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**STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,

Plaintiff,

v.

HENRY WILLIAM DAILEY, individually
and his marital community; CATHERINE
A. DAILEY, individually and her marital
community; JANET SPARKS,
individually and her marital community;
JOHN DOE SPARKS, individually and his
marital community; DEBORAH A.
HIGGINS, individually and her marital
community; MICHAEL P. HIGGINS,
individually and his marital community;
T.E.A.M. SERVICES LLC; and T.E.A.M.
INSURANCE SERVICES LLC,

Defendants.

NO. **13-2-27535-0 SEA**

COMPLAINT FOR INJUNCTIVE
AND OTHER RELIEF UNDER
THE CONSUMER PROTECTION
ACT

Plaintiff, State of Washington, by and through its attorneys Robert Ferguson, Attorney
General, Elizabeth J. Erwin, Senior Counsel, Assistant Attorney General, and Jason Bernstein,
Assistant Attorney General, brings this action against the defendants named below. The State
alleges the following on information and belief:

I. PLAINTIFF

1.1 The Plaintiff is the State of Washington.

1.2 The Attorney General is authorized to commence this action pursuant to
RCW 19.86.080 and RCW 19.86.140, the Washington State Consumer Protection Act.

1 **II. DEFENDANTS**

2 2.1 Defendant HENRY WILLIAM DAILEY is the Managing Member of T.E.A.M.
3 SERVICES LLC and T.E.A.M. INSURANCE SERVICES LLC. (TEAM Services herein
4 refers to both defendant entities.) He resides at 16130 SE 42nd Street, Bellevue, Washington
5 98006. Defendant DAILEY has been licensed as an insurance agent/producer with the
6 Washington State Office of Insurance Commissioner at all times relevant to this action, and
7 was licensed as a loan originator with the Washington State Department of Financial
8 Institutions during the relevant time period of this action until the license expired in December,
9 2008.

10 2.2 Defendant CATHERINE A. DAILEY is married to Defendant HENRY
11 WILLIAM DAILEY. She resides at 16130 SE 42nd Street, Bellevue, Washington 98006.
12 This action is filed against her individually and in her marital capacity.

13 2.3 Defendant JANET SPARKS is the registered agent of T.E.A.M. SERVICES
14 LLC and T.E.A.M. INSURANCE SERVICES LLC, and has a marketing contract with
15 T.E.A.M. SERVICES LLC. Defendant SPARKS is the business associate and assistant to
16 Defendant Henry William Dailey. Defendant SPARKS operates an "Estate Planning/Trust
17 Services" business as a sole proprietor but in connection with her employment with TEAM
18 Services. She resides at 9822 NE 190th Street, Apartment A104, Bothell, Washington 98011.
19 Defendant SPARKS was licensed as an insurance agent with the Washington State Office of
20 Insurance Commissioner until the license was cancelled in January, 2007. Defendant SPARKS
21 was licensed as a loan originator with the Washington State Department of Financial
22 Institutions during the relevant time period of this action until the license expired in December,
23 2010. Defendant SPARKS has been licensed as a notary public with the Washington State
24 Department of Licensing during the relevant time period of this action.

25 2.4 Defendant JOHN DOE SPARKS is married to Defendant JANET SPARKS.
26 This action is filed against him individually and in his marital capacity.

1 2.5 Defendant DEBORAH HIGGINS was the operations, licensing, and compliance
2 manager of T.E.A.M. SERVICES LLC and T.E.A.M. INSURANCE SERVICES LLC at all
3 times relevant to this matter. She resides at 28827 21st Avenue S, Federal Way, Washington
4 98003. Defendant HIGGINS was licensed as an insurance agent/producer with the
5 Washington State Office of Insurance Commissioner during the relevant time period of this
6 action until the license was cancelled in October, 2011. Defendant HIGGINS was licensed as
7 a notary public with the Washington State Department of Licensing during the relevant time
8 period of this action until the license expired in July 2011.

9 2.6 Defendant MICHAEL HIGGINS is married to Defendant DEBORAH
10 HIGGINS. He resides at 28827 21st Avenue S., Federal Way, Washington 98003. This action
11 is filed against him individually and in his marital capacity.

