securities. Waldon was required, in recommending to a customer the purchase, sale or exchange of any security, to have reasonable grounds for believing that the recommendation was suitable for such customer upon the basis of the facts, if any, disclosed by such customer about his other security holdings, financial situation and needs. Further, prior to completing such transactions for his customers, Waldon was required to make reasonable efforts to obtain information reasonably necessary to make a recommendation. Waldon was also required to determine, based on the information provided by the customer and Waldon's own knowledge of the product features, that replacing an existing contract with a new contract was suitable for the customer.

WALDON'S VIOLATIONS OF THE SECURITIES LAWS

A. Waldon Recommended Unsuitable Switches Of Variable Annuities

14. Between January 1998 and November 2001, Waldon sold variable annuities to at least 43 customers in at least 57 transactions, identified in Appendix A, by persuading the customers to switch from variable annuities which they already owned, usually

for a short period, to another variable annuity offered by a different annuity company. Each of the 57 variable annuity switches was unsuitable for the customer because the customer either received no overall benefit or suffered a loss of benefits from the transaction. At the same time, Waldon received large commissions for each switch.

15. Waldon's customers were primarily individuals of moderate means and limited investment experience, living in Northern California and Oregon. All but four of the customers were at least 70 years old at the time of the switch, and, with one exception, all were retired. (The Commission identifies these customers only by their initials to protect their privacy.)

16. Waldon promoted variable annuities in a variety of settings, including at seminars purportedly regarding estate planning, and when selling insurance-related products. Through these contacts, Waldon attempted to build relationships of trust, which he exploited in selling variable annuities.

17. During the relevant period, Waldon solicited his customers to switch to variable annuities offered by five different annuity companies. Waldon made the solicitations primarily through in-person presentations at his office or the customer's home. If Waldon obtained the customer's oral consent for the transaction, he then completed the transaction documents, obtained the customer's signature, and submitted the documents to the annuity company. The customer generally also received a written prospectus from the issuer of the variable annuity, either at the time of Waldon's presentation or after the customer's application was submitted.

18. In each of the 57 variable annuity switches identified in Appendix A, the customer incurred increased costs or risks from the transaction, without offsetting benefits, as follows:

a. In all but three switches, the customer incurred an immediate surrender charge. In most instances, the surrender charges were greater than 5 percent of the customer's initial investment, or as much as $17,000. As a result of each switch transaction, the customer began a new surrender period, effectively increasing in most cases the amount of time the customer was exposed to surrender charges.

b. In all of the switches, the customer selected subaccount options in the new variable annuity that were very similar to those the customer had selected, or which were available, under the old variable annuity contract. To the extent the customers switched variable annuities in order to achieve a different investment mix in their subaccounts, those customers could have done so by reallocating their investments in their original variable annuity among different subaccount options without incurring any additional charges.

c. In at least two-thirds of the transactions, the switches occurred within two years after Waldon sold the customers their original variable annuity. During this initial two-year period, the cost to the customer was the highest.

d. Each of the variable annuities sold in the switches were annuities that charged surrender charges. Waldon was aware that the issuers whose annuities he sold also offered variable annuities that did not impose surrender charges. However, he did not recommend those annuities because the commissions paid by the issuers on those products were much lower than the commissions that the issuers paid on the variable annuities that imposed surrender charges.

19. Prior to recommending that his customers switch, Waldon either disregarded information he possessed about the customers suggesting that the switches were

unsuitable, or he failed to make reasonable efforts to obtain other information necessary for a switch recommendation. For example, Waldon did not calculate or quantify the costs or the purported benefits of switching. Waldon either knew or was reckless in not knowing that the switches were unsuitable for the customers.

20. Waldon benefited substantially from the transactions. Waldon received commissions, ranging in most cases from 6 to 7 percent of the value of the new annuity. In each switch, the issuer of the new variable annuity paid commissions to the broker-dealer with whom Waldon was affiliated. The broker-dealer, in turn, paid to Waldon approximately 90 percent of the commissions it received. Because Waldon most frequently recommended switching to customers whose variable annuities were greater than $50,000, the commissions he received were usually over $5,000 on each sale, and ranged as high as approximately $22,000. By recommending unsuitable switches to his customers, Waldon placed his own interests ahead of his customers.

