

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

**GEORGE DALE, Commissioner of Insurance for the
State of Mississippi, in his official capacity as Receiver
of FRANKLIN PROTECTIVE LIFE INSURANCE
COMPANY;**

**GEORGE DALE, Commissioner of Insurance for the
State of Mississippi, in his official capacity as Receiver
of FAMILY GUARANTY LIFE INSURANCE
COMPANY;**

**GEORGE DALE, Commissioner of Insurance for the
State of Mississippi, in his official capacity as Receiver
of FIRST NATIONAL LIFE INSURANCE
COMPANY OF AMERICA;**

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

**SCOTT B. LAKIN, Director of the Department of
Insurance for the State of Missouri, in his official
capacity as Receiver of INTERNATIONAL
FINANCIAL SERVICES LIFE INSURANCE
COMPANY;**

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

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

Plaintiffs,

v.

**EMILIO COLAGIOVANNI; EDWARD DAVID
COLLINS; THOMAS CORBALLY; ENDURANCE
INVESTMENTS LTD.; THE HOLY SEE a/k/a
VATICAN CITY STATE; and *MONITOR
ECCLESIASTICUS* FOUNDATION,**

Defendants.

No. 3:01 CV 663BN

**SECOND AMENDED
COMPLAINT**

JURY DEMANDED

SECOND AMENDED COMPLAINT

Plaintiffs, for their Second Amended Complaint against Emilio Colagiovanni (“Colagiovanni”), Edward David Collins (“Collins”), Thomas Corbally (“Corbally”), Endurance Investments, Ltd. (“Endurance”), the Holy See a/k/a Vatican City State (“Vatican” or “Holy See”) and *Monitor Ecclesiasticus* Foundation (“MEF”), state as follows:

INTRODUCTION

1. Between at least 1990 and 1999, Martin Frankel (“Frankel”), assisted by Defendants and others, devised and implemented a scheme to defraud insurance companies by acquiring them while concealing Frankel's involvement, and then misappropriating the companies' assets and laundering the ill-gotten gains. Through this scheme, seven insurance companies were defrauded of more than \$200 million. The Defendants participated in activities that furthered and facilitated Frankel's fraudulent scheme.

THE PARTIES

The Plaintiffs

2. Plaintiff George Dale (“Dale”) is the duly appointed Receiver of Mississippi-domiciled Franklin Protective Life Insurance Company (“FPL”), pursuant to an Order of Rehabilitation entered on May 10, 1999, by the Chancery Court of the State of Mississippi, First Judicial District, Hinds County, in the action *George Dale, Commissioner v. Franklin Protective Life Insurance Company*, No. G99-907. On June 29, 1999, an Order of Liquidation was entered against FPL.

3. Dale is the duly appointed Receiver of Mississippi-domiciled Family Guaranty Life Insurance Company (“FGL”), pursuant to an Order of Rehabilitation entered on May 10, 1999, by the Chancery Court of the State of Mississippi, First Judicial District, Hinds County, in the action

George Dale, Commissioner v. Family Guaranty Life Insurance Company, No. G99-909. On June 29, 1999, an Order of Liquidation was entered against FGL.

4. Dale is the duly appointed Receiver of Mississippi-domiciled First National Life Insurance Company of America (“FNL”), pursuant to an Order of Rehabilitation entered on May 10, 1999, by the Chancery Court of the State of Mississippi, First Judicial District, Hinds County, in the action *George Dale, Commissioner v. First National Life Insurance Company of America*, No. G99-908. On June 29, 1999, an Order of Liquidation was entered against FNL.

5. Plaintiff Anne B. Pope (“Pope”) is the duly appointed Receiver of Tennessee-domiciled Franklin American Life Insurance Company (“FAL”), pursuant to an Order of Rehabilitation entered on May 11, 1999, by the Chancery Court of the State of Tennessee, Twentieth Judicial District, Davidson County, in the action *State of Tennessee, ex rel. Douglas Sizemore v. Franklin American Life Insurance Company*, No. 99-1326-II. On October 25, 1999, an Order of Liquidation was entered against FAL.

6. Plaintiff Scott B. Lakin (“Lakin”) is the duly appointed Receiver of Missouri-domiciled International Financial Services Life Insurance Company (“IFS”), pursuant to an Order of Rehabilitation entered on May 12, 1999, by the Circuit Court of the State of Missouri, Cole County, in the action *Keith A. Wenzel, Director v. International Financial Services Life Insurance Company*, No. CV199-623CC. On November 30, 1999, an Order of Liquidation was entered against IFS.

7. Plaintiff Carroll Fisher (“Fisher”) is the duly appointed Receiver of Oklahoma-domiciled Farmers and Ranchers Life Insurance Company (“FRL”), pursuant to an Order of Rehabilitation entered on May 21, 1999, in the action *State of Oklahoma, ex rel. Carroll Fisher v. Farmers and Ranchers Life Insurance Company*, No. CJ-99-3401. On January 14, 2000, an Order of Liquidation was entered against FRL.

8. Plaintiff Mike Pickens (“Pickens”) is the duly appointed Receiver of Arkansas-domiciled Old Southwest Life Insurance Company (“OSL”), pursuant to an Order of Rehabilitation entered on June 4, 1999, by the Circuit Court of the State of Arkansas, Seventh Division, Pulaski County, in the action *Mike Pickens, Commissioner v. Old Southwest Life Insurance Company*, No. 99-4541. No Order of Liquidation has been entered against OSL.

The Defendants

9. Defendant Colagiovanni is a citizen of the Republic of Italy and a Roman Catholic “monsignor.” In 1998 and 1999, Colagiovanni was associated with Frankel and assisted him in his efforts to acquire additional insurance companies. Colagiovanni is an auditor (judge) *emeritus* of the *Tribunale della Rota Romana* (the “Rota”), one of the Vatican’s three appellate courts, and is a professor in the *Studio Rotale*, a graduate program connected to the *Rota*. He is a consultant to two of the Vatican’s Congregations: the Congregation for Divine Worship and Sacrament, and the Congregation for the Clergy. At all relevant times, Colagiovanni was a senior member of the “*Curia*,” the Vatican’s government, and was an agent of the Vatican, exercising both actual and apparent authority on behalf of his principal, the Vatican. Colagiovanni’s status as a member of the *Curia* was integral to the workings of Frankel’s scheme. In a Criminal Complaint filed in the United States District Court for the District of Connecticut in *United States of America v. Emilio Colagiovanni*, No. 3:01-M-221 (D. Conn.), Colagiovanni has been charged with wire fraud and conspiracy to launder money, in violation of 18 U.S.C. §§ 2, 1343, and 1956(h), in connection with the scheme to defraud alleged herein. He is currently under house arrest in Ohio.

10. Defendant Collins is a citizen of the state of California. In 1998 and 1999, Collins was associated with Frankel and assisted him in his efforts to acquire additional insurance companies. In 1998, Collins served as an officer and director of American Service Corporation. In

1999, Collins served as a Trustee of the St. Francis of Assisi Foundation to Serve and Help the Poor and Alleviate Suffering.

11. Defendant Corbally is a citizen of the state of New York. In 1998 and 1999, Corbally was associated with Frankel and assisted Frankel in his efforts to expand his insurance empire.

12. Defendant Endurance is an entity of unknown citizenship that is under the control and domination of Corbally. In 1998 and 1999, Corbally used Endurance as a vehicle to receive cash compensation from Frankel.

13. Defendant Vatican is a unique entity. Although it does not necessarily meet the formal definition of a “state,” it has entered into treaties and conventions with other states, maintains diplomatic relations with other states, including the United States, and has observer status at the United Nations. It has its own sovereign territory, completely surrounded by the city of Rome, Italy. As the Holy See, it is also the administrative capital of the Roman Catholic Church. By assisting Frankel in the attempted purchase of U.S. insurance companies during 1998 and 1999, the Vatican, through its agents, carried on commercial activities in the United States, committed acts in the United States which affected its commercial activities elsewhere, and engaged in commercial activities outside the United States which had a direct effect within the United States, as set forth in 28 U.S.C. § 1603 and 28 U.S.C. § 1605(a)(2). These commercial activities were private, not sovereign, and secular, not religious. In 1998 and 1999, the Vatican was associated with Frankel through the activities of its agent Colagiovanni, Defendant MEF, other Vatican officials, and associates of Frankel.

