

STATE OF MINNESOTA

COUNTY OF HENNEPIN

DISTRICT COURT

FOURTH JUDICIAL DISTRICT

Case Type: Other Civil

Court File No. 27-CV-07-4102

State of Minnesota by its Attorney General,  
Lori Swanson,

Plaintiff,

vs.

**AMENDED COMPLAINT**

American Family Prepaid Legal Corporation  
d/b/a American Family Legal Plan, Heritage  
Marketing and Insurance Services, Inc.,  
Stanley Norman, and Jeffrey Norman,

Defendants.

The State of Minnesota, by its Attorney General, Lori Swanson, alleges as follows:

### **INTRODUCTION**

1. Defendants are closely affiliated companies and their principal owners, officers, and directors who, together, are engaged in a coordinated, deceptive, and fraudulent scheme to sell living trusts and annuities to senior citizens in violation of Minnesota law. Defendants' illegal scheme begins with a deceptive print advertisement targeted at seniors, and it follows with in-home sales presentations designed to exaggerate and distort the costs and pitfalls of probate. Preying upon fear that they create, Defendants then, under the guise of marketing a prepaid legal services plan, deceptively market and sell boilerplate living trusts to seniors for an upfront, nonrefundable fee of \$2,000 or more, regardless of whether the trusts are appropriate for the senior's individual needs. Defendants' illegal scheme continues when, under the false pretense of simply delivering the trust documents, Defendants employ insurance agents to sell annuity products without regard to whether they are suitable for the senior's particular circumstances.

2. Through this Complaint, the State of Minnesota, by its Attorney General, Lori Swanson, seeks an order enjoining Defendants' from engaging in the deceptive and fraudulent sales practices described herein, and ordering Defendants to pay restitution to Minnesota seniors who were defrauded by Defendants, and civil penalties for each separate violation of Minnesota's consumer protection and insurance regulation statutes alleged herein.

### **PARTIES, JURISDICTION AND VENUE**

3. Lori Swanson, the Attorney General of the State of Minnesota, is authorized under Chapter 8 of the Minnesota Statutes and has common law authority, including *parens patriae* authority, to bring this action on behalf of the State of Minnesota and its citizens, to enforce Minnesota law.

4. Defendant American Family Prepaid Legal Corporation, Inc., d/b/a American Family Legal Plan ("AFLP"), is a California corporation with its principal place of business in Santa Anna, California. At all times relevant to this Complaint, AFLP had an office located at 7900 Xerxes Avenue South, Suite 980, Bloomington, Minnesota. Upon information and belief, AFLP closed its Bloomington, Minnesota office in May 2007.

5. Defendant Heritage Marketing and Insurance Services, Inc. ("Heritage") is a California corporation with its principal place of business in Santa Anna, California. At all times relevant to this Complaint, Heritage had an office located at 7900 Xerxes Avenue South, Suite 980, Bloomington, Minnesota. Upon information and belief, Heritage closed its Bloomington, Minnesota office in May of 2007.

6. Defendant Stanley Norman, a California resident, is the President of AFLP and Chief Executive Officer of Heritage. At all times relevant to this Complaint, Defendant Stanley Norman and his son, Jeffrey, have managed and controlled AFLP and Heritage, and they have caused the

companies to deceptively market and sell living trusts and annuities in Minnesota.

7. Defendant Jeffrey Norman, a California resident, is the Chief Executive Officer of AFLP and the President of Heritage. At all times relevant to this Complaint, Defendant Jeffrey Norman and his father, Stanley, have managed, controlled, and caused AFLP and Heritage to deceptively market and sell living trusts and annuities in Minnesota.

8. This Court has personal jurisdiction over Defendants because they do business in Minnesota, and subject matter jurisdiction is appropriate under Minn. Stat. § 484.01 (2006).

9. Michael Muto is Defendants' State Marketing Director in Minnesota. Mr. Muto trains and oversees the activities of Defendants' sales representatives and agents, and his compensation is based in part on the number of sales by Defendants or their agents in Minnesota.

10. Venue in Hennepin County is proper under Minn. Stat. § 542.09 (2006) because Defendants operated out of an office and conducted business in Bloomington, Minnesota.

### **FACTUAL ALLEGATIONS**

#### **A. Summary of Defendants' Illegal Scheme**

11. AFLP holds itself out as a vendor of a prepaid legal service plan. In fact, AFLP engages primarily in the deceptive sale of boilerplate living trusts to seniors regardless of whether such trusts are necessary or appropriate for the seniors' estate planning or financial needs.

12. Heritage has been licensed as an independent insurance agency. In fact, Heritage and AFLP share common owners, officers and directors. They also shared common employees and office space at their Bloomington, Minnesota location. As part of Defendants' scheme to deceive and defraud Minnesota seniors, Heritage insurance agents deliver AFLP's trust documents to seniors in their homes, and they obtain entry into those homes without disclosing their status as insurance agents or their intent to sell insurance products. Once inside the home, Heritage agents aggressively

market annuity products and, upon information and belief, regularly sell annuities to Minnesota seniors regardless of whether such products are suitable under the circumstances for the senior's needs.

B. Defendants' Illegal Scheme Begins With Misleading Direct Mail Solicitations

13. Since approximately March 2005, Defendants, through AFLP's owners, employees, agents, and representatives, have marketed living trusts to hundreds of Minnesota seniors.