B. Waldon Made Material Misrepresentations in Connection with Variable Annuity Sales

21. From January 1998 to November 2001, Waldon made material misrepresentations of fact to some or all of the 43 customers identified in Appendix A, claiming that: (1) the switch was necessary or desirable to obtain better returns on the invested funds, (2) the customer would obtain a greater death benefit from the switch, and (3) the customer would receive a fixed interest rate over a preliminary period on the funds invested in the new annuity, which would overcome any costs of switching.

<u>Misrepresentations Concerning Improved Investment Returns</u>.

22. Between March 2000 and August 2001, many public company stocks declined in value. This decline in stock values was widely reported in the news media. For many of Waldon's customers, the precipitating event leading to a switch of variable annuities

was the customer's concern over declines in the value of their variable annuity during this period as reported either in the news media or in periodic statements of the value of their annuities.

23. During this period, Waldon misrepresented to almost all of the customers, as identified in Appendix A, that switching was valuable, or necessary, to achieve a better return on their annuities. In particular, Waldon misrepresented to these customers that switching was either the best, or only, means to address the rapid losses in investment value customers experienced during stock market declines in the spring of 2000 through the summer of 2001. Waldon also misrepresented the purported benefits of switching.

24. Waldon falsely represented to these customers that switching variable annuities was a reasonable means to stem losses in their investments due to a stock market decline. In fact, the switches either did not offer a means to stem losses due to market declines, or were not necessary for the customers to achieve this objective.

25. Contrary to Waldon's representations, the switches were unnecessary and costly. Waldon knew, but failed to disclose to these customers, that they could transfer their funds to other subaccounts, or fixed-rate options, offered under their original variable annuity to obtain the type of investment plan they wanted. Waldon knew, or was reckless in not knowing, that if these customers transferred their funds to different subaccounts within the same variable annuity, they would not have incurred surrender charges or begun new, often extended, surrender periods in the new variable annuity.

<u>Misrepresentations Concerning Death Benefits</u>.

26. During the period March 2000 to August 2001, Waldon misrepresented to several customers, identified in Appendix A, that by switching to another variable annuity, they would obtain an increase in the minimum amount of the death benefit the variable annuity company would pay their beneficiaries if they died before annuity payments began (the

"minimum death benefit"). Waldon also told these customers that the increase would be greater than any costs they might incur in the transaction.

27. Contrary to Waldon's representations, these customers did not obtain an increase in the minimum death benefit greater than their costs in switching, and most suffered a reduction in the value of their minimum death benefit by switching. Waldon knew or was reckless in not knowing that by switching variable annuities, these customers would suffer a reduction in the minimum death benefit.

28. For example, Waldon solicited W&KC, a husband and wife, to purchase a variable annuity from Pacific Life in June 1999 with an initial investment of approximately $99,600. Under the terms of the Pacific Life contract, if either customer died before annuity payments began, the designated beneficiary would receive $99,600 (less any withdrawals) plus any investment gain. If the investment decreased in value, the beneficiary still would receive $99,600 (less any withdrawals) as the "minimum death benefit." In June 2000, Waldon solicited W&KC to switch their variable annuity to one issued by Jackson National Life. At that time, the value of the investment had declined to approximately $98,900. Pacific Life assessed a surrender charge when W&KC switched their variable annuity, further reducing the amount of the investment in the new variable annuity to approximately $92,000. Thus, under the Jackson National Life variable annuity contract, the "minimum death benefit" available to W&KC was $92,000. Contrary to Waldon's representations to W&KC, they suffered a decrease of at least $7,000 in the amount of the minimum death benefit by switching.

Waldon Misrepresented The Value Of Dollar Cost Averaging.

29. During the period November 1999 to August 2001, Waldon misled several customers, identified in Appendix A, by telling them that they were "guaranteed" a fixed interest rate for an initial period of time after switching variable annuities, without adequately disclosing to them that other factors affected the return on their investment. In making this

representation, Waldon referred to a contract feature in some variable annuity contracts called "dollar cost averaging."