14. MEF is an autonomous pious foundation originally established in the Archdiocese of Naples, Italy. It was at all relevant times headquartered in and operated from the Vatican. An “autonomous pious foundation” is an ecclesiastical entity, formed under the internal laws of the

Roman Catholic Church known as “Canon Law.” MEF publishes a journal, *Monitor Ecclesiasticus*, which reports the decisions of the Vatican’s three tribunals and publishes articles relating to those decisions. The journal is distributed in nearly every country of the world, including the United States. In addition to publishing *Monitor Ecclesiasticus*, MEF engages in general charitable works. At all relevant times, Colagiovanni was the President and legal representative of MEF, and was a member of the board of editors of *Monitor Ecclesiasticus*. At all relevant times, Father Peter Jacobs was the International Coordinator of MEF and helped with its fund-raising activities.

JURISDICTION AND VENUE

15. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1605(a)(2) and 28 U.S.C. § 1608. Jurisdiction is also proper pursuant to 28 U.S.C. § 1330(b), 28 U.S.C. § 1331, 28 U.S.C. § 1367, and the Racketeer Influenced and Corrupt Organizations Act (“RICO”), 18 U.S.C. § 1961, *et seq.*

16. This Court has personal jurisdiction over the Defendants pursuant to 18 U.S.C. § 1965 and Miss. Code Ann. § 13-3-57.

17. Venue is proper in this district pursuant to 28 U.S.C. § 1391 and 18 U.S.C. § 1965.

FACTUAL ALLEGATIONS

18. This action arises out of a course of illegal conduct, masterminded by Frankel, that began no later than 1990 and ended with Frankel's capture in Germany in September 1999. During this period, Frankel, assisted by numerous others, including Defendants, devised and implemented a scheme to defraud. Among other things, Frankel's scheme called for the acquisition of insurance companies while concealing his involvement in those acquisitions, the misappropriation of the insurance companies' invested assets, and the laundering of the ill-gotten gains. Frankel's plan was essentially a pyramid scheme, since some of the money looted from the insurance companies he acquired was used to fund the acquisition of additional insurance companies, which would in turn be looted of their assets, and the ill-gotten gains laundered.

19. Each of the insurance companies Frankel looted is now insolvent. Plaintiffs are the court-appointed receivers for the seven insurance companies looted by Frankel (collectively the "Insurance Companies"). As Receivers, Plaintiffs are charged with the administration of the estates of the insolvent Insurance Companies and have been ordered to locate, marshal, take into possession and distribute to policyholders and creditors all assets of the Insurance Companies. Plaintiffs are vested by law with the title to all assets and causes of action and with the authority to prosecute any action which may exist on behalf of each of the Insurance Companies, as well as on behalf of their creditors, policyholders and shareholders, against any culpable parties.

20. Insurance is a regulated business. All states require that any change of control for an insurance company be approved by insurance regulators in the state in which the company is domiciled, through the process of filing a "Form A." The proposed acquiring entity must file an application for change of control that includes information about, among other things, the identity and background of the ultimate controlling party, the nature, source and amount of consideration to

be paid for the acquisition, and the future plans for the company. It is a criminal offense willfully or knowingly to make false statements in connection with a Form A application.

21. Insurance laws and regulations also require that each insurance company file an Annual Statement each year. The Annual Statement must disclose financial information relating to the insurance company, including information relating to its assets, liabilities and investments. It is a criminal offense for an insurance company director to subscribe to an Annual Statement knowing it to contain any material false statement.

22. Despite these regulations requiring disclosure, it was essential to the success of Frankel's scheme that regulators and acquisition targets not know of his role in the funding, acquisition, operation and control of the insurance companies. In 1992, as the result of a Securities and Exchange Commission enforcement action in federal court, Frankel was permanently enjoined from trading securities and from associating with any broker-dealer, investment advisor or securities dealer. Frankel's bar from the securities industry would have disqualified him from owning or operating insurance companies. Secrecy as to the source of funds being used was also essential because Frankel used looted funds wired from his bank account in Switzerland to purchase new insurance companies. Discovery of Frankel's role in the acquisition and control of insurance companies, or the source of funds he used to acquire insurance companies, would have destroyed his plans and brought an end to his scheme.

23. To permit his acquisition of insurance companies while concealing his involvement, Frankel, acting with the assistance of at least John Hackney, John Jordan and Gary Atnip, formed the Thunor Trust in 1991. The final version of the trust documents listed three persons as grantors, although none of them actually contributed any money to the trust. They were nominees or aliases

of, and/or were controlled by, Frankel. Hackney was named the sole Trustee of Thunor Trust, but at all relevant times Frankel controlled Thunor Trust and its assets.

24. In 1991, Thunor Trust entered into an agreement to purchase a majority interest in Franklin American Corporation (“FAC”), which was the sole shareholder of FAL. Thunor Trust filed an application for change of control with the Tennessee Department of Commerce and Insurance (“Tennessee Department”). The Form A application concealed Frankel’s interest in and control of Thunor Trust and his plans to control and loot FAC and FAL. As a result of this concealment, the Tennessee Department approved the acquisition on October 7, 1991. Frankel used monies stolen from his former securities clients to fund the purchase.

25. Approximately one month after acquiring control of FAL and FAC, Frankel caused FAL’s invested assets of approximately \$17.5 million to be wired, through a series of transfers, to an account at Banque SCS Alliance in Switzerland, over which he exercised complete control and domination. Frankel then used those assets for his own benefit and for the benefit of his friends and associates.

26. This pattern continued over the next six and one-half years. In 1994, FAL purchased FRL. Also in 1994, FAC purchased FGL, IFS and FPL. In February 1998, International Financial Corporation (“IFC”), a Frankel-controlled holding company, purchased Plaintiff FNL. In April 1999, FAL purchased OSL.

27. For each acquisition, a Form A was filed with the insurance regulators of the state in which the acquired company was domiciled. Each Form A concealed Frankel’s control of Thunor Trust, FAC, FAL and the other companies. Each Form A contained false statements about the source of the funds to be used in the acquisition and future plans for the company.

28. After each acquisition, Frankel caused the insurer's invested assets to be liquidated and wire transferred to his account at Banque SCS Alliance, where he exercised complete control and domination over them, and converted them to his use and the use of his friends and accomplices.

29. After Frankel's acquisition of each of the Insurance Companies (except OSL), Hackney represented to regulators and others that Hackney managed the Insurance Companies' assets, although he knew such representations were false. Hackney and others also represented to regulators and others that investments made with the assets of the Insurance Companies (except OSL) were held by Liberty National Securities, Inc. ("LNS"), although they knew such representations were false.

30. Purportedly, LNS acted as custodian of the assets and funds of the Insurance Companies, and invested the assets for the benefit of the Insurance Companies. In fact, Frankel, Hackney, Atnip and others, acting through LNS, converted and misappropriated those assets and funds for their own personal use and enjoyment, and for the benefit of others who conspired with and assisted them in their fraudulent activities.

31. In addition, to conceal the fact that the Insurance Companies had been looted of their assets, Frankel, Hackney, Atnip and Jordan caused false Annual Statements for each of the Insurance Companies (except OSL) to be filed each year with regulators in the states in which the companies were domiciled. The Annual Statements falsely indicated that the Insurance Companies (except OSL) possessed substantial assets and that the assets were invested predominantly in United States Government securities. In reality, the assets were under the control and domination of Frankel, who used them for his own benefit and for the benefit of his friends and associates. The false statements and omissions misled insurance regulators and others and allowed Frankel, Hackney, Atnip, Jordan and others to maintain their control of the Insurance Companies, and to continue to acquire, loot and

launder funds of the Insurance Companies, while concealing Frankel's identity and the true status of the insurance companies.

The Spring of 1998: Frankel Decides to Further Expand His Operations

32. In the spring of 1998, Frankel decided to operate on a much grander scale, both to acquire further assets and to create a new and more credible front to conceal his involvement in the acquisition and control of insurance companies. His plan called for the acquisition of up to \$150 billion in additional insurance company holdings. As with the Insurance Companies previously acquired, Frankel's true intention was to misappropriate the assets of these companies and then launder the funds so that he could use them for the benefit of himself and those associated with him.

33. One of Frankel's first targets under the plan was Colorado-domiciled Capitol Life Insurance Company ("CLICO"), which had over \$400 million in invested assets. A purchase of CLICO would enable Frankel to almost triple the assets under his control.