14. Defendants target seniors primarily through direct mail solicitations that typically claim, among other things:

According to a recent study published by AARP, **ANNUAL LEGAL FEES OF 1.5 BILLION DOLLARS** have been created due to the **OUTDATED PROBATE PROCESS** and uninformed consumers. **PROBATE COSTS AND ESTATE TAXES** can be an unnecessary **HEAVY BURDEN** on your heirs and loved ones. **FEES** can **DEplete ASSETS** by as much as **10%**. **PROTECT YOUR SAVINGS!** Under probate code, no will is effective to pass title to property until probated. *You should know more about this and how it can affect you.*

Defendants' mailings invite seniors to return pre-addressed response cards in order to obtain a free publication entitled *The Public's Right to Know: Hard Facts and Straight Answers on Probate and Estate Settlement* and information about how to "**AVOID PROBATE AND ESTATE TAXES.**" A true and accurate copy of the front and back of Defendants' typical mailing is attached and incorporated herein as **Exhibit A.**

15. Defendants' direct mail solicitations do not identify AFLP or Heritage as their source.

16. Shortly after returning a response card attached to Defendants' direct mailings, seniors receive telemarketing calls from operators intent on scheduling a meeting between an AFLP sales agent and the senior in the senior's home. During these calls, operators deceptively embellish the expense and complicated nature of the estate planning process, fail to disclose that Defendants will use the same estate planning documents for every client regardless of whether the document is

appropriate for the client's needs, fail to disclose the symbiotic relationship between AFLP and Heritage, fail to disclose that the solicitation is designed to sell the senior an annuity, and fail to disclose that living trusts purchased from AFLP will be delivered by Heritage insurance agents intent on selling annuities.

C. Defendants' Illegal Scheme Continues With Misleading In-Home Solicitations

17. Defendants have developed training materials upon which AFLP sales agents rely in marketing living trusts to seniors during in-home sales presentations.

18. Based on Defendants' training materials, AFLP agents strive to induce seniors to purchase living trusts by focusing on the alleged need to avoid probate of the senior's estate and the costs related thereto. Although the benefits of AFLP membership purportedly include access to a comprehensive range of legal services, the only services AFLP members typically receive in exchange for their initial membership fee, which often exceeds \$2,000, is the preparation of a boilerplate living trust and related documents, such as powers of attorney.

19. Defendants' train AFLP agents to use aggressive sales tactics and deceptively exaggerate the negative aspects of the probate process during in-home sales presentations in an effort to induce seniors to purchase living trusts. AFLP markets living trusts to all seniors, promoting them as the best approach to estate planning and appropriate for the needs and goals of any senior, regardless of the particular facts and circumstances of an individual senior.

20. Relying on their training, AFLP agents disregard the size and structure of an individual senior's estate and any existing estate plan and deceptively overstate, among other things: (a) the time, uncertainty, taxes, administrative costs, attorney costs, and attorney involvement that the senior's heirs are likely to experience during the probate process; and (b) the ability of AFLP living trusts to eliminate these concerns.

21. AFLP agents have gone so far as to advise Minnesota seniors whose professionally developed estate plans were designed specifically to avoid probate that those plans will not achieve their purpose, and they have falsely represented to seniors that, unless they purchase a living trust from AFLP, their estates will be consumed by taxes, fees, settlement costs, and other expenses, and might not pass to their beneficiaries as intended.

22. During in-home presentations, AFLP agents distribute documents to seniors that deceptively assert, among other things, that AFLP provides seniors with "individualized" estate plans "designed to meet [their] needs" and "simple access to plan attorneys." A true and correct copy of one such document is attached and incorporated herein as **Exhibit B**. Contrary to these assertions, AFLP living trusts are boilerplate documents and are not individualized to seniors' needs. Additionally, individuals who purchase AFLP living trusts rarely meet personally with an AFLP plan attorney, are discouraged from doing so, and have had difficulty contacting AFLP and its plan attorneys, even by telephone, to discuss legitimate concerns about their estate plans and AFLP's business practices.

23. During in-home presentations, AFLP agents distribute documents to seniors that state the amount of probate costs and fees a person's estate is likely to incur without a living trust ranges from "\$8,200 to \$28,800 or More." See Ex. B. When explaining this document, AFLP agents often state that probate costs and fees could easily exceed these amounts for particular seniors, reaching as much as \$50,000, even though the AFLP agents lack sufficient training, expertise, or knowledge of the seniors' estates or existing estate plans to make such statements. AFLP agents ignore actual facts and circumstances and purposely exaggerate the cost of probate in a concerted effort to make its boilerplate living trusts, which cost \$2,000 or more, appear to be appropriate for the senior's estate planning goals.

24. AFLP and its agents have held AFLP out as a member of the Better Business Bureau (“BBB”) during in-home presentations when, in fact, AFLP was not a BBB member. Indeed, on August 11, 2006, the BBB revoked AFLP’s membership in the BBB because of a significant failure of AFLP to meet the BBB’s standards of conduct.

25. AFLP and its agents hold themselves out as “financial planners” and as being in the “business of financial planning” as those terms are defined by Minn. Stat. §§ 45.026, subd. 1 and 82.17 subd. 2 (2006).