30. In the variable annuity contracts Waldon promoted, the dollar cost averaging programs allowed the customer to elect to put the initial payment in an account that earned a fixed rate for an introductory period. Over the time period selected (either 6 or 12 months), a ratable portion (either 1/6th, or 1/12th) of the investment was transferred monthly into the customer's selected subaccounts.

31. Waldon falsely informed these customers that dollar cost averaging would eliminate the risk that their accounts would further decline in value. Waldon misled customers by telling them that dollar cost averaging would provide the customers an attractive, "guaranteed" interest rate during the selected period. Waldon did not adequately disclose that the guaranteed rate applied only to the declining portion of the investment in the fixed-rate account and that the total investment return depended on the performance of the investment program they selected. He knew, but did not tell these customers, that there was a risk that they could lose money on the investment. He also misrepresented that the guaranteed interest rate would make up for any costs incurred in switching to the new variable annuity.

32. Contrary to Waldon's representations, these customers continued to experience reductions in the overall value of their variable annuities. In particular, during the initial period when the dollar cost averaging program was in effect, some customers suffered large losses due to declines in the stock market that, when netted against the amount received from the portion of their investment in the fixed-rate account, still resulted in a negative overall return. Waldon knew or was reckless in not knowing that, by switching to variable annuities with dollar cost averaging programs, these customers could incur investment losses, costs and charges that would result in a further reduction of the value of their investments.

33. In or about June 2001, the NASD issued to its member firms a warning that they should avoid over-emphasizing the annual effective yield from such dollar cost averaging programs. Notwithstanding this warning, Waldon continued to misrepresent the investment returns under such programs to customers, including RC.

C. Waldon Failed To Disclose Material Information Concerning Switches Of Variable Annuities

34. From January 1998 until November 2001, Waldon failed to disclose to the customers identified in Appendix A information material to their decision to switch variable annuities.

<u>Unsuitability Of Switching</u>.

35. Waldon failed to disclose to all of the customers that switching variable annuities was unsuitable given their circumstances and also increased their risks.

<u>Costs And Surrender Charges Incurred In Switching</u>.

36. Waldon knew, but failed to disclose to all of the customers, that in switching variable annuities the customers would incur costs, including surrender charges, that were greater than the purported benefits from the switch.

37. Waldon also knew, but failed to disclose to these customers, the actual costs of switching, including the specific amount of surrender charges, and the difference in fees charged by the issuers.

<u>Declines In Penalty-Free Funds Available Immediately After Switching</u>.

38. Waldon knew that certain of his customers, including EG, WH, and AY, had a specific need or expectation that they would use funds from their variable annuities for health care or other living expenses. Waldon failed to disclose to these customers that by switching variable annuities, the amount of money they could withdraw without penalty would immediately decrease after switching to the new variable annuity.

39. For example, AY purchased a variable annuity in July 1999, with an initial investment value of approximately $76,400. In May 2000, less than one year later, she switched her variable annuity at Waldon's recommendation. Waldon was aware at the time of the switch that AY intended to use the variable annuity as a source of income by making regular withdrawals for living expenses. At that time, the value of the original annuity had increased by approximately 20 percent to $93,900. If AY had not switched annuities at that point, she could have withdrawn the investment gains of approximately $17,500 without incurring surrender charges. By switching, AY incurred a surrender charge of approximately $4,800, more than one-quarter of her investment gain. After switching, the maximum annual withdrawal that AY could make without incurring a surrender charge was 10 percent of the initial investment value ($89,100), or approximately $8,900. Thus, as an immediate consequence of the switch, the funds available to AY without penalty decreased from approximately $17,500 to $8,900.

40. By failing to disclose to these customers that switching their variable annuities restricted their access to penalty-free funds, Waldon omitted material information necessary for the customers to evaluate whether the recommended switch was appropriate.