34. Colorado insurance regulators require specific disclosures before the purchase of an insurance company may be consummated. The buyer must disclose the names and addresses of any person who would directly or indirectly control the insurance company, the nature and source of the monies to be used in the purchase, and the identity of the person or persons furnishing the monies. Because of these regulations, Frankel needed to find a nominee or "front" organization to disguise his involvement in the proposed acquisition of CLICO. Frankel also believed that the Thunor Trust group of companies was too small and insignificant to serve as a vehicle for his planned hundred-billion-dollar acquisitions. To succeed in his plan, Frankel needed the involvement of higher profile associates to lend him credibility.

Frankel Meets Corbally

35. In April or May 1998, Frankel, using the alias “David Rosse,” met Corbally through Frankel’s former girlfriend and co-conspirator, Kaethe Schuchter (“Schuchter”). Schuchter was one of Frankel’s “lieutenants,” often making trips on his behalf to Europe to handle business matters related to the scheme. At the time he met Frankel, Corbally was employed by the internationally known private detective agency Kroll Associates, and was known for his extensive business contacts throughout the world. Frankel realized that Corbally could introduce him to the people who would give Frankel’s operation the appearance of legitimacy he needed. Frankel asked Corbally to help him form a team of insurance, legal and financial professionals to implement Frankel’s plans for expanding his illegal insurance operations. Corbally set about introducing Frankel to influential people who could assist him.

36. In May 1998, Corbally introduced Frankel, posing as “Rosse,” to Collins. Collins, whom Plaintiffs believe to be a retired executive of Hanson Trust Plc, served as a “front” for Frankel’s proposed acquisition of CLICO. Collins represented that he was the source of the funds for the purchase, although he was not. In exchange for his participation, Collins received substantial in-kind payments and other benefits, including but not limited to \$40,000 to \$50,000 in air travel for himself and his companions.

37. At a meeting in June 1998 relating to the proposed CLICO acquisition, Collins falsely represented that he had a net worth of \$200 million and was interested in setting up a trust and making a charitable contribution. Collins expressed an interest in purchasing insurance \companies as a means of raising the money for charity. Collins falsely represented that his own money would be used to fund the trust and purchase the insurance companies.

The Summer of 1998: The Initial Plan to Purchase CLICO

38. As a result of the June 16 meeting, Frankel and other members of his team agreed to create a new corporation to use as a front to acquire insurance companies. That same day, American Service Corporation (“ASC”) was formed in Delaware. Collins was listed as the director and incorporator.

39. Shortly thereafter, ASC, through Collins and Frankel, made an application to open a new account at Prudential Securities. Although the forms listed Collins as the President of ASC, the forms indicate that Frankel (posing as “Rosse”), as “financial advisor,” was to have full access to the account.

40. In June and July, Frankel, Hackney, Atnip and others circulated several draft Letters of Intent for ASC to purchase CLICO. Some versions represented that Collins owned ASC, while others stated that “US Charity Trust,” an irrevocable trust supposedly funded by Collins, owned ASC.

41. By July 1998, members of CLICO management began questioning whether ASC had sufficient funds to complete the acquisition. To allay these suspicions, Collins hurriedly finished opening the Prudential Securities account. Frankel then transferred \$50 million from his Swiss bank account into the ASC account at Prudential Securities, so that an account statement could be generated showing that, as of a certain date, ASC had \$50 million in the account. The money was transferred out of the account a few days later.

42. As the deal progressed, Frankel’s team exchanged drafts of a Stock Purchase Agreement with CLICO. The owner of ASC was variously described as “Lourdes Charitable Trust,” “U.S. Charity Trust,” “Cambridge Charity Trust,” and the “Pontifical Foundation for the Benefit of

World Charities.” At all times, however, Collins was depicted in these documents and held out by Frankel’s “team” as the source of the funds for the CLICO acquisition.

43. Collins signed documents indicating that he was a “Trustee” of the Lourdes Charitable Trust of Guernsey, knowing that he was a Trustee in name only, and that Frankel would have control of the Trust. Collins also signed documents indicating that he was a “Trustee” of the Cambridge Charitable Trust, knowing that he was a trustee in name only and that Frankel would have control of the trust. These documents were mailed, e-mailed and/or faxed to create the appearance that Collins, not Frankel, was in control of the above-named trusts, and that Collins, not Frankel, was funding the purchase of CLICO.

44. In late July 1998, Frankel decided that the Roman Catholic Church would make an even better “front” than Collins for his purchase of United States insurance companies. Corbally again provided introductions, this time to Fausto Fausti, an Italian businessman who had contacts with the Church. Fausti contacted Father Christopher Zielinski, a Roman Catholic priest and the director of The Genesis Center in Florence, Italy, a charitable foundation. Fausti told Father Zielinski that a wealthy investor wanted to donate \$50 million to the Center. The Center’s lawyer spoke with Corbally, who outlined the deal to her: Frankel, as “Rosse” would not “donate” \$50 million to the Center, but would maintain control of the money and would use it to purchase United States insurance companies. When those insurance companies profited, the Center would receive donations from the profits. After meeting with Fausti and Schuchter, and consulting with its attorney, the Center, suspecting it was being asked to participate in a money-laundering scheme, turned down Frankel’s offer.

45. Corbally then introduced Frankel to Thomas A. Bolan (“Bolan”), a well-connected New York lawyer with ties to the Roman Catholic Church. Corbally told Bolan he knew a man who

made millions a day through trading who wanted to help the poor and thought he should do it through the Roman Catholic Church.

46. Bolan contacted Father Peter Jacobs (“Jacobs”), a Roman Catholic priest with ties to the Vatican. Jacobs is officially incardinated in the Archdiocese of Washington, D.C., but lives in Rome.

47. Jacobs in turn contacted Defendant Colagiovanni. In the early part of August 1998, Jacobs and Colagiovanni flew to the United States at Frankel’s expense and met with Bolan and Frankel, posing as “Rosse,” at Frankel’s home in Greenwich, Connecticut.

48. Frankel told Bolan, Jacobs and Colagiovanni he planned to set up a charitable foundation. This foundation would be formed in the Vatican, under Vatican law. Frankel proposed to secretly control the foundation through the ability to elect a majority of its Board of Trustees. Frankel offered to transfer \$55 million to this Vatican foundation. The Vatican would be permitted to keep \$5 million to do with as it saw fit, in exchange for which Frankel would be allowed to secretly retain control over the remaining \$50 million, ostensibly to use for insurance company acquisitions. While at Frankel’s home in Greenwich, Bolan, Jacobs and Colagiovanni discussed how the \$5 million that was to be donated for charitable purposes might be spent.

49. For Frankel’s plan to work, the \$50 million had to appear to be Vatican money, being used to pursue a Vatican-related initiative. As Frankel explained in a letter addressed to Bolan: “Our agreement will include the Vatican’s promise that the Vatican will aid me in my effort to acquire insurance companies by allowing Father Jacobs or another Vatican official to certify to the authorities, if necessary, that the source of funds for the Foundation is the Vatican.” In fact, Frankel repeatedly stressed that his name (“Rosse,” as his co-conspirators knew it) should not be disclosed in

any documents, and that no outsider should know he was the true source of the funds used in the deal.

50. Bolan then traveled to the Vatican and, with Colagiovanni, proposed the plan to Bishop Francesco Salerno (“Salerno”) in a meeting at the Vatican. At that time Salerno was the Secretary of the Prefecture for the Economic Affairs of the Holy See, the Vatican’s “finance department.” Salerno was also on the board of MEF. The parties discussed the proposal, informing Salerno specifically that “Rosse” would be the source of the funds, and would retain control of the \$50 million, even after it was “donated” to the Vatican foundation.

51. On August 18, 1998, Salerno approved the plan, saying it was “a good idea,” and instructed Bolan to prepare by-laws for the foundation. Bolan did so, and Jacobs provided them to Salerno. The proposed by-laws allowed Frankel to appoint two of the proposed foundation’s three trustees, and the Vatican to appoint the other. Salerno inquired of John Cardinal O’Connor, then the Archbishop of New York, as to who the Vatican appointee should be.

52. Thereafter, Jacobs received a telephone call from Salerno saying that the Vatican’s Secretary of State had expressed misgivings about the plan. After consultation with Frankel, Bolan was again dispatched to the Vatican, where he and Jacobs met with Monsignor Gianfranco Piovano and Father Brian Farrell. Both were employees of the Vatican’s Secretariat of State and met with Bolan and Jacobs in the Vatican building which houses the Secretariat. Piovano informed Bolan that Frankel could not control a Vatican foundation, and that the Vatican “did not want the perception that it was running insurance companies.” Piovano stated that some other way would have to be found to make the donation.