12 2.7 Defendants T.E.A.M. SERVICES LLC and T.E.A.M. INSURANCE
13 SERVICES LLC are Washington companies with addresses of 800 Bellevue Way NE,
14 Suite 400, Bellevue, Washington 98004, 28827 21st Avenue South, Federal Way, Washington
15 98003, 9822 NE 190th Street, A104, Bothell, Washington 98011, and 16130 SE 42nd Street,
16 Bellevue, Washington 98006. These Defendants are owned and operated by Defendant
17 DAILEY.

18 2.8 Defendants, individually and together, for the benefit of their marital
19 communities and each other, formulated, directed, executed, controlled, had the authority to
20 control, or participate in, and had knowledge of the acts and practices set forth in this
21 Complaint.

22 2.9 All Defendants operated as a common enterprise while engaging in the unfair,
23 deceptive acts and practices and other violations of law alleged herein. The Defendants have
24 conducted the business practices described herein through an interrelated network of business
25 practices including offering and selling reverse mortgages, insurance, estate distribution
26 documents, financial planning advice, and related services, including but not limited to notary

1 services. Because the Defendants have operated as a common enterprise, each of them is
2 jointly and severally liable for the deceptive acts and practices and violations of laws alleged
3 herein.

4 **III. JURISDICTION AND VENUE**

5 3.1 The State files this complaint and institutes these proceedings under the
6 provisions of the Consumer Protection Act, RCW 19.86, and under the Estate Distribution
7 Document Act, RCW 19.295. A violation of RCW 19.295 is a *per se* violation of the
8 Consumer Protection Act.

9 3.2 The authority of the Attorney General to commence this action is conferred by
10 RCW 19.86.080 and RCW 19.86.140.

11 3.3 The Defendants engaged in the conduct set forth in this complaint in
12 King County and elsewhere in the state of Washington.

13 3.4 Venue is proper in King County pursuant to RCW 4.12.020 and RCW 4.12.025.
14 Many, if not all, of the defendants, their assets and their businesses are located in King County
15 and the individual defendants reside in King County. Many of the business transactions at
16 issue in this matter occurred in and around King County.

17 3.5 This Court has subject matter jurisdiction over this Complaint under the laws of
18 the State of Washington pursuant to RCW 2.08.010.

19 **IV. NATURE OF TRADE OR COMMERCE**

20 4.1 Defendants are now, and have been at all times relevant to this lawsuit, engaged
21 in trade or commerce within the meaning of RCW 19.86.010 and RCW 19.86.020 by offering
22 and selling reverse mortgages, insurance, estate distribution documents, financial planning
23 advice, and related services.

24 4.2 Defendants have been at all times relevant to this action in competition with
25 others engaged in similar business in the State of Washington.

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V. FACTS

5.1 At all times relevant to this action, the Defendants have been in competition with others engaged in similar activities in the state of Washington and engaged in the acts below as a matter of practice.

Introduction

5.2 Since 2007 and up to the present day, Defendants have been in the business of selling reverse mortgages, annuities and living trusts to senior citizens. Typically, they went to seniors' homes unannounced, claiming to provide financial and estate planning services, including reverse mortgage and annuity products that would allegedly improve the seniors' financial status. These sales were conducted in a series of meetings in their senior victims' homes—without relatives, friends, or advisors of the seniors present—because Defendants know that seniors are more vulnerable to sales pitches made in their homes and without support. When seniors have to arrange for meetings and travel to a professional office for such transactions, they may be more likely to discuss the transactions with relatives or friends before going to the appointment or committing to the transactions.

5.3 Most of Defendants' victims are elderly. The Defendants targeted Washington senior citizens, typically widows in their 80's who were living alone, and who had or were eligible for reverse mortgages.

5.4 Defendants utilize techniques to lull seniors into a false sense of security. For example, seniors report that Defendants are very friendly and engaging. Defendants repeatedly represent to seniors the Defendants have the seniors' best interests in mind as the Defendants advise them regarding financial matters and sell them numerous complex financial products. Defendants used business cards that stated "Assisting seniors in all aspects of financial and estate planning," "Reverse Mortgage Specialist," and "Estate Planning/Trust Services."