<u>Opportunities And Risks Of Investing Within Individual Retirement Accounts.</u>

41. In at least ten transactions, identified in Appendix A, Waldon's customers purchased their variable annuities with funds held in individual retirement accounts ("IRAs"). Although federal taxes on investment earnings in variable annuities are deferred until the earnings are withdrawn, federal taxes on earnings in IRAs are already deferred until withdrawal.

42. Variable annuities such as those sold in this case assess a variety of fees, including fees for the insurance-related features, administration of the contracts, and management of the subaccounts by portfolio managers. Consequently, such variable annuities often must be held longer than investments in mutual funds with similar investment approaches before these additional fees can be recouped through savings related to tax deferral or insurance

benefits. Waldon knew, but failed to disclose to these customers, that they could have invested in other securities, including mutual funds, that did not have the fees and costs associated with variable annuities while continuing to defer taxation.

43. Also, persons over 70½ years old are required, under federal tax law, to withdraw a percentage of the value of their IRAs annually. Waldon knew, but failed to disclose to these ten customers, that the declining principal balance of their variable annuities would make it even more difficult for those customers to overcome the higher variable annuity fees.

44. By failing to disclose the unsuitability for certain customers of purchasing a variable annuity in a switch transaction, including customers whose funds were in IRAs, Waldon omitted material information necessary for the customers to evaluate whether the recommended switch was appropriate.

FIRST CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act by Waldon.

45. The Commission realleges and incorporates by reference Paragraphs 1 through 44 above.

46. By engaging in the conduct described in Paragraphs 1 through 44 above, Waldon directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails:

(a) with scienter, employed devices, schemes, or artifices to defraud;

(b) obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(c) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers.

47. Waldon violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 by Waldon.

48. The Commission realleges and incorporates by reference Paragraphs 1 through 44 above.

49. By engaging in the conduct described in Paragraphs 1 through 44 above, Waldon, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or the mails, with scienter:

(a) employed devices, schemes, or artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and

(c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of securities.

50. Waldon has violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently enjoin defendant Waldon from violating, directly or indirectly, Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5.

II.

Order defendant Waldon to disgorge all wrongfully obtained benefits, including prejudgment interest.

III.

Order defendant Waldon to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) [15 U.S.C. § 78u(d)].

IV.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

V.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: June 26, 2002

Respectfully submitted,

Susan F. LaMarca

Susan F. LaMarca
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION

APPENDIX A

Customer No.	Contract Owners (Initials)	Switch Date	Switched VA Issuer	Former VA Issuer/Date	IRA Account	Misrepresented Death Benefit	Misrepresented Dollar Cost Averaging	Misrepresented Market Declines	Omitted Surr. Charge Applied
1	J&SA	9/25/00	Jackson Nat'l Life	Pacific Life 5/99		Yes	Yes	Yes	Yes
2	WB	12/21/00	New York Life	ING 4/98		Yes		Yes	
3	JB	3/20/01	New York Life	Pacific Life 6/00				Yes	
4	W&KC	6/19/00	Jackson Nat'l Life	Pacific Life 6/99	Yes		Yes	Yes	
5	RC	6/19/00	Jackson Nat'l Life	Pacific Life 11/98				Yes	
5	RC	8/7/01	New York Life	Jackson Nat'l Life 6/00			Yes	Yes	
6	LEC	2/28/00	Pacific Life	ING 3/98				Yes	
7	MC	3/30/98	ING	Allianz 9/93					
7	MC	1/21/00	Pacific Life	ING 3/98				Yes	
8	C&JD	5/2/00	Jackson Nat'l Life	Pacific Life 1/99		Yes		Yes	
8	C&JD	3/9/01	New York Life	Jackson Nat'l Life 5/00				Yes	
9	LD	6/5/00	Jackson Nat'l Life	Pacific Life 6/99	Yes	Yes		Yes	
9	LD	6/2/00	Jackson Nat'l Life	Pacific Life 7/99		Yes		Yes	
10	E&HD	3/2/01	Pacific Life	ING 3/98				Yes	
11	BE	6/5/00	Jackson Nat'l Life	Pacific Life 6/99	Yes	Yes		Yes	
12	AF	9/22/00	Pacific Life	ING 4/98		Yes		Yes	
13	JF	3/16/01	New York Life	Lincoln Life				Yes	
14	EG	5/2/00	Jackson Nat'l Life	ING 4/98				Yes	
14	EG	7/18/00	Jackson Nat'l Life	ING 3/98				Yes	
14	EG	3/21/01	New York Life	Jackson Nat'l Life (death ben)					
15	R&MG	4/17/00	Pacific Life Value	ING 7/98				Yes	
16	D&MG	4/10/00	Pacific Life Value	Allianz 7/99	Yes			Yes	
17	M&RG	6/25/01	Pacific Life	Prudential	Yes			Yes	
18	RG	3/7/00	Pacific Life	ING 6/98				Yes	Yes
19	WH	5/9/00	Jackson Nat'l Life	Pacific Life 8/98		Yes		Yes	
20	RH	7/27/01	New York Life	Pacific Life (death ben)					
21	MI	8/6/01	New York Life	Pacific Life 6/99				Yes	
22	LJ	6/26/00	Jackson Nat'l Life	Pacific Life 6/99				Yes	Yes
22	LJ	6/13/00	Jackson Nat'l Life	Pacific Life 9/99				Yes	Yes
22	LJ	8/17/01	New York Life	Jackson Nat'l Life 6/00 (2)				Yes	