26. Upon inducing a sale, AFLP agents collect the upfront, nonrefundable fee of \$2,000 or more, which seniors must pay in cash, by check, or by credit card. AFLP agents also sign and provide seniors with a form sales contract and certain disclosures, which are complicated and confusing, and typically do not allow seniors adequate time to read or understand these documents before they are signed.

27. Upon inducing a sale, AFLP agents also provide seniors with a “**Notice of Cancellation**” form, the bottom third of which includes a “**Privacy Notice**.” A true and correct copy of one such form is attached and incorporated herein as **Exhibit C**. This form fails to comply with the requirements of Minn. Stat. § 325G.08, subd. 1 (c) (2006). AFLP agents also have failed to verbally advise seniors of their three-day right to cancel an AFLP contract as required by Minn. Stat. § 325G.08, subd. 1 (a) (2006).

28. Upon inducing a sale, AFLP agents provide seniors with a document purporting to describe the events that will follow the transaction. A true and accurate copy of this document is attached and incorporated herein as **Exhibit D**. The document states that a plan attorney will contact the seniors within two weeks of the sale to “review [their] needs and formulate [their] estate plan.” In most instances, the AFLP plan attorney contacts the senior by telephone and simply confirms the

financial and asset information the senior had previously provided to AFLP's sales agent during the initial in-home presentation, which information is used to fill in the blanks of AFLP's boilerplate living trust. In some instances, Minnesota seniors who purchased living trusts from AFLP agents were never contacted by an attorney to confirm this information.

29. AFLP agents receive a commission of approximately \$600 to \$750 for each living trust that they sell, which generally accounts for 30 to 40 percent of the upfront, nonrefundable fee that seniors must pay to purchase the trust.

30. Although AFLP represents that its living trusts will be delivered within three to six weeks of the purchase date, Minnesota seniors have waited months without receiving their trusts and, in at least one instance, AFLP failed to deliver a trust purchased by an elderly Minnesota couple until several months after the husband had passed away.

D. Defendants Illegal Scheme Culminates in the Deceptive Delivery of Living Trusts By Insurance Agents Intent on Selling Annuity Products

31. After boilerplate living trust documents purchased through AFLP agents are printed, AFLP forwards the documents to licensed insurance agents affiliated with Defendant Heritage. Defendants deceptively refer to these insurance agents as "delivery agents."

32. With trust documents in hand, Heritage insurance/delivery agents contact seniors by telephone to schedule in-home delivery appointments, deceptively identifying themselves as someone "with" or "calling from" AFLP or the "law office," or substantially similar statements. During such calls, Heritage insurance/delivery agents instruct seniors to have bank records and other financial information available during the appointment. AFLP has informed seniors that they may obtain the trust documents they purchased only from one of their delivery agents, and only during an in-home appointment.



33. Prior to entering seniors' homes, Defendants' insurance/delivery agents do not identify themselves as insurance agents, disclose their intent to sell annuities during the in-home appointments, or otherwise explain Defendants' symbiotic relationship.

34. Defendants affirmatively mislead seniors about their symbiotic relationship, as well as the role that Heritage insurance/delivery agents play in Defendants' fraudulent and deceptive scheme. For example, Defendants provide seniors with documents stating that "our law office has a relationship with Heritage . . . for delivery of your completed documents." Through this and substantially similar statements, Defendants fail to disclose and deceptively misrepresent the fact that AFLP and Heritage are under common ownership and control, share common employees and work space, and work together to sell living trusts and annuities to seniors.

35. Heritage insurance/delivery agents are compensated for their delivery services only if they sell annuity products to seniors. Agents are expected to meet a minimum average goal of \$25,000 in annuity sales per delivery, with a target goal of \$30,000 per delivery.

36. Defendants have developed training materials upon which Heritage insurance/delivery agents rely in marketing annuities to seniors during in-home delivery appointments.

37. Defendants' training materials instruct Heritage insurance/delivery agents, under the guise of delivering and explaining trust documents to seniors on AFLP's behalf, to gain seniors' trust and confidence in order to increase the likelihood that seniors will disclose personal financial information that can be used as a source of funds to purchase annuities. Defendants' training materials also instruct Heritage insurance/delivery agents to create the false impression that they are experts in estate planning, and that they know more about the senior's estate and personal financial goals than any one else, including family members and financial and estate planning professionals.

38. Relying on Defendants' training, Heritage insurance/delivery agents sell annuities to seniors without reasonable grounds for believing that the annuity product is suitable for their financial or estate planning needs. For example, upon information and belief, Heritage insurance/delivery agents counsel and induce seniors on limited fixed incomes to use a significant amount of their liquid assets to purchase annuities with surrender periods that can last many years and often exceed the particular senior's actuarial life expectancy. During the surrender period, principal may not be withdrawn from the annuity without significant monetary penalties. In many situations, these types of annuities are not suitable investments for seniors to whom they are marketed and sold because they are unlikely to experience the benefit of the annuity stream during their lifetime, and because of their more immediate need for liquid assets to pay for health care, long term care, food, housing, and other living expenses.

39. Upon information and belief, Defendants have failed to exercise due diligence to ensure that Heritage insurance/delivery agents apply suitability guidelines and adequately assess and determine whether annuities sold to Minnesota seniors are suitable given the totality of the particular senior's circumstances, including, but not limited to, their income, age, financial, personal, and estate planning needs, and the terms of the annuity product.