5.5 In truth and in fact, Defendants promoted and executed these transactions to maximize the commissions they received in the sale of each reverse mortgage, annuity and

1 living trust, to the detriment of their senior citizen victims. Defendants abused the seniors'
2 trusting nature and lack of sophistication regarding complex financial products to maximize
3 their sales and commissions at their victims' expense.

4 **Defendants' Deceptive Reverse Mortgage and Annuity Schemes**

5 5.6 A reverse *mortgage* is a loan for senior homeowners (62 years of age or older)
6 that uses the home's equity as collateral. The loan generally does not have to be repaid until
7 the last surviving homeowner who was a party to the loan permanently moves out of the
8 property or passes away. At that time, the balance of the reverse mortgage must be paid or the
9 lender on the reverse mortgage sells the home to pay off the loan balance. The borrowing
10 senior can receive cash proceeds from the mortgage as a series of monthly payments to
11 supplement their Social Security or pension. Or, they can take out a larger sum, typically as a
12 line of credit, to perform needed repairs on their home or for medical or other expenses. Many
13 seniors indicated they took out the reverse mortgage as they needed cash for daily living
14 expenses.

15 5.7 However, a reverse mortgage is one of the most expensive ways for a senior
16 citizen to borrow money because of the high fees charged, including mortgage insurance,
17 origination fee, title fees, appraisal, closing costs, interest, and a monthly service fee. A
18 reverse mortgage does provide some safety though, because the borrower does not have to
19 make a mortgage payment while living in the home. Instead, each month the loan principal
20 grows by the amount of money the borrower received, plus initial settlement charges, and the
21 monthly fees associated with the reverse mortgage. Commissions are paid to loan originators,
22 including Defendants, when the transaction is approved and funded by a lender.

23 5.8 Defendants used a variety of ways to gain access to reverse mortgage proceeds
24 from consumers in Washington State. In some cases, they assisted seniors in completing
25 documents to request a line of credit withdrawal on an existing reverse mortgage; in other
26 cases, they assisted seniors in refinancing existing reverse mortgages and withdrawing the

1 remaining equity as a lump sum. Some seniors were even induced to apply for two reverse
2 mortgage refinances within a short period of time. These practices resulted in many seniors
3 cashing out all or most of their home equity, incurring substantial interest and settlement costs,
4 while the defendants received significant commissions as loan originators for these reverse
5 mortgages.

6 5.9 Immediately upon the senior receiving the lump sum reverse mortgage
7 proceeds, defendants would return to seniors' homes to sell them single-premium deferred or
8 single-premium immediate annuities. A single-premium deferred annuity is an annuity
9 purchased with a lump sum payment by the consumer who does not begin to receive payments
10 from the annuity until after the lengthy deferral period. During the deferral period, consumers
11 are prohibited from withdrawing more than a nominal amount of the annuity's value in any
12 given year without incurring surrender penalties. The surrender penalties are as high as 9 to
13 10% of the withdrawal amount if funds are withdrawn from the annuity within the first several
14 years. Typical lengths of the terms of these annuities are ten years.

15 5.10 A single-premium immediate annuity is an annuity in which the consumer
16 invests a lump sum and receives payments for a specific time period or for as long as the
17 consumer lives, depending on the terms of the annuity. With most immediate annuities, the
18 payments end upon the death of the payee and cannot be bequeathed to the heirs of the payee.
19 The insurance company retains any remaining money that was not paid to the payee in monthly
20 payments. Defendant Dailey sold single-premium annuities to widows in their 80's, using the
21 proceeds of a reverse mortgage refinance to fund the annuities. In those transactions the
22 consumers will not recover the amount of their principal investment until they are in their 90's.

23 5.11 In some cases, the defendants misrepresented to consumers they *had to invest*
24 *reverse mortgage proceeds in annuities*, when this was not true. The sales of complex annuity
25 products were made to consumers without full disclosure of the terms of the policies and the
26 costs and benefits to the consumers.

1 5.12 Defendants failed to disclose to some consumers that deferred annuities are a
2 long-term investment and they would incur substantial surrender penalties if they withdrew the
3 money from the annuities within the first several years after the annuity purchases. In fact, the
4 consumers did incur substantial surrender penalties. Defendants' uses of Annuity Suitability
5 Acknowledgement Forms or Replacement Forms did not compensate for the failure of the
6 defendants to disclose material information in the course of selling the annuities.