53. Frankel accepted Piovano’s suggestion that they “find some other way” by devising an alternative plan to accomplish the original goal of the scheme. Under the new plan, Frankel

would form St. Francis of Assisi Foundation to Serve and Help the Poor and Alleviate Suffering (“St. Francis”). The new foundation would be created outside of the Vatican to alleviate the Vatican’s concern about appearing to be involved in insurance company operations. A Vatican-related charity would be the settlor of the new foundation. The Vatican-related charity would be able to state that it was funded by the Vatican, so that St. Francis could claim that its funding originated from Vatican sources. In actuality, however, St. Francis would be funded entirely from looted funds held in Frankel’s Swiss bank account.

54. Colagiovanni then agreed to allow MEF, the Vatican-related organization of which he was President, to be held out as the “settlor” of St. Francis. Colagiovanni spoke to Piovano and Salerno about MEF playing the role of the Vatican entity in Frankel’s plan. After speaking with them, Colagiovanni faxed a letter to Bolan, on *Rota* letterhead, informing him that MEF “had been authorized” to receive the \$55 million; that is, MEF would first receive and transfer the sum of \$50 million to Frankel’s foundation, which would remain under Frankel’s control. MEF would then receive an additional \$5 million from Frankel, to keep and use without restriction. Colagiovanni also confirmed to Bolan and Jacobs at a later meeting in Italy that the plan had been authorized.

55. MEF was used to create the impression that the funding for Frankel’s foundation, St. Francis, had come from the Vatican or Vatican-related sources. However, neither the Vatican nor MEF would provide any of their own funds to St. Francis. Instead, Colagiovanni was told that Frankel would deposit funds in an MEF account, which would in turn be transferred to an account in St. Francis’ name. Colagiovanni, acting as an agent for the Vatican, knew of and approved this plan. Bolan memorialized this plan in a writing which Colagiovanni signed.

56. Other Vatican personnel also knew of this plan. Upon information and belief, Colagiovanni consulted with *sostituto* Giovanni Battista Cardinal Re, head of the First Section of the

Vatican Secretariat of State, before he agreed to assist “Rosse” in implementing the plan. Cardinal Re, as *sostituto*, was the third highest-ranking Vatican official at the time.

57. Jacobs discussed Frankel’s plan with his friend, Pio Cardinal Laghi, who was the head of the Congregation for Catholic Education in the Vatican, and who had previously served as the Vatican’s *Nuncio* (Ambassador) to the United States. While Frankel was trying to gain approval for his plan, Laghi intervened at the Vatican on his behalf. Laghi also received \$100,000 from “Rosse” in August 1998 as a donation to a hospital. When Laghi sent a thank-you letter to “Rosse” for the donation, it was returned to him by Jacobs, who told Laghi not to thank “Rosse” personally for the payment. Laghi then sent a new thank-you letter, which thanked only Frankel’s foundation for the funds.

58. Another Vatican official who knew of the plan was Father Giovanni D’Ercole, who is now one of the *Capi Ufficio* in the First Section of the Vatican’s Secretariat of State. Frankel had considered using D’Ercole’s religious order, the Sons of Divine Providence, also known as “Don Orione” after its founder, as the vehicle through which to channel funds to St. Francis. D’Ercole visited with “Rosse” at his home in Connecticut, and a charity operated by the Sons of Divine Providence received donations from Frankel.

59. Archbishop Alberto Tricarico (“Tricarico”) also knew about the plan. Tricarico was the *Nunzio Apostolico a disposizione* in the Second Section of the Vatican’s Secretariat of State, where his responsibilities included overseeing the Holy See’s relations with the countries formerly comprising the Soviet Union. Tricarico knew that Frankel, posing as “Rosse,” was the “donor” of St. Francis. Tricarico considered traveling to Connecticut to meet “Rosse” in person. He also, through Jacobs, sought to obtain money from Frankel for Catholic charities in Kazakhstan. Jacobs traveled

to Almaty in Kazakhstan at Tricarico's request to visit some of the charities. Jacobs' airplane ticket was charged to an American Express card controlled by Frankel and paid with looted funds.

60. Frankel was also interested in securing the involvement of the *Istituto per le Opere di Religione* ("IOR"), popularly known as the "Vatican Bank." As a Vatican entity, the IOR is beyond the reach of any regulatory scrutiny other than the Vatican's own supervision. Although Colagiovanni informed Frankel that, as a non-Catholic, he could not open his own account at the IOR, Colagiovanni assured Frankel that any fund or donation given to MEF would fall under the protection of the "very strict confidentiality and secrecy" laws that apply to any entity linked to the IOR.

61. The IOR was involved in a number of ways with Frankel's scheme. MEF has an account at the IOR, and Colagiovanni and, apparently Jacobs, were both authorized users of that account. Frankel wired money to MEF's account at the IOR, as described below. Jacobs also had his own account at the IOR to which Frankel wired money.

62. In addition, as part of the scheme, Frankel had Colagiovanni obtain a letter from the IOR, indicating that MEF was an organization in good standing with the IOR. Before the IOR would issue the letter, Colagiovanni was required to, and did, provide the IOR with information about "Rosse" and the plan. Colagiovanni and Frankel provided the IOR with the private telephone number of Frankel's Swiss banker, Jean-Marie Wery ("Wery"), a Managing Director of Banque SCS Alliance. The IOR contacted Wery to confirm that Frankel had the wealth necessary to make the proposed donation.

63. After the IOR checked Frankel's bank reference, Salerno prepared a letter confirming MEF's "uninterrupted relation" with IOR, which was signed by the IOR's director, Dr. Lelio Scaletti, and by another IOR official, Dr. Anthony Chiminello. This letter was used to bolster MEF's and St.

Francis' credibility with insurance regulators and others. For example, when lawyers and officials connected with one of the United States insurance companies Frankel targeted questioned the Vatican's connection to St. Francis, the IOR letter was presented as proof of the association.

The Fall of 1998: The Second Attempt to Purchase CLICO

64 Once the Vatican connection was in place, Frankel established St. Francis as a British Virgin Islands trust. The St. Francis documents were backdated to August 10, 1998, at Frankel's direction, in part to coincide with astrological events Frankel considered favorable. In the St. Francis Deed of Settlement, MEF was named the settlor and was alleged to have contributed \$90 million to St. Francis. Jacobs was named sole Trustee, although Bolan, Collins and possibly others were later added.

65 Frankel then directed that the proposed purchase of CLICO move forward, with MEF allegedly providing funding through St. Francis, the new purchaser. ASC was caused to withdraw from the deal.

66 Colagiovanni was directly involved in assisting Frankel in his efforts to acquire insurance companies. Colagiovanni made a number of significant representations in the United States about the Vatican's relationship with St. Francis. He used his position as a member of the *Curia* to convince state government officials and insurance companies in the United States that St. Francis was connected with the Vatican through MEF, and that St. Francis was a Vatican-funded initiative.

67 On November 24, 1998, St. Francis filed a Form A application with the Colorado Department of Insurance (the "Colorado Department") for the purchase of CLICO. The Form A application included false representations stating, among other things, that St. Francis was the source of funds for the CLICO acquisition and that St. Francis had received its money from MEF. The

Form A application also intentionally concealed Frankel's involvement in and control of St. Francis, and falsely represented that Jacobs controlled St. Francis as its sole Trustee, when Frankel had complete control of St. Francis.

68 At the time of the filing of the Form A application, Colagiovanni, as an agent of the Vatican, knew, or was subjectively aware of a strong possibility of illegal conduct and purposefully contrived to avoid learning, that statements in the Form A application about control of St. Francis and its source of funding were false.

69 On November 24, 1998, Colagiovanni signed an unsworn "affidavit" in which he stated: "The funds that the MEF has contributed to St. Francis for the purchase of the common stock of CLICO Acquisition Corporation have come from funds of the Holy See that are dedicated to use for investment for charitable purposes." The "affidavit" was signed "Emilio Colagiovanni, President MEF." This "affidavit" was distributed to several insurance companies which Frankel was seeking to acquire. Colagiovanni has admitted this affidavit was false.

70 On December 4, 1998, in response to the Form A application, the Colorado Department sent Jacobs twenty-three detailed questions about St. Francis and its source of funding. As a result of this further inquiry by the Colorado Department, by mid-December, Frankel and his associates withdrew the St. Francis Form A application and abandoned the proposed CLICO acquisition.

Fall and Winter of 1998-99: Frankel Tries a Second Front

71 Meanwhile, Corbally continued to assist Frankel by introducing Frankel to other persons who might be able to help Frankel establish credibility in the insurance world. Corbally tried to get his friend Lee Iacocca, the former Chief Executive Officer of Chrysler Corporation, to assist Frankel in his plan. Although Frankel spent lavish amounts of looted funds in an effort to persuade him, Iacocca declined to participate.