40. Defendants provide Heritage insurance/delivery agents with business cards describing them as "Asset Preservation Specialists." A true and correct copy of one such card is attached and incorporated herein as **Exhibit E**.

41. Heritage and its insurance/delivery agents hold themselves out as "financial planners" and as being in the "business of financial planning" as those terms are defined by Minn. Stat. §§ 45.026, subd. 1 and 82.17 subd. 2 (2006).

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**COUNT I**  
**VIOLATIONS OF THE UNIFORM DECEPTIVE**  
**TRADE PRACTICES ACT, MINN. STAT. § 325D.44, SUBD. 1**

42. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

43. The Uniform Deceptive Trade Practices Act is included in Minn. Stat. §§ 325D.43 to 325D.48 (2006).

44. Minn. Stat. § 325D.44, subd. 1 (2006) provides, in part:

Subdivision 1. A person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person:

(2) causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services;

(3) causes likelihood of confusion or of misunderstanding as to affiliation, connection, or association with, or certification by, another;

(5) represents that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities that they do not have or that a person has a sponsorship, approval, status, affiliation, or connection that the person does not have;

(9) advertises goods or services with intent not to sell them as advertised;

(13) engages in any other conduct which similarly creates a likelihood of confusion or misunderstanding.

45. Defendants' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325D.44, subd. 1 (2006).

**COUNT II**  
**VIOLATIONS OF THE DECEPTIVE TRADE PRACTICES ACT**  
**IN THE BUSINESS OF INSURANCE, MINN. STAT. § 72A.20, SUBD. 2**

46. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

47. Minn. Stat. § 72A.19, subd. 1 (2006) prohibits any method of competition, act or practice in the business of insurance that is defined or determined to be an unfair or deceptive under Minn. Stat. § 72A.17 to 72A.32 (2006).

48. Minn. Stat. § 72A.20, subd. 2 (2006) provides:

Making, publishing, disseminating, circulating, or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio station, or in any other way, an advertisement, announcement, or statement, containing any assertion, representation, or statement with respect to the business of insurance, or with respect to any person in the conduct of the person's insurance business, which is untrue, deceptive, or misleading, shall constitute an unfair method of competition and an unfair and deceptive act or practice.

49. Defendants conduct described above constitutes multiple, separate violations of Minn. Stat. § 72A.20, subd. 2 (2006) and Minn. Stat. § 72A.19, subd. 1 (2006).

**COUNT III**  
**VIOLATIONS OF THE DECEPTIVE TRADE PRACTICES ACT**  
**IN THE BUSINESS OF INSURANCE, MINN. STAT. § 72A.20, SUBD. 18**

50. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

51. Minn. Stat. § 72A.19, subd. 1 (2006) prohibits any method of competition, act or practice in the business of insurance that is defined or determined to be an unfair or deceptive under Minn. Stat. § 72A.17 to 72A.32 (2006).

52. Minn. Stat. § 72A.20, subd. 18(b) (2006) provides:

[E]ngaging in fraudulent, coercive, or dishonest practices in connection with the insurance business, shall constitute an unfair method of competition and an unfair and deceptive act or practice.

53. Defendants conduct described above constitutes multiple, separate violations of Minn. Stat. § 72A.20, subd. 18(b) (2006) and Minn. Stat. § 72A.19, subd. 1 (2006).

**COUNT IV  
VIOLATIONS OF THE PREVENTION OF CONSUMER FRAUD ACT,  
MINN. STAT. § 325F.69, SUBD. 1**

54. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

55. The Prevention of Consumer Fraud Act is included in Minn. Stat. §§ 325F.68 to 325F.70 (2006).

56. Minn. Stat. § 325F.69, subd. 1 (2006) provides, in part:

The act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is enjoined as provided herein.

57. Defendants' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.69, subd. 1 (2006).

**COUNT V  
VIOLATIONS OF THE FALSE STATEMENT IN ADVERTISING ACT,  
MINN. STAT. § 625F.67**

58. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

59. The False Statement in Advertising Act, Minn. Stat. § 625F.67 (2006), provides, in part:

Any person, firm, corporation, or association who, with intent to sell or in anywise dispose of merchandise, securities, services, or anything offered by such person. . . makes, publishes, disseminates, circulates, or places before the public. . . an advertisement of any sort. . . which advertisement contains any material assertion, representation, or statement of fact which is untrue, deceptive, or misleading. . . .

60. Defendants' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.67 (2006).

**COUNT VI  
VIOLATIONS OF THE PERSONAL SOLICITATION OF INSURANCE SALES  
STATUTE, MINN. STAT. § 60K.46, SUBD. 1**

61. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

62. Defendants and their agents have made "personal solicitations" on behalf of Defendants and for the purpose of attempting to sell insurance products as set forth in Minn. Stat. § 60K.46, subd. 1 (2006), which requires, in part:

Before a personal solicitation, the producer or person acting for a producer shall, at the time of initial personal contact with the potential buyer, clearly and expressly disclose in writing:

- (1) the name of the person making the contact;
- (2) the name of the producer, general agency, or insurer that the person represents; and
- (3) the fact that the producer, agency, or insurer is in the business of selling insurance.