7 5.13 In many cases, a year or two after selling an annuity to a senior citizen, the
8 Defendants would advise the senior to surrender an annuity and to reinvest in another annuity
9 with a different insurance company. The Defendants failed to disclose the substantial
10 surrender penalties consumers would incur as a result of churning annuity products.
11 Defendants' uses of Annuity Suitability Acknowledgement Forms or Replacement Forms do
12 not compensate for the defendants' failure to disclose material information in the course of
13 selling the annuities. This practice generated additional lucrative commissions for Defendants.

14 5.14 Defendants, through their deceptive acts and practices, received multiple
15 commissions on both reverse mortgages and annuities. They received commissions for
16 originating the reverse mortgages and/or refinances and for the subsequent sales of annuities.
17 Finally, in some circumstances, they returned to the consumers' homes a year or two later to
18 convince them to exchange annuity products, again incurring commissions for themselves and
19 having consumers incur significant surrender penalties because they followed the financial
20 advice of defendants to surrender annuities and purchase new annuities.

21 5.15 The defendants made multiple visits to the seniors' homes while they were
22 selling reverse mortgages, annuities and estate distribution documents. After those sales were
23 made, defendants refused to answer or delayed in returning seniors' calls when the senior had
24 questions or complaints about the products sold by defendants.

1 **Defendant HIGGINS Violated the Notary Act**

2 5.16 Defendant HIGGINS was licensed as a notary public by the Washington State
3 Department of Licensing from July 27, 2007 to July 27, 2011.

4 5.17 Pursuant to RCW 42.44.160 (1), a notary public engages in official misconduct
5 when she signs a certificate evidencing a notarial act, knowing that the contents of the
6 certificate are false.

7 5.18 In the process of the Defendants' marketing of reverse mortgage refinances and
8 estate distribution documents, Defendant HIGGINS claimed to witness or attest to signatures
9 without being present at the time the consumers signed the documents.

10 **Defendant HIGGINS' Claims to be the Loan Originator or Insurance Agent in**
11 **transactions**

12 5.19 Defendant HIGGINS claimed to be the loan originator of reverse mortgages and
13 the insurance agent on annuities sold to the Defendants' victims, when in fact she had no
14 involvement in the solicitation, negotiation, execution or sale of these products. In fact, the
15 consumers had never met or talked with Defendant HIGGINS as the solicitation and sale was
16 made by Defendant SPARKS or Defendant DAILEY.

17 **Defendant SPARKS' Illegal Living Trust Scam**

18 5.20 Due to past abuses in "trust mill scams," the Washington State Legislature
19 passed the Washington Estate Distribution Documents Act, RCW 19.295, that prohibits non-
20 attorneys from advising or selling services related to estate planning and estate distribution
21 documents including living trusts.

22 5.21 Defendant SPARKS illegally advised consumers on estate planning matters, and
23 sold inter vivos revocable trusts without being licensed to practice law in Washington.

24 5.22 During the process of marketing reverse mortgages and annuities, Defendant
25 SPARKS falsely represented to consumers that they needed living trusts. She made false or
26

1 misleading representations including that settling an estate with a living trust would be less
2 expensive and faster than the probate process.

3 5.23 Defendant SPARKS failed to inform consumers that title to major assets have to
4 be transferred to the living trusts in order for an estate to be settled without being probated.
5 Many consumers who purchased the living trusts from Defendant SPARKS have not
6 transferred their major assets to the trusts and therefore their estate will likely need to be
7 probated. In essence, they paid for a “living trust” document that will not provide the service
8 represented by Defendant SPARKS.

9 5.24 Defendant SPARKS inserted in trust documents names of individuals as
10 witnesses to the consumers’ signatures when, in fact, these individuals did not witness the
11 signatures and the consumers had never met these individuals.

12 5.25 Defendant SPARKS collected payments from consumers for estate planning
13 documents, specifically revocable living trusts, and failed to provide any documents to these
14 consumers or to refund their payments.