72 Corbally also introduced Frankel, as “Rosse,” to Larry Martin (“Martin”). Martin agreed to help Frankel acquire insurance companies in exchange for a payment of \$100,000 per month. Martin assembled a team of insurance industry experts and established American Annuity and Life Acquisitions LLP (“American Annuity”) as a vehicle to acquire insurance companies for Frankel. Corbally also introduced Frankel to Thomas F. Quinn, who was once described by the *New York Times* as “one of the securities industry’s best-known swindlers . . . a disbarred lawyer with multiple convictions in securities and money laundering dating back to the 1960s.” Martin, Quinn, Frankel and others developed a complicated plan involving offshore reinsurance companies and a Luxembourg “plate” corporation, which would enable Frankel to acquire insurance companies through American Annuity, while making it virtually impossible to trace the funds back to their true source.

73 Besides performing introductions, Corbally acted as a go-between, helping mediate matters between Frankel and some of the people Corbally had brought into the scheme, such as Martin and Quinn. Frankel used Corbally to deliver bad news and to finesse relations among Frankel’s growing crowd of associates.

74 In exchange for his services, Corbally received traveler’s checks and numerous payments in kind, such as airplane tickets (on the Concorde), which totaled more than \$100,000 in

1998 and 1999. Corbally was also given the use of an American Express Platinum Card, on which he charged up to \$112,000 per month. The traveler's checks, payments in kind and American Express bills were paid using money looted from the Insurance Companies which was wired from Frankel's Swiss bank account.

75 In addition, as payment for Corbally's services, Frankel offered to buy Corbally a Manhattan luxury apartment costing in excess of \$5 million. Corbally chose an apartment in a not-yet-completed building at 515 Park Avenue. As payment for the apartment, in 1998 and 1999, Frankel wired approximately \$1.5 million in looted funds of the Insurance Companies from his Swiss bank account to an account designated by Corbally at Solbank SBD S.A. in Spain in the name of Defendant Endurance. Endurance is an entity which, although purportedly owned by Corbally's wife, is actually under the control and domination of Corbally himself. From Solbank, the monies were transferred to an escrow account in New York, where they were held pending the final closing date on the luxury apartment.

The Winter of 1998-99: Western United Life Assurance Company

76 In December 1998, not long after St. Francis had submitted the Form A relating to CLICO, St. Francis signed a Letter of Intent to purchase Western United Life Assurance Company ("Western United") of Spokane, Washington. In the course of negotiating the deal, representatives of St. Francis told Western United employees that Frankel, who was still posing as "Rosse," did bond trading for the Vatican, that the source of funds for the Western United deal was the Vatican, that the purpose of the Vatican's proposed investment was to grow Vatican assets, and that the Pope himself had authorized funds to go to MEF from a general fund, which were then contributed to St. Francis. These statements were false.

77 Vatican leadership was informed on several occasions that persons acting on behalf of St. Francis and MEF were representing that St. Francis was connected with the Vatican, and making misrepresentations about St. Francis' funding and control. In January 1999, C. Paul Sandifur ("Sandifur"), the President of Western United's parent company, sent a letter to Vatican Secretary of State Angelo Cardinal Sodano asking for a confirmation of statements about St. Francis' and MEF's relationship to the Vatican. In particular, Sandifur asked Cardinal Sodano (a) whether St. Francis was an agent of the Holy See, (b) whether MEF was a Vatican foundation, (c) whether MEF was the settlor of St. Francis, and (d) whether the Holy See had given \$190 million to MEF and St. Francis, as had been represented.

78 *Sostituto* Re sent a reply on behalf of the Vatican, but stated only that, with respect to St. Francis, "no such foundation has the approval of the Holy See or exists in the Vatican." Re did not deny that the Vatican had donated \$190 million to MEF, that MEF had donated \$190 million to St. Francis, or that MEF was a Vatican foundation. Re's careful, cryptic and incomplete response to Sandifur's letter in February 1999 was in sharp contrast to the Vatican's response to similar questions posed by the international press in June 1999, after Frankel's scheme was exposed to the world. It also differed from the more informative, but still incomplete, letter Re wrote to Cardinal O'Connor of New York, dated the same day as his response to Sandifur.

79 Despite being informed through the Western United letter that statements were being made in the United States to insurance companies that the Vatican knew were false, neither Re nor any other Vatican official took steps to correct or stop the misrepresentations made by Colagiovanni, Frankel and others concerning St. Francis' control and funding. In fact, by giving an incomplete response to Sandifur's inquiries, Re created the impression that the statements he failed to address

were true. Colagiovanni explained the letter by stating that, according to Vatican policy, failure to address certain facts in such a response indicates those facts are true.

80 On February 16, 1999, after Western United had received the letter from Re, and to mitigate the ambiguous nature of Re's letter, representatives of St. Francis faxed to Western United a written statement signed by Colagiovanni in which he represented that MEF had contributed \$1 billion to St. Francis with funds that came from various "Roman Catholic tribunals and Roman Catholic charitable and cultural institutions." This statement was later submitted to insurance regulators in an attempt to substantiate the Vatican's alleged funding of MEF and St. Francis. Colagiovanni knew that the representations made in the statement were false when he made them.

81 Also in February 1999, Collins became a Trustee of St. Francis. As with the Lourdes Charitable Trust and the Cambridge Charitable Trust, Collins was a Trustee of St. Francis in name only. Frankel controlled and funded St. Francis completely.

82 On February 16, 1999, Defendant Collins signed a written statement as a Trustee of St. Francis. In the statement, Collins stated that all funds held by St. Francis were donated to it by MEF, which had in turn obtained them from various "Roman Catholic tribunals and Roman Catholic charitable and cultural institutions." This statement was designed to give the false appearance that Collins, as Trustee, had control of St. Francis' operations and funding, and to disguise Frankel's true role as the source of funds for St. Francis and the operator and controlling person behind St. Francis.

The Winter and Spring of 1999: Additional Trips to the Vatican

83 To further demonstrate St. Francis' and MEF's ties to the Vatican, Frankel and Colagiovanni arranged for two Western United executives, Sandifur and William Snider ("Snider"), Chief Financial Officer of Western United, to travel to the Vatican and meet with Vatican officials to clarify whether representations made about the Vatican's involvement with St. Francis and MEF were true. Snider and Sandifur were accompanied by Father Eugene Tracy ("Tracy"), a former insurance executive now serving as a Roman Catholic priest in Spokane. Frankel had thus far failed to make the \$5 million "donation" he had promised to MEF. Apparently in the hope of encouraging Frankel to make the payment, Colagiovanni agreed to host the executives.

84 Sandifur, Snider and Tracy met with Colagiovanni in the *Cancelleria*, the building which houses the *Rota*. This building, although located in a section of Rome which is not contiguous to the main area of Vatican City, is considered the Vatican's sovereign territory. Swiss Guards, the personal guards of the Pope, were stationed outside.

85 While in an office in the *Cancelleria*, Colagiovanni told the Western United executives and Tracy that the funds MEF provided to St. Francis originated from friends of the foundation and that some of the money was actually secret Vatican funds. Sandifur, Snider and Tracy then met with an Italian bishop believed to be Salerno, who by that time had become the Secretary of the *Supremo Tribunale della Segnatura Apostolica*, another of the Vatican's courts with offices in the *Cancelleria*. The bishop posed for a picture with them.

86 The Western United visitors were given a tour of the Vatican by Colagiovanni, including several areas not usually accessible to tourists. The Western United executives reasonably concluded from their visit that MEF and St. Francis were known in the Vatican, that Colagiovanni was who he claimed to be, and that MEF and St. Francis were recipients of Vatican money.

87 The Western United visitors also met with Alan Kershaw, an American lawyer who argues cases before the Vatican's tribunals and who represents the Vatican's own interests from time to time. Kershaw, apparently at Colagiovanni's request, assured the Western United visitors that a group of "northern Italian laypeople" who wanted to obtain the tax benefits available by a donation to the Vatican had secretly donated large sums of money to MEF. Like Colagiovanni, Kershaw also indicated that MEF had received funds from the Vatican. To further assure the Western United visitors about the proposed deal, Kershaw told them that the Vatican exercised supervisory power over St. Francis and that St. Francis' funds and money management would go through the IOR.