If the initial personal contact is made by telephone, the disclosures required by this subdivision need not be made in writing.

63. Defendants' conduct described above constitutes multiple, separate violations of Minn. Stat. § 60K.46, subd. 1 (2006).

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**COUNT VII**  
**BREACH OF FIDUCIARY DUTY AS FINANCIAL PLANNERS,**  
**MINN. STAT. § 45.026, SUBD. 2**

64. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

65. Minn. Stat. § 72A.19, subd. 1 (2006) prohibits any method of competition, act or practice in the business of insurance that is defined or determined to be an unfair or deceptive under Minn. Stat. § 72A.17 to 72A.32 (2006).

66. Minn. Stat. § 72A.20, subd. 18(b) (2006) provides:

[E]ngaging in fraudulent, coercive, or dishonest practices in connection with the insurance business, shall constitute an unfair method of competition and an unfair and deceptive act or practice.

67. Minn. Stat. § 45.026 subd. 1(b) (2006) defines "financial planner" as follows:

"Financial planner" means a person who, on advertisements, cards, signs, circulars, letterheads, or in another manner, indicates that the person is a "financial planner," "financial counselor," "financial adviser," "investment counselor," "investment adviser," "financial consultant," or other similar designation, title, or combination is considered to be representing that the person is engaged in the business of financial planning.

68. Minn. Stat. § 82.17, subd. 2 (2006) defines "business of financial planning" as follows:

"Business of financial planning" means providing, or offering to provide, financial planning services or financial counseling or advice, on a group or individual basis. A person who, on advertisements, cards, signs, circulars, letterheads, or in any other manner, indicates that the person is a "financial planner," "financial counselor," "financial adviser," "investment counselor," "estate planner," "investment adviser," "financial consultant," or any other similar designation or title or combination thereof, is considered to be representing himself or herself to be engaged in the business of financial planning.

69. Pursuant to Minn. Stat. § 45.026, subd. 2 (2006), "Persons who represent that they are financial planners have a fiduciary duty to persons for whom services are performed for

compensation.”

70. Defendants and their sales and insurance/delivery agents are “financial planners” and are in the “business of financial planning” as those terms are defined by Minn. Stat. §§ 45.026 subd. 1 (b) (2006) and 82.17 subd. 2 (2006), respectively.

71. Defendants and their sales and insurance/delivery agents are “persons” who represent themselves to be in the business of financial planning in “advertisements” as those terms are defined by Minn. Stat. § 45.026, subd. 1(a) and (c) (2006), respectively.

72. Defendants and their sales and insurance/delivery agents owe a fiduciary duty to consumers to whom they sell living trusts and annuities.

73. Defendants’ conduct described above constitutes multiple, separate breaches of the fiduciary duty they owe to consumers to whom they sell living trusts and annuities under Minn. Stat. § 45.026, subd. 2 (2006).

74. By violating the fiduciary duty they owe to consumers to whom they sell living trusts and annuities, Defendants have engaged in a fraudulent, coercive, or unfair method of competition in connection with the business of insurance, and thus have committed multiple, separate violations of Minn. Stat. § 72A.20, subd. 18(b) and Minn. Stat. § 72A.19, subd. 1 (2006).

**COUNT VIII  
VIOLATIONS OF THE SUITABILITY REQUIREMENT  
INCLUDED IN MINN. STAT. § 60K.46, SUBD. 4**

75. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

76. Minn. Stat. § 60K.46, subd. 4 (2006) provides in relevant part:

In recommending the purchase of any life, endowment, individual accident and sickness, long-term care, annuity, life-endowment, or Medicare supplement insurance to a customer, a producer must have reasonable grounds for believing that the



recommendation is suitable for the customer and must make reasonable inquiries to determine suitability. The suitability of a recommended purchase of insurance will be determined by reference to the totality of the particular customer's circumstances, including, but not limited to, the customer's income, the customer's need for insurance, and the values, benefits, and costs of the customer's existing insurance program, if any, when compared to the values, benefits, and costs of the recommended policy or policies.

77. The conduct of Defendant Heritage and its insurance/delivery agents described above constitutes multiple, separate violations of Minn. Stat. § 60K.46, subd. 4 (2006).

**COUNT IX  
VIOLATIONS OF THE HOME SOLICITATION SALES ACT,  
MINN. STAT. § 325G.08**

78. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

79. Minnesota's Home Solicitation Sales Act is included in Minn. Stat. §§ 325G.06 to 325G.11 (2006).

80. Each sale of an AFLP living trust to Minnesota consumers in their homes constitutes a "home solicitation sale" within the meaning of Minn. Stat. § 325G.06, subd. 2 (2006).

81. Minn. Stat. § 325G.08, subd. 1(a) (2006) requires sellers, at the time of a "home solicitation sale," to verbally inform buyers of their right to cancel the sale within three business days.

82. Minn. Stat. § 325G.08, subd. 1(c) (2006) requires sellers, at the time of a "home solicitation sale," to provide buyers with "a fully completed form in duplicate, captioned, 'NOTICE OF CANCELLATION'." This statute also prescribes minimum standards for the text, form, and appearance of such cancellation notices, which must include, among other things, the purchase date and the cancellation expiration date.