15 **Additional Specific Unfair and Deceptive Practices**

16 5.26 Defendants induced consumers to sign annuity application documents that
17 included false information in order to have annuity applications approved by the insurance
18 companies. The Defendants were motivated by the commissions they received for the annuity
19 sales. Without the false information, these annuity applications would have been rejected by
20 the insurance companies.

21 5.27 In some cases, Defendants submitted applications to insurance companies in
22 which the consumers’ signatures were falsely and deceptively obtained, including one set of
23 application documents for a \$100,000 single premium deferred annuity that falsely stated the
24 consumer had a second home in Arizona and had signed the application in Arizona when
25 neither of these statements were true.

1 5.28 In some cases, the Defendants arranged to have agent Danni Bracci sign annuity
2 applications as the Primary Agent for annuity policies issued to Washington State consumers.
3 Defendant DAILEY falsely claimed in the applications that the policies were sold in Arizona.
4 In fact, agent Bracci had never met the Washington State consumers and he was not involved
5 in any way in the solicitation, negotiation or sale of the annuities to consumers.

6 5.29 The Defendants' sale of deferred annuities using reverse mortgage proceeds
7 severely restricted the seniors' ability to use their money to pay for medical expenses, property
8 taxes, insurance, and daily living expenses including food and gas. In many cases, these
9 expenses were the primary reason seniors sought access to their reverse mortgage funds. By
10 having funds tied up in deferred annuities through the deceptive business practices of the
11 Defendants, consumers were forced to severely limit their budgets, delayed paying bills,
12 borrowed cash from family members, or received public assistance. Several consumers lost
13 thousands of dollars from surrendering the annuities within the first year or two after the
14 purchase because they needed the money to pay living expenses.

15 **VI. FIRST CAUSE OF ACTION--MISREPRESENTATIONS**

16 6.1 Plaintiff realleges paragraphs 1.1 through 5.29 and incorporates them herein as if
17 set forth in full.

18 6.2 In the course of conducting their business Defendants made numerous
19 misrepresentations as alleged in paragraphs 1.1 through 5.29. Specifically, Defendants made the
20 following misrepresentations:

- 21 a. Defendant SPARKS, on her own behalf and on behalf of Defendants T.E.A.M.
22 Services LLC and T.E.A.M. Insurance Services, LLC, misrepresented her
23 qualifications and authority to sell annuities in the State of Washington.
24 Defendants SPARKS was not licensed with the Washington State Office of the
25 Insurance Commissioner to sell annuities as required by RCW 48.17.060 at the
26 time period alleged herein.

- 1 b. Defendant SPARKS, on her own behalf and on behalf of Defendants T.E.A.M.
2 Services LLC and T.E.A.M. Insurance Services, LLC, misrepresented her
3 qualifications and authority to advise consumers for financial planning and
4 investment purposes when she was not registered with the Washington State
5 Department of Financial Management as an investment advisor as required by
6 RCW 21.20.040.
- 7 c. Defendant SPARKS, on her own behalf and on behalf of Defendants T.E.A.M.
8 Services LLC and T.E.A.M. Insurance Services, LLC, misrepresented her
9 qualifications and authority to advise consumers on estate planning matters and
10 estate distribution documents without being licensed as an attorney in the State of
11 Washington as required by RCW 19.295.
- 12 d. Defendant HENRY WILLIAM DAILEY, on his own behalf and on behalf of
13 Defendants T.E.A.M. Services LLC and T.E.A.M. Insurance Services LLC,
14 misrepresented his qualifications and authority to advise consumers on financial
15 planning and investments when in fact he is not registered with the Washington
16 State Department of Financial Institutions as an investment advisor as required by
17 RCW 21.20.040.
- 18 e. Defendant SPARKS, on her own behalf and on behalf of Defendants T.E.A.M.
19 Services LLC and T.E.A.M. Insurance Services LLC, had consumers sign an
20 Advisory Services Agreement while misrepresenting that she was a loan officer or
21 broker. Defendant SPARKS would then submit the Agreement to the loan
22 origination company in order to receive a Brokers Fee. In fact, Defendant
23 SPARKS was not the loan officer or broker on these mortgages.
- 24 f. Defendant SPARKS, on her own behalf and on behalf of Defendants T.E.A.M.
25 Services LLC and T.E.A.M. Insurance Services LLC, misrepresented that she was
26 a Reverse Mortgage Specialist with Republic Mortgage and distributed business

1 cards that stated “Janet Sparks, Reverse Mortgage Specialist, Republic Mortgage,
2 Reverse Mortgage Home Loans, 1100 Dexter Avenue North, Suite 100, Seattle,
3 WA 98109, T: 425-499-6929, F: 206-273-0213, debhiggins@comcast.net.” In
4 fact, Defendant SPARKS was not an employee, agent or contractor of Republic
5 Mortgage and was not authorized to represent that she was employed by or
6 represented Republic Mortgage.