88 Meanwhile, Frankel, Bolan and Colagiovanni had been upset with Re's letter sent to Sandifur, because it did not, in their view, affirmatively support the representations being made about MEF and St. Francis. To ensure that this would not happen again, Colagiovanni arranged for Bolan to meet with Vatican officials in March 1999 to discuss how the Vatican should answer future inquiries related to St. Francis' acquisition of United States insurance companies. Colagiovanni originally arranged for Bolan to meet with Re, but Bolan and Colagiovanni in fact met with Agostino Cardinal Cacciavillan ("Cacciavillan"), the president of the Administration of the Property of the Holy See. At this time, Cacciavillan was the government official in charge of the Vatican's investments, although he had recently left his post as the Vatican's *Nuncio* (Ambassador) to the United States.

89 Sandifur's letter and Re's response were specifically discussed at this meeting. Cacciavillan was informed that a private individual, and not MEF or the Vatican, was the source of St. Francis' funds, and he knew that MEF would be used as a vehicle through which this private individual would make "donations" to St. Francis. Despite this knowledge, Cacciavillan did not tell Bolan or Colagiovanni to stop claiming that the funds originated with MEF or the Vatican.

Cacciavillan directed only that St. Francis not be held out as a Vatican foundation, and did not express any concern about any other aspects of the described relationship between St. Francis and MEF or between MEF and the Vatican.

90 Instead, Cacciavillan, Colagiovanni and Bolan agreed that if the Vatican received any future inquiries related to St. Francis' purchase of United States insurance companies, the inquiries would be routed to Colagiovanni or someone else who understood the MEF/St. Francis plan, who could then respond.

The Hearing in Mississippi

91 Meanwhile, the Mississippi Department of Insurance ("Mississippi Department") had begun to take a close look at other aspects of Frankel's scheme. On March 12, 1999, the Mississippi Department wrote Hackney a letter asking him nineteen questions about the Insurance Companies' investment practices and about the Insurance Companies themselves.

92 Frankel decided that because St. Francis, as a supposed Roman Catholic organization, had "good moral character," it should play a leading role in the Mississippi investigation. On March 29, 1999, St. Francis allegedly "purchased" Thunor Trust, and Hackney relayed this "fact" to the Mississippi Department. Upon receiving this news, the Mississippi Department informed Hackney that a Form A application must be filed relating to the change of control of the Mississippi insurance companies. The Mississippi Department set a hearing for April 29, 1999, in Jackson, Mississippi, to address the issue. Frankel and his associates were very distressed when they heard about the hearing. At first, Frankel tried to postpone the hearing by having his associates make several calls to Dale, the Mississippi Commissioner of Insurance. Dale did not change the date of the hearing.

93 Before the April 29 hearing, Colagiovanni sent several letters to the Bishop of Jackson, introducing St. Francis and MEF, and explaining the good works St. Francis was

supposedly performing. The letters were intended to further the scheme. Frankel, Colagiovanni and others hoped that if the bishop were contacted by the Mississippi Department about St. Francis or MEF, he would repeat the “facts” he had learned from Colagiovanni’s letters. Colagiovanni faxed these letters from the Vatican and at least one of the letters was headed, in Italian, “Vatican City Fax.” Colagiovanni signed these letters with all of his Vatican titles.

94 On April 27, 1999, Colagiovanni traveled from Rome to Mississippi at Frankel’s expense. Frankel, Colagiovanni and others associated with St. Francis visited the Bishop of Jackson’s official residence on April 27, 1999, in hopes of convincing the bishop to attend the hearing at the Mississippi Department. He declined to do so. The next day Colagiovanni participated in a pre-hearing meeting at a Jackson hotel in which Frankel and others planned the testimony and prepared the documents they would provide to the Mississippi Department on April 29.

95 Frankel wanted to make sure that his involvement in the affairs of St. Francis was concealed, so he asked Collins to make an appearance as a St. Francis “Trustee” at the hearing. Collins traveled to Mississippi to assist with St. Francis’ appearance before the Mississippi Department. Collins was present for and assisted in the pre-hearing meeting in Jackson, although he did not attend the hearing itself.

96 At the April 29 hearing, Colagiovanni wore priest’s clothing, displayed what he identified as a Papal ring, and indicated that he was present as a representative of the Vatican. Colagiovanni, acting as an agent of the Vatican, represented orally and in a sworn writing that Vatican-related entities had contributed over \$1 billion to St. Francis. At the time he made these representations, he knew them to be false. Also at the hearing, various representatives of St. Francis made numerous other misrepresentations, orally and in writing, regarding the funding and

management of St. Francis, including representations that the Vatican had provided St. Francis' funds, that St. Francis had assets worth more than \$1 billion, that St. Francis had acquired Defendant Thunor Trust, and that the Trustees of St. Francis controlled St. Francis. These statements were false.

97 Colagiovanni, and, indirectly, the Vatican, received benefits from Colagiovanni's role in Frankel's scheme. From August 1998 to May 1999, Frankel made periodic financial contributions to Colagiovanni, Jacobs and MEF, and to accounts designated by them. The following represent some, but not all, of the wire transfers:

- On August 24, 1998, Frankel wired \$100,000 from his Swiss bank account to Jacobs' account at the IOR. Jacobs then wrote a check in that amount to Laghi, which was apparently donated to a hospital with which Laghi had some relationship.
- On December 11, 1998, Frankel wired \$10,000 from his Swiss account to Jacobs' account at Chase Manhattan Bank in New York for further credit to MEF's account at the IOR.
- On February 24, 1999, Frankel caused \$10,000 to be wired from the account of "Rosse" at Chase Manhattan Bank in New York to MEF's account at the IOR.
- On April 13, 1999, Frankel wired \$25,000 from his Swiss account to the Don Orione Fathers at the Bank of the Phillipines. The Don Orione Fathers, also known as the Sons of Divine Providence, are an order of the Roman Catholic Church of which D'Ercole is a member.
- On April 20, 1999, Frankel wired \$40,000 to Jacobs' account at the IOR for the benefit of "Rosse/St. Francis."
- On April 22, 1999, one week before Colagiovanni's appearance in Mississippi, Frankel wired \$30,000 to Jacobs' account at Chase Manhattan Bank in New York. Jacobs wrote a check to Colagiovanni for \$20,000 which Colagiovanni then deposited at the IOR.

The funds used in these wire transfers were assets of the Insurance Companies which Frankel had looted.

98 On the day of the Mississippi hearing, Frankel realized that his scheme was about to be uncovered. He tried to hide or launder as much money as he could, and made plans to leave the United States. Frankel turned to Corbally for assistance in escaping the country. Corbally, through a contact believed to be named “Mikey” Signoretto, arranged for Frankel to obtain a number of false passports and birth certificates. “Mikey,” Corbally, Schuchter and another Frankel employee met in London where the passports were transferred to Schuchter and the employee. The passports were sent via international courier service to Frankel in Connecticut. After receiving the passports, Frankel fled the United States for Italy. He was apprehended in Germany about five months later.

99 By mid-May 1999, Frankel’s financial fraud had been uncovered by state insurance regulators and federal and state law enforcement officials and was made public. On June 30, 1999, the Vatican, through its Press Office Director, for the first time contended publicly that the Vatican had no legal or financial connection to MEF or St. Francis:

I wish to make it clear that the “Monitor Ecclesiasticus” and “St. Francis of Assisi” Foundations do not have Vatican juridical character and are not inscribed in the registers of Vatican juridical personalities. I wish to add that the Holy See does not have any relationship with Father Peter Jacobs and has neither furnished nor received funds from either the Monitor Ecclesiasticus Foundation or the St. Francis of Assisi Foundation. Contrary to what has been affirmed, the St. Francis of Assisi Foundation does not have an account in the Institute for Works of Religion (IOR) and indeed is not recognized by this Institute. Msgr. Emilio Colagiovanni is president of the Monitor Ecclesiasticus Foundation, established by the archdiocese of Naples in 1967. This foundation has always acted totally outside of any Vatican context, and does not have any relationship with it whatsoever.