83. Minn. Stat. § 325G.08, subd. 1(c) (2006) requires sellers, at the time of a "home

solicitation sale," to identify the goods or services that are the subject of the contract.

84. Defendants have committed multiple, separate violations of Minn. Stat. § 325G.08 (2006).

**COUNT X**  
**VIOLATION OF PROHIBITION ON DECEPTIVE ACTS PERPETRATED**  
**AGAINST SENIOR CITIZENS, MINN. STAT. § 325F.71**

85. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

86. Minn. Stat. § 325F.71, subd. 2 (2006) provides, in part:

(a) In addition to any liability for a civil penalty pursuant to sections 325D.43 to 325D.48, regarding deceptive trade practices; 325F.67, regarding false advertising; and 325F.68 to 325F.70, regarding consumer fraud; a person who engages in any conduct prohibited by those statutes, and whose conduct is perpetrated against one or more senior citizens or disabled persons, is liable for an additional civil penalty not to exceed \$10,000 for each violation, if one or more of the factors in paragraph (b) are present.

(b) In determining whether to impose a civil penalty pursuant to paragraph (a), and the amount of the penalty, the court shall consider, in addition to other appropriate factors, the extent to which one or more of the following factors are present:

- (1) whether the defendant knew or should have known that the defendant's conduct was directed to one or more senior citizens or disabled persons;
- (2) whether the defendant's conduct caused senior citizens or disabled persons to suffer: loss or encumbrance of a primary residence, principal employment, or source of income; substantial loss of property set aside for retirement or for personal or family care and maintenance; substantial loss of payments received under a pension or retirement plan or a government benefits program; or assets essential to the health or welfare of the senior citizen or disabled person;
- (3) whether one or more senior citizens or disabled persons are more vulnerable to the defendant's conduct than other members of the public because of age, poor health or infirmity, impaired understanding, restricted mobility, or disability, and actually suffered physical, emotional, or economic damage resulting from the defendant's conduct; or

(4) whether the defendant's conduct caused senior citizens or disabled persons to make an uncompensated asset transfer that resulted in the person being found ineligible for medical assistance.

87. Defendants' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.71, subd. 2 (2006).

### RELIEF

WHEREFORE, the State of Minnesota, by its Attorney General, Lori Swanson, respectfully asks this Court to award judgment against the Defendants:

1. Declaring that acts by Defendants described in this Complaint constitute multiple, separate violations of Minn. Stat. § 325D.44, subd. 1; § 72A.19, subd. 1; § 72A.20, subd. 2 and 18(b); § 325F.69, subd. 1; § 325F.67; § 60K.46, subd. 1 and 4; § 45.026, subd. 2; § 325G.08; and § 325F.71, subd. 2.
2. Enjoining Defendants and their employees, officers, directors, agents, successors, assignees, affiliates, merged or acquired predecessors, parent or controlling entities, subsidiaries, and all other persons acting in concert or participation with them, from engaging in the practices described herein or violating in any other way Minn. Stat. § 325D.44, subd. 1; § 72A.19, subd. 1; § 72A.20, subd. 2 and 18(b); § 325F.69, subd. 1; § 325F.67; § 60K.46, subd. 1 and 4; § 45.026, subd. 2; § 325G.08; and § 325F.71, subd. 2.
3. Awarding judgment against Defendants for civil penalties pursuant to Minn. Stat. § 8.31, subd. 3 for each separate violation of Minn. Stat. § 325D.44, subd. 1; § 72A.19, subd. 1; § 72A.20, subd. 2 and 18(b); § 325F.69, subd. 1; § 325F.67; § 60K.46, subd. 1 and 4; § 45.026, subd. 2; and § 325G.08.
4. Awarding judgment against Defendants for additional civil penalties pursuant to Minn. Stat. § 325F.71, subd. 2 for each separate violation of Minn. Stat. § 325D.44, subd. 1; §

325F.69, subd. 1; and § 325F.67 involving a person 62 years of age or older.

5. Awarding judgment against Defendants for restitution under the *parens patriae* doctrine, Minn. Stat. § 8.31, the general equitable powers of this Court, and any other authority, for all persons injured by Defendants' acts described in this Complaint.


6. Awarding Plaintiff its costs, including costs of investigation and attorney's fees, as authorized by Minn. Stat. § 8.31, subd. 3a.

7. Granting such further relief as the Court deems appropriate and just.

Dated: May 13, 2008

Respectfully submitted,

LORI SWANSON  
Attorney General  
State of Minnesota

  
\_\_\_\_\_  
KAREN D. OLSON  
Deputy Attorney General  
Atty. Reg. No. 0254605

JAMES W. CANADAY  
Assistant Attorney General  
Atty. Reg. No. 030234X

BENJAMIN FEIST  
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445 Minnesota Street, Suite 1400  
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(651) 297-7206 (TTY)

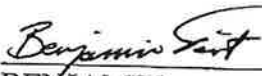
ATTORNEYS FOR PLAINTIFF

**MINN. STAT. § 549.211**

**ACKNOWLEDGMENT**

The party or parties on whose behalf the attached document is served acknowledge through their undersigned counsel that sanctions may be imposed pursuant to Minn. Stat. § 549.211 (2006).