- 7 g. Defendant SPARKS, on her own behalf and on behalf of Defendants T.E.A.M.
8 Services LLC and T.E.A.M. Insurance Services LLC, misrepresented directly and
9 by implication to consumers the effect of the Bank of America, N.A. purchase of
10 reverse mortgages from Seattle Mortgage Company in 2007, including that
11 consumers would receive more money from their existing reverse mortgages when
12 Defendant SPARKS was in fact promoting reverse mortgage refinances that were
13 optional for the consumer and were not a requirement of any lender.
- 14 h. Defendant SPARKS, on her own behalf and on behalf of Defendants T.E.A.M.
15 Services LLC and T.E.A.M. Insurance Services LLC, misrepresented to
16 consumers the reasons for refinancing their reverse mortgages, including that the
17 mortgage would be serviced by a local bank which would make it easier to access
18 the money, or that the transfer of the mortgage to Bank of America resulted in the
19 homeowner qualifying to receive more money from their mortgage.
- 20 i. Defendants DAILEY and SPARKS individually, and on behalf of Defendants
21 T.E.A.M. Services LLC and T.E.A.M. Insurance Services LLC, misrepresented to
22 consumers that documents those consumers were signing were for a reverse
23 mortgage when in fact, they were applications for annuities.
- 24 j. Defendants SPARKS and DAILEY, individually and on behalf of Defendants
25 T.E.A.M. Services LLC and T.E.A.M. Insurance Services LLC, misrepresented to
26 consumers the cost, time and nature of the probate process in the State of

1 Washington in order to market estate distribution documents, specifically
2 revocable living trusts. The Defendants made verbal misrepresentations to
3 consumers about probate and provided written materials that represent probate as
4 “costly and time-consuming” and that claim lawyers don’t explain the probate
5 process to clients because “probate usually represents a nice profit for them with
6 little effort.” The written materials given to consumers by the Defendants also
7 dissuade consumers from consulting with lawyers about a living trust.

8 6.3 Defendants’ misrepresentations made in the course of their business affect the
9 public interest and are unfair or deceptive acts or practices in trade or commerce and unfair
10 methods of competition in violation of RCW 19.86.020 and are not reasonable in relation to the
11 development and preservation of business.

12 **VII. SECOND CAUSE OF ACTION—UNFAIR PRACTICES**

13 7.1 Plaintiff realleges the facts alleged in paragraphs 1.1 through 6.3 as if fully set out
14 herein.

15 7.2 Defendants committed numerous unfair acts or practices during the conduct of
16 their business. Specifically, the following acts were contrary to public policy, unconscionable, or
17 caused consumer harm that was not reasonably avoidable and that was not outweighed by benefits
18 to competition:

- 19 a. Defendant SPARKS, on her own behalf and on behalf of Defendants T.E.A.M.
20 Services LLC and T.E.A.M. Insurance Services LLC, advised Washington consumers
21 on the benefits of insurance annuities, markets and solicits insurance annuities to
22 Washington consumers, and completed annuity application documents in the process
23 of selling annuities. Defendant SPARKS is not licensed by the State of Washington
24 Office of Insurance Commissioner to sell insurance for the time period alleged herein.