GENERAL RICO ALLEGATIONS

The Enterprises

100 At all relevant times, the Insurance Companies each constituted an enterprise, as that term is defined in 18 U.S.C. § 1961(4), that engaged in and the affairs of which affected interstate commerce. In addition, Colagiovanni, MEF, Corbally, Collins, Endurance, Frankel, and others associated with Frankel, including David Rosse, Karen Timmins, Philip Miller, Mona Kim, Sonia Howe, Kaethe Schuchter, Jeffrey Moreau, Cynthia Allison, Adriana Gustavo, Miriam Fischer, Kathryn Higgins, Stefan Radencovici, Jacqueline Ju, Alicia Walters, Oksana Wiktor, Gregory Wiktor, Beng Wan Tan, C. Mark Burgess, Deborah Spaeth, Hackney, Atnip, Jordan, American Security Services, ASC, AWW Corporation, Ba-Gio Investments, S.A., Bloomfield Investments, S.A., Bloomfield Investments, Limited - BVI, Bradshaw Enterprises Co., Inc., Bunnies, Inc., Creative Partners Fund, Devonshire Technologies, Ltd., FAC, Gates Investments, Inc., Good Luck Corporation, Hartwick Management, Ltd., IFC, Judicial Investigation Agency, The Jupiter Capital Growth Fund, LNS, Lucky Star Investments, Middleburg Investments, Ltd., Resolute Investments, RMI, Inc., Sundew International, Ltd., Thunor Trust, American Life Acquisitions, L.P., American Annuity and Life Acquisitions, L.P., St. Francis, Larry Martin, Thomas Quinn, Robert Guyer, Banque SCS Alliance SA and Jean-Marie Wery, constituted an association-in-fact enterprise (the "Association"). The Association functioned in a hierarchical decision-making structure and as a continuing unit from at least 1991 until May 1999, and was engaged in and the affairs of which affected interstate commerce.

Federal Law

101 There were in force and effect at all relevant times criminal statutes of the United States involving mail and wire fraud, 18 U.S.C. § 1341 and 18 U.S.C. § 1343. These statutes currently state in relevant parts as follows:

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises. . . for the purpose of executing such scheme or artifice or attempting to do so, places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Postal Service, or deposits or causes to be deposited any matter or thing whatever to be sent or delivered by any private or commercial interstate carrier, or takes or receives therefrom, any such matter or thing, or knowingly causes to be delivered by mail or such carrier according to the direction thereon . . . any such matter or thing, shall be . . . [punished according to law].

* * *

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be [punished according to law].

The Scheme to Defraud

102 Beginning in 1990, Frankel devised and, along with Hackney, Atnip, Jordan and others, implemented a scheme to defraud various investors, financial institutions and insurance companies, and to obtain money and property, by false and fraudulent representations and promises, from various investors, financial institutions and insurance companies. The scheme, as described above, included Frankel's acquisition of insurance companies while concealing his involvement in and control of the companies, his looting of the acquired insurance companies and his laundering of the assets of the insurance companies once the assets were within his control.

103 To sustain, advance and prevent detection of the scheme to defraud, Frankel, Hackney, Atnip and Jordan established the Thunor Trust as described above. In addition, Frankel, Hackney, Atnip, Jordan and others caused statements to be made in Form A applications for various

insurance companies, as described above, knowing such statements to be false, so as to conceal Frankel's control and involvement in the proposed acquisition of those insurance companies.

104 To sustain, advance and prevent detection of the scheme to defraud, Frankel, Hackney, Atnip, Jordan and others caused the cash assets of the Insurance Companies to be represented as having been invested with LNS, knowing such representations to be false. Frankel, his associates Sonia Howe and Mona Kim, and others, transmitted fabricated monthly statements and other information to the Insurance Companies (except OSL), knowing such statements falsely represented that the assets had been invested in U.S. Government obligations by LNS, that certain trades had been conducted in such securities, and that the assets were earning profits as a result of these investments.

105 To sustain, advance and prevent detection of the scheme to defraud, Frankel, Hackney, Atnip, Jordan and others caused statements to be made in Annual Statements and other financial statements of the Insurance Companies (except OSL) that those companies' assets had been invested in U.S. Government obligations by LNS, that certain trades had been conducted in such securities, and that the assets were earning profits as a result of these investments, knowing such statements to be false.

106 To sustain, advance and prevent detection of the scheme to defraud, Frankel, Hackney, Atnip, Jordan, Collins and others established ASC, Lourdes Charitable Trust and Cambridge Charitable Trust for the purpose of acquiring additional insurance companies while concealing Frankel's control and involvement. In addition, Frankel, Collins and others made false statements regarding ASC, Lourdes Charitable Trust and Cambridge Charitable Trust, knowing those statements to be false, to conceal Frankel's control and involvement in the proposed acquisitions of insurance companies.

107 To sustain, advance and prevent detection of the scheme to defraud, Frankel, Hackney, Atnip, Jordan, Colagiovanni, MEF and others, established St. Francis for the purpose of acquiring additional insurance companies while concealing Frankel's control and involvement. In addition, Frankel, Hackney, Atnip, Jordan, Collins, MEF, Colagiovanni and others caused statements regarding St. Francis to be made in Form A applications and in connection with the proposed acquisitions of various insurance companies, knowing such statements to be false, so as to conceal Frankel's control and involvement in the proposed acquisition of those insurance companies. In addition, Frankel, Michelle Field, American Operations Corporation and others caused written and verbal statements regarding St. Francis to be made to state officials, hospitals and others, knowing such statements to be false, so as to conceal Frankel's control and involvement in the proposed acquisition of those hospitals, and to assist Frankel in his efforts to acquire and maintain control over insurance companies.

108 To sustain, advance and prevent detection of the scheme to defraud, Frankel, Hackney, Atnip, Martin and others established American Annuity and other related entities for the purpose of acquiring additional insurance companies while concealing Frankel's control and involvement. In addition, Frankel, Hackney, Martin and others caused statements regarding American Annuity and related entities to be made in connection with the proposed acquisition of various insurance companies, knowing such statements to be false, so as to conceal Frankel's control and involvement in the proposed acquisition of those insurance companies.

109 To sustain, advance and prevent detection of the scheme to defraud, Frankel and others established and maintained accounts under Frankel's control at, among others, Dreyfus Service Corporation and Banque SCS Alliance, for the purpose of transferring and receiving assets from the Insurance Companies, and misappropriating and converting them to Frankel's control.

110 To sustain, advance and prevent detection of the scheme to defraud, Frankel and others laundered the assets looted from the Insurance Companies through a variety of methods, including, but not limited to: (a) the transfer of such assets between and among the various bank and investment accounts; (b) the purchase of real property; (c) the purchase of personal property, including but not limited to gold and diamonds; (d) the purchase of traveler's checks; (e) the purchase of automobiles and aircraft; and (f) the use of wire transfers for compensation, to pay expenses and to convert funds to cash.

111 In furtherance or execution of the scheme to defraud, Frankel, Hackney, Atnip, Jordan, Corbally, Collins, Colagiovanni and others caused to be used, on numerous occasions, the U.S. Postal Service, private or commercial interstate carriers, and interstate wires and telephone lines, in violation of the federal mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343, including but not limited to the following:

- (a) mailing and wiring to insurance regulators and others false and fraudulent statements in Annual Statements and other financial statements regarding the assets and investments of the Insurance Companies (except OSL);
- (b) mailing and wiring to insurance regulators and others false and fraudulent statements in Form A applications and Form D statements, including but not limited to false statements signed by Colagiovanni and Collins relating to the source and amount of funding for St. Francis;
- (c) transferring by wire or causing to be so transferred funds and other assets of the Insurance Companies directly and indirectly to banks or other financial accounts within and outside the United States maintained and controlled by, or held in the names of, Frankel, his aliases, or entities owned and controlled by him. In addition to the Vatican-related wire transfers identified previously, and by way of example only, such transfers include the following illegal wire transfers of funds from accounts held by the Insurance Companies. Virtually all of these amounts were further transferred by wire to Frankel's accounts at Banque SCS Alliance:

<u>Date</u>	<u>Amount of Wire Transfer</u>	<u>Originating Account</u>	<u>Receiving Account</u>
11/8/91	\$17,900,000	FAL acct #10212490 at Bear Stearns	Chemical Bank acct #323039502
11/12/91	\$ 260,000	FAL acct #10212490 at Bear Stearns	Chemical Bank acct #323039502
4/8/94	\$ 2,850,000	FRL acct #1001172664 at First American	Dreyfus NY acct #1233342052143
4/20/94	\$ 5,200,000	FRL acct #1001172664 at First American	Dreyfus NY acct #1233342052143
11/8/94	\$ 4,300,000	FAL acct #1000143490 at First American	Dreyfus NY acct #7190791361199
1/30/95	\$ 1,888,000	IFS acct #1001172693 at First American	Dreyfus NY acct #7190791361199
6/22/95	\$ 4,560,000	FPL acct #1001172431 at First American	Dreyfus NY acct #2640791367121
8/2/95	\$ 2,360,000	FPL acct #1001172431 at First American	Dreyfus NY acct #2640791367121
10/19/95	\$ 600,000	FGL acct #1000858235 at First American	Dreyfus NY acct #2640791367121
3/7/96	\$ 2,000,000	IFS acct #1001172693 at First American	Dreyfus NY acct #2640791367121
6/25/96	\$ 550,000	FGL acct #1000858235 at First American	Dreyfus NY acct #2640791367121
8/12/96	\$ 350,000	FAL acct #1000143490 at First American	Dreyfus NY acct #2640791367121
12/27/96	\$ 900,000	FPL acct #1001172431 at First American	Dreyfus NY acct #2640791367121
8/5/97	\$ 500,000	FAL acct #1000143490 at First American	Dreyfus NY acct #2640791367121