Dated: May 13, 2008

  
\_\_\_\_\_  
BENJAMIN FEIST  
Assistant Attorney General  
Atty. Reg. No. 0387725

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ATTORNEY FOR PLAINTIFF

AG: #1900653-v1

# STUDY REVEALS FINDINGS ON PROBATE AND TAX SAVINGS

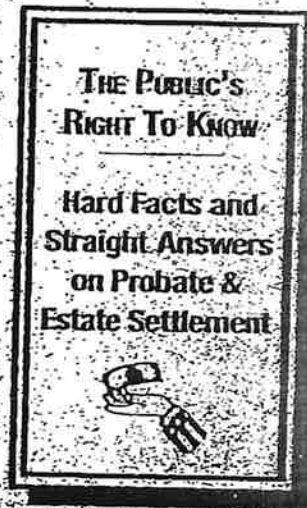
According to a recent study published by AARP, ANNUAL LEGAL FEES OF 1.5 BILLION DOLLARS have been created due to the OUTDATED PROBATE PROCESS and uninformed consumers. PROBATE COSTS AND ESTATE TAXES can be an unnecessary HEAVY BURDEN on your heirs and loved ones. FEES may DEplete ASSETS by as much as 10%. PROTECT YOUR SAVINGS! Under probate code, no will is effective to pass title to property until probated. *You should know more about this and how it can affect you.*

Detach  
Here  
And Mail  
Today



The new consumer guide, *"The Public's Right To Know"* gives you hard facts and straight answers on Estate Taxes, Probate, and other ideas on how you may protect your financial freedom.

For your **FREE NEW GUIDE** and information on how you may **AVOID PROBATE AND ESTATE TAXES**, return this postage paid card today.

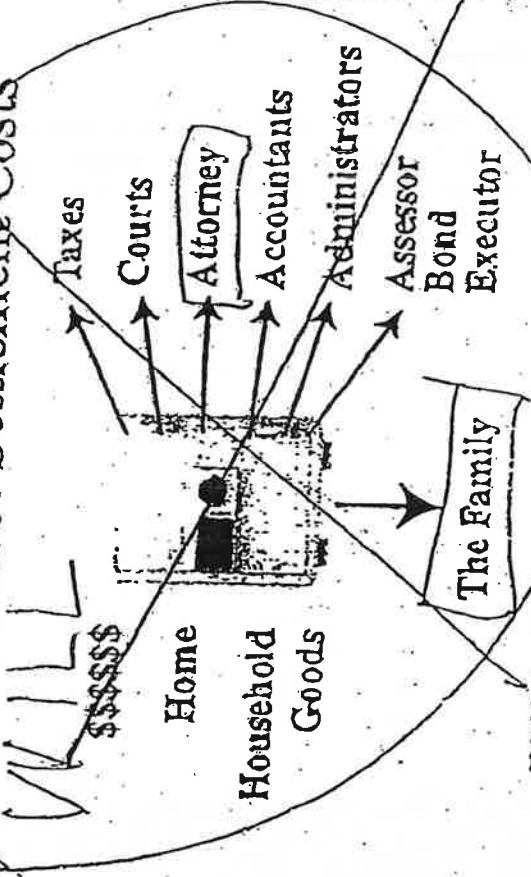


Complaint - Exhibit

**Insufficient Estate Planning**

*Families May Experience:*

**Probate and/or Settlement Costs**



Difficulty Accessing Attorneys  
 Unknown Quality of Service  
**STRESS**  
 Difficulty Locating Services  
 No Settlement Services

Estimated Range of  
 Total Estate Distribution Costs\*

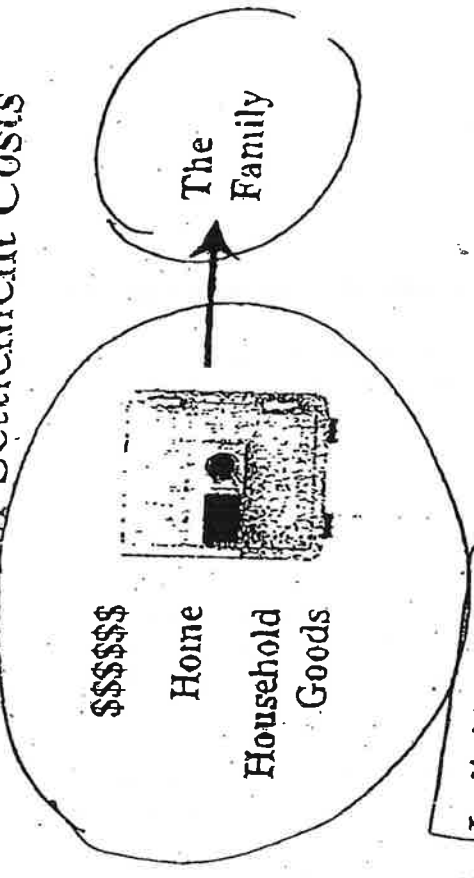
\$8,200 to \$28,800 or More

50000

**American Family Legal Plan**

*Through Professional Advice, Families May Experience:*

**No Probate or Settlement Costs**



An Individualized and Documented Estate Plan  
 Simple Access to Plan Attorneys  
 Quality Service From Prescreened Attorneys  
 and a Nationwide Organization  
 Plan Services Designed to Meet Your Needs  
 Access to Free Settlement Services

Legal Plan Benefits - You Retain Control!