- 1 b. Defendants DAILEY and SPARKS had consumers sign application documents for
2 annuities when the consumers had expressly stated to the Defendants that they did not
3 want an annuity.
- 4 c. Defendant DAILEY individually and on behalf of Defendants T.E.A.M. Services LLC
5 and T.E.A.M. Insurance Services LLC, failed to provide consumers with copies of
6 annuity contracts purchased and owned by the consumers. Failing to provide the
7 contract copies eliminated the consumers' right to examine the contract and cancel the
8 annuity. In some cases, the consumers who were not provided with copies of their
9 annuity contracts were the same consumers who had expressly stated to Defendants
10 that they did not want to purchase an annuity, but were misled to sign annuity
11 applications which were represented to consumers as reverse mortgage documents.
- 12 d. Defendants SPARKS and DAILEY sold annuity products to consumers using the
13 proceeds of reverse mortgages that had been sold by Defendants SPARKS, DAILEY
14 or HIGGINS despite the express prohibitions by the loan origination companies and
15 insurance companies the Defendants represented from engaging in that specific
16 practice. The companies' rules and policies prohibiting this practice was designed to
17 protect the consumer from unsuitable transactions and/or to comply with federal law
18 and/or with guidance of the National Reverse Mortgage Lenders Association
19 regarding the cross-selling of financial and investment products to reverse mortgage
20 borrowers.
- 21 e. Defendant DEBORAH HIGGINS, on her own behalf and on behalf of Defendants
22 T.E.A.M. Services LLC and T.E.A.M. Insurance Services LLC, signed reverse
23 mortgage applications stating that Defendant HIGGINS was the loan officer on the
24 reverse mortgage. She also falsely stated in the applications that she conducted face-
25 to-face interviews with the consumers when Defendant HIGGINS had no contact with
26 those consumers. In fact, the consumers never met or talked to Defendant HIGGINS

1 and it was Defendant SPARKS who met with the consumers and acted as the loan
2 officer.

3 f. Defendant HIGGINS, on her own behalf and on behalf of Defendants T.E.A.M.
4 Services LLC and T.E.A.M. Insurance Services LLC, signed annuity applications
5 stating that Defendant HIGGINS was the agent on the annuity. In fact, the annuity
6 purchasers had never met or talked to Defendant HIGGINS, and Defendant HIGGINS
7 was not involved in the solicitation, negotiation, or execution of the sale of the
8 annuities. It was Defendant SPARKS and Defendant DAILEY who met with these
9 consumers and negotiated and executed the sale of the annuities.

10 g. Defendant HIGGINS, individually and on behalf of Defendants T.E.A.M. Services
11 LLC and T.E.A.M. Insurance Services LLC, engaged in unfair practices as a licensed
12 notary public by claiming to witness or attest to signatures without being present at the
13 time at the time the individuals signed the documents.

14 h. Defendant DAILEY, individually and on behalf of Defendants T.E.A.M. Services
15 LLC and T.E.A.M. Insurance Services LLC, falsely stated in annuity applications that
16 consumers signed the applications outside of Washington State, including in Arizona
17 and California, when in fact the consumers signed the applications at their homes in
18 Washington State.

19 i. Defendant DAILEY and Defendant SPARKS, individually and on behalf of
20 Defendants T.E.A.M. Services LLC and T.E.A.M. Insurance Services LLC, falsely
21 stated in annuity applications that the Defendants witnessed the consumers' signatures
22 on the applications outside of Washington State, including in California, when in fact
23 the consumers signed the applications at their homes in Washington State.

24 j. Defendant DAILEY, individually and on behalf of Defendants T.E.A.M. Services
25 LLC and T.E.A.M. Insurance Services LLC, falsely stated in annuity applications that
26 consumers had a second home or owned property outside the State of Washington,

1 including in California and in Arizona, when in fact the consumers did not own
2 property in those locations.

3 7.3 Defendants' unfair practices engaged in during the course of their business affect
4 the public interest and are unfair or deceptive acts or practices in trade or commerce and unfair
5 methods of competition in violation of RCW 19.86.020 and are not reasonable in relation to the
6 development and preservation of business.

7 **VIII. THIRD CAUSE OF ACTION—FAILURE TO DISCLOSE MATERIAL TERMS**

8 8.1 Plaintiff realleges the facts alleged in paragraphs 1.1 through 7.3 as if fully set out
9 herein.