APPENDIX A

Customer No.	Contract Owners (Initials)	Switch Date	Switched VA Issuer	Former VA Issuer/Date	IRA Account	Misrepresented Death Benefit	Misrepresented Dollar Cost Averaging	Misrepresented Market Declines	Omitted Surr. Charge Applied
23	RJ	2/26/01	CNA	ING 2/98, 5/98 (2)				Yes	
24	P&FK	1/9/01	New York Life	Hartford		Yes	Yes	Yes	
25	E&DK	8/6/01	New York Life	Pacific Life 4/00				Yes	
25	E&DK	8/2/01	New York Life	Pacific Life 5/00				Yes	
26	J&EL	9/25/00	Jackson Nat'l Life	Pacific Life 12/98				Yes	
27	BM	12/11/00	New York Life	ING 4/98		Yes		Yes	
28	C&MN	1/30/01	New York Life	Pacific Life 1/00	Yes	Yes	Yes	Yes	
28	C&MN	1/29/01	New York Life	Pacific Life 3/00		Yes	Yes	Yes	
29	IP	2/26/01	CNA	ING, Pacific Life (2)				Yes	Yes
30	GP	8/28/00	Pacific Life	ING 8/98		Yes		Yes	Yes
31	A&PP	3/9/01	New York Life	ING 7/98				Yes	
32	SR	2/5/01	CNA Plus	Aetna 3/98				Yes	
33	DR	4/24/00	Jackson Nat'l Life	ING 4/98	Yes	Yes	Yes	Yes	Yes
33	DR	3/30/00	Jackson Nat'l Life	ING 3/98		Yes	Yes	Yes	Yes
34	PS	11/16/99	Pacific Life	ING 5/98			Yes	Yes	
35	WS	11/00/01	Pacific Life	ING 3/98	Yes			Yes	
36	JS	2/10/98	ING	Prudential					
37	R&MS	5/9/00	Jackson Nat'l Life	Pacific Life 12/98	Yes		Yes	Yes	
37	R&MS	5/9/00	Jackson Nat'l Life	Pacific Life 12/98	Yes		Yes	Yes	
38	MT	1/12/00	Pacific Life	ING				Yes	
39	J&AU	5/28/99	Pacific Life	Hartford				Yes	Yes
39	J&AU	6/13/00	Jackson Nat'l Life	Pacific Life 5/99			Yes	Yes	Yes
40	CW	2/22/01	Pacific Life	ING 1/98		Yes		Yes	
41	WW	11/15/99	Pacific Life	Hartford					
42	EW	1/31/00	Pacific Life	ING 4/98				Yes	
42	EW	4/9/01	New York Life	Pacific Life, Glenbrook (2)			Yes	Yes	
43	AY	5/26/00	Jackson Nat'l Life	Pacific Life 7/99				Yes	