\$ 219,500



AMERICAN FAMILY

\* For Comparison Purposes - Only A Lawyer Can Estimate Your Specific Probate & Settlement Costs

**Notice of Cancellation**

Date of Transaction: 5-3-64

You may cancel this transaction, without any penalty or obligation, within three business days from the above date

If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice and any security interest arising out of the transaction will be cancelled.

If you cancel, you must make available to the seller, at your residence in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation. If you fail to make the goods available to the seller, or if you agree to return the goods to the seller, and fail to do so, then remain liable for performance of all obligations under the contract.

To cancel this transaction, mail or deliver the signed and dated copy of this cancellation notice or any other written notice or send a telegram, to American Family Prepaid Legal Corporation at 340 Commerce, Suite 200, Irvine, California 92614 not later than midnight of 5-6-64

\_\_\_\_\_ hereby cancel this transaction.

\_\_\_\_\_  
Buyer/Member's Signature

Note: Please be advised that your check may have been deposited and has already cleared through your bank account. American Family Prepaid Legal Corporation must send your refund within the next 10 days. It is your responsibility to contact your bank to verify funds in your account and to insure that any checks you may subsequently write are written against a bank account from which this transaction has been accounted for.

**Privacy Notice**

(Gramm - Leach - Bliley Act)

Any entity that retains personal financial information on behalf of their clients is now required by federal law to inform the clients of their policies regarding the privacy of client information. In the course of processing your application for membership and in producing estate-planning documents, we receive significant personal financial information from our clients. As a client of our organization, you should know that all the information we receive from you is held in confidence as required by this Act and our ethical and professional obligations and responsibilities. This information is not released to other people or institutions, except as agreed to by you, or as required under applicable law, and is only available to those persons within our organization who have a need to know or deal directly with this information. We retain records relating to your services that are provided to you so that we may be better able to assist you in the future. In order to guard your non-public personal information, we maintain physical, electronic and procedural safeguards that comply with the highest professional standards. If you should have any questions regarding our policy, or if we may be of assistance to you with respect to any other matter, please contact our representative at our office.

Complaint - Exhibit



# American Family Legal Plan

## Events Following Your Application For Membership

Congratulations! You have made one of the most important decisions in your lifetime. You will soon have access to our attorneys who will assist you with your estate planning needs in order to protect you and your family.

After the Representative has met with you in your home, here is what to expect:

1. The next business day you will receive a welcome phone call from our office notifying you that we are expecting to receive your membership application.
2. Within two weeks, you will receive a phone call from the plan attorney to review your needs and formulate your estate plan.
3. After speaking with the attorney, and if the attorney has decided to prepare legal documents for you, your estate plan will be prepared. That preparation includes the drafting of legal documents and, if applicable, the preparation of new deeds for transferring title of your real property. You may be contacted by the plan attorney's legal staff during this process to verify the accuracy of any documents being prepared.
4. Once your documents have been completed and reviewed by the plan attorney and if you selected convenient in-home delivery, a representative will contact you to schedule a time to deliver and notarize your estate plan documents. One or two non-related witnesses may also be required to witness your signature on certain legal documents.
5. It normally takes three to six weeks to complete and deliver your estate plan documents. However, if at any time you wish to phone the plan attorney's office for a status on the preparation of your documents, please feel free to do so.

If you have any questions about this process, please feel free to contact us at any time as we will be happy to assist you in any way possible. As a reminder, if any changes are needed in the future, your plan attorney is only a phone call away.

**Our team looks forward to serving you and your family for many years to come.  
Thank you for your confidence in becoming a member of American Family Legal Plan!**

**HERITAGE MARKETING  
AND INSURANCE SERVICES**

---

Lezli Edson  
Asset Preservation Specialist

763-229-8391

8400 Normandale Lake Blvd., Suite 920  
Bloomington, MN 55437

(800) 567-4427

STATE OF MINNESOTA  
COUNTY OF HENNEPIN

DISTRICT COURT  
FOURTH JUDICIAL DISTRICT

Case Type: Other Civil

State of Minnesota by its Attorney General,  
Lori Swanson,

Court File No. 27-CV-07-4102

Plaintiff,

SUMMONS

vs.

American Family Prepaid Legal Corporation  
d/b/a American Family Legal Plan, Heritage  
Marketing and Insurance Services, Inc.,  
Stanley Norman, and Jeffrey Norman,

Defendants.

**THE STATE OF MINNESOTA TO THE ABOVE-NAMED DEFENDANT:**

You are hereby summoned and required to serve upon Plaintiff's attorney an answer to the Amended Complaint which is herewith served upon you, within twenty (20) days after the service of this Summons upon you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint.


You may seek alternative dispute resolution of the issues in this Amended Complaint as set forth in the Minnesota General Rules of Practice for the District Courts. Alternative dispute resolution includes mediation, arbitration, and other processes as set forth in these rules. You may contact the court administrator for further information or about resources in your area. If

you cannot pay for alternative dispute resolution, in some counties assistance may be available to you through a nonprofit provider or a court program.

Dated: May 19, 2008

Respectfully submitted,

LORI SWANSON  
Attorney General  
State of Minnesota

  
KAREN D. OLSON  
Deputy Attorney General  
Atty. Reg. No. 0254605

JAMES W. CANADAY  
Assistant Attorney General  
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