10 8.2 In the course of their business, Defendants routinely failed to disclose material
11 terms that could have caused a reasonable consumer to decide not to do business with them.
12 Specifically, Defendants failed to disclose the following material terms:

13 a. Defendant SPARKS, individually, and on behalf of Defendants T.E.A.M. Services
14 LLC and T.E.A.M. Insurance Services LLC, failed to disclose material facts in the
15 marketing and origination of reverse mortgages, including that reverse mortgage
16 refinances were optional, that consumers had a choice of whether to receive the
17 mortgage proceeds in a line of credit, or monthly payments or in a lump sum.
18 Defendant Sparks failed to disclose that current monthly payments or the line of
19 credit from the consumers' original reverse mortgages would no longer be
20 available after the reverse mortgage was refinanced.

21 b. Defendants SPARKS and DAILEY, individually and on behalf of Defendants
22 T.E.A.M. Services LLC and T.E.A.M. Insurance Services LLC, failed to disclose
23 that the rules and policies of the loan origination companies and insurance
24 companies they represented expressly prohibit the Defendants from
25 recommending and selling annuity products using reverse mortgage proceeds.
26 The companies have these rules and policies to protect the consumer from

1 unsuitable transactions such as using reverse mortgage loan proceeds to purchase
2 annuities. Also, companies refuse such transactions in order to comply with
3 federal law and/or with guidance of the National Reverse Mortgage Lenders
4 Association regarding the cross-selling of financial and investment products to
5 reverse mortgage borrowers.

6 c. Defendants DAILEY and SPARKS, individually and on behalf of Defendants
7 T.E.A.M. Services LLC and T.E.A.M. Insurance Services LLC, in the course of
8 marketing single-premium deferred annuities to seniors, failed to disclose that
9 substantial surrender penalties would be charged if consumers withdrew funds
10 from the annuities within the first several years after the annuity was purchased.

11 d. Defendants DAILEY and SPARKS, individually and on behalf of Defendants
12 T.E.A.M. Services LLC and T.E.A.M. Insurance Services LLC in the course of
13 selling single-premium immediate annuities, failed to disclose that with some
14 policies the monthly payments from these annuities end at a certain time period or
15 upon the death of the payee and no funds from the annuity will be available for the
16 heirs of the consumer. Defendant DAILEY also failed to disclose to consumers
17 that the terms of the single-premium annuity policies prohibit consumers from
18 withdrawing any more money from the annuity than the designated monthly
19 payment.

20 8.3 Defendants' failure to disclose the above material terms in the course of their
21 business affects the public interest and constitutes unfair or deceptive acts or practices in trade or
22 commerce and unfair methods of competition in violation of RCW 19.86.020 and is not
23 reasonable in relation to the development and preservation of business.

1 estate planning and insurance products, as Defendants have engaged in such sales in an unlawful
2 manner.

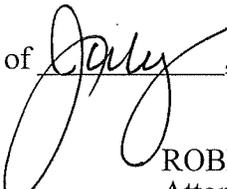
3 10.4 That the Court make such orders pursuant to RCW 19.86.080 as it deems
4 appropriate to provide for consumer restitution.

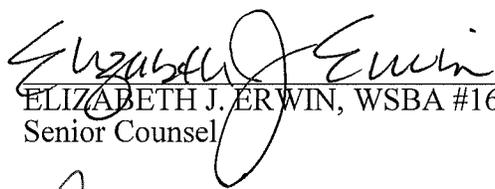
5 10.5 That the Court assess a civil penalty, pursuant to RCW 19.86.140, of Two
6 Thousand Dollars (\$2,000) per violation against Defendants for each and every violation of
7 RCW 19.86.020.

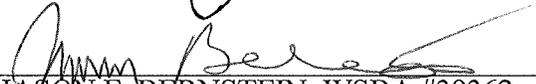
8 10.6 That Plaintiff, State of Washington, recover from Defendants the costs of this
9 action, including a reasonable attorneys' fee, pursuant to RCW 19.86.080.

10 10.7 For such other relief as the Court may deem just and proper to fully and effectively
11 dissipate the effect of the conduct complained of herein or which may otherwise seem proper to
12 the Court.

13 DATED this 25th day of July, 2013.

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15 
16 ROBERT W. FERGUSON
17 Attorney General

18 
19 ELIZABETH J. ERWIN, WSBA #16854
20 Senior Counsel

21 
22 JASON E. BERNSTEIN, WSBA #39362
23 Assistant Attorney General
24 Attorneys for Plaintiff
25 State of Washington
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