9/24/97	\$32,000,000	IFS acct #1001172693 at First American	Dreyfus NY acct #7190791402712
12/9/97	\$14,600,000	IFS acct #100057671 at First Tennessee	Dreyfus NY acct #7190791402712
3/23/98	\$ 400,000	FGL acct #100057692 at First Tennessee	Dreyfus NY acct #7190791402712
4/17/98	\$93,113,000	FNL acct #100057727 at First Tennessee	Dreyfus NY acct #7190791437270
4/21/98	\$ 2,000,000	FNL acct #100057727 at First Tennessee	Dreyfus NY acct #7190791437270
5/29/98	\$ 4,160,000	FNL acct #100057727 at First Tennessee	Dreyfus NY acct #7190791437270
7/10/98	\$ 1,000,000	FNL acct #100057727 at First Tennessee	Dreyfus NY acct #7190791437270
9/9/98	\$ 1,500,000	FNL acct #100057727 at First Tennessee	Dreyfus NY acct #7190791438427
11/6/98	\$ 7,287,504	1st National Bank of MD acct #89487248	FNL First Tennessee acct #100057727
1/13/99	\$69,000,000	FAL acct #100057708 at First Tennessee	Dreyfus NY acct #7190360111496
1/19/99	\$ 2,134,101	1st National Bank of MD acct #89487248	FNL First Tennessee acct #100057727
2/25/99	\$ 5,267,988	1st National Bank of MD acct #89487248	FNL First Tennessee acct #100057727
3/2/99	\$ 600,000	FGL acct #100057692 at First Tennessee	Dreyfus NY acct #7190360112270
3/22/99	\$ 400,000	FNL acct #100057727 at First Tennessee	Dreyfus NY acct #719079143270
4/6/99	\$ 5,280,000	OSL acct #100279796 at First Tennessee	Dreyfus NY acct #7190360115224
4/9/99	\$44,795,000	FNL acct #100057727	Dreyfus NY acct

- (d) mailing and wiring funds and other assets of the Insurance Companies from bank accounts within and outside the United States maintained and controlled by, or held in the names of, Frankel, his aliases, or entities owned and controlled by him. By way of example only, the following transfers include some of the transfers of funds from Swiss bank accounts which had been funded with assets looted from the Insurance Companies:

<u>Date</u>	<u>Originating Bank</u>	<u>Funds Transferred</u>
9/20/93	Banque SCS Alliance	\$ 15,000 for traveler's checks (through U.S. Postal Service)
10/7/93	Banque SCS Alliance	\$30,000 for traveler's checks (through U.S. Postal Service)
11/5/93	Banque SCS Alliance	\$ 15,000 for traveler's checks (through U.S. Postal Service)
4/19/94	Banque SCS Alliance	\$ 7027.50 (wire transfer to First American National Bank for acct of Atnip)
5/6/94	Banque SCS Alliance	\$7028 (wire transfer to First American National Bank for acct of Atnip)
8/8/95	Banque SCS Alliance	\$9550 (wire transfer to First American National Bank for acct of Atnip)
10/18/95	Banque SCS Alliance	\$15,721.50 (wire transfer to American Express for acct of Schuchter)
12/12/95	Banque SCS Alliance	\$18,393.68 (wire transfer to American Express for acct of Schuchter)

4/2/96	Banque SCS Alliance	\$42,050 (wire transfer to First American National Bank for acct of Jordan)
5/16/96	Banque SCS Alliance	\$66,733.89 (wire transfer to American Express for acct of Schuchter)
8/2/96	Banque SCS Alliance	\$9550 (wire transfer to First American National Bank for acct of Atnip)
11/18/96	Banque SCS Alliance	\$ 50,000 for traveler's checks (through U.S. Postal Service)
12/13/96	Banque SCS Alliance	\$14,050 (wire transfer to First American National Bank for acct of Jordan)
2/21/97	Banque SCS Alliance	\$68,962.23 (wire transfer to American Express for benefit of Schuchter, Timmins and Rosse)
4/8/97	Banque SCS Alliance	\$14,050 (wire transfer to First American National Bank for acct of Jordan)
8/15/97	Banque SCS Alliance	\$40,449.80 (wire transfer to American Express for benefit of Schuchter, Timmins and Rosse)
9/3/97	Banque SCS Alliance	\$9550 (wire transfer to First American National Bank for acct of Atnip)
12/17/97	Banque SCS Alliance	\$44,803.74 (wire transfer to American Express for benefit of Schuchter, Timmins and Rosse)
1/27/98	Banque SCS Alliance	\$ 50,000 for traveler's checks (through U.S. Postal Service)

3/4/98	Banque SCS Alliance	\$ 50,000 for traveler's checks (through U.S. Postal Service)
6/19/98	Banque SCS Alliance	\$119, 312.07 (wire transfer to American Express for benefit of Schuchter, Timmins, Rosse and Corbally)
6/25/98	Banque SCS Alliance	\$900,000 (wire transfer to Solbank SBD for acct of Endurance)
6/30/98	Banque SCS Alliance	\$ 20,975 (wire transfer to First Union National Bank of Charlotte, N.C. for acct of Stefan Radencovici ("Radencovici"))
7/13/98	Banque SCS Alliance	\$2,758,515 (wire transfer for purchase of 889 Lake Avenue, Greenwich, CT to Chase Manhattan Bank in New York, NY, acct of Robinson & Cole, L.L.P.)
8/5/98	Banque SCS Alliance	\$164,269.64 (wire transfer to American Express for benefit of Schuchter, Timmins, Rosse and Corbally)
8/17/98	Banque SCS Alliance	\$290,350.25 (wire transfer to American Express for benefit of Schuchter, Timmins, Rosse and Corbally)
12/30/98	Banque SCS Alliance	\$ 13,985 (wire transfer to First American for acct of Jordan)
1/20/99	Banque SCS Alliance	\$2,331,643 (wire transfer for purchase of 895 Lake Avenue, Greenwich, CT to Chase Manhattan Bank acct)

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2/4/99	Banque SCS Alliance	\$ 23,292 (wire transfer to First Union National Bank of Charlotte, NC for acct of Radencovici)
3/18/99	Banque SCS Alliance Mona Kim)	\$ 20,000 (wire transfer to Key Bank in Mount Kisco, NY for acct of
3/25/99	Banque SCS Alliance	\$ 36,882 (wire transfer to First Union National Bank in Charlotte, NC for acct of Radencovici)
3/25/99	Banque SCS Alliance	\$578,000 (wire transfer to Solbank SBD for account of Endurance)
3/31/99	Banque SCS Alliance	\$2,000,000 (wire transfer to Bank Leumi, Beverly Hills, California, for acct of Worldwide Diamonds)
4/1/99	Banque SCS Alliance	\$ 9,485 (wire transfer to First American for acct of Atnip)
4/1/99	Banque SCS Alliance	\$ 13,985 (wire transfer to First American for acct of Jordan)
4/1/99	Banque SCS Alliance	\$93,354.66 (wire transfer to Park Avenue Travel for the benefit of Corbally)
4/6/99	Banque SCS Alliance	\$16,000,000 (wire transfer to Farmers & Merchants Bank in California for acct of Monex for purchase of Vienna Philharmonic gold coins)
4/19/99	Banque SCS Alliance	\$ 10,000

		(wire transfer to Hudson Valley Bank in Yonkers, NY for acct of Highland)
4/26/99	Banque SCS Alliance	\$ 10,000 (wire transfer to Hudson Valley Bank in Yonkers, NY for acct of Highland)
5/3/99	Banque SCS Alliance	\$10,000,000 (wire transfer to Bank Leumi in Beverly Hills, CA for acct of World Wide Diamonds)

112. In furtherance or execution of the scheme to defraud, and in violation of the federal wire fraud statute, 18 U.S.C. § 1343, Frankel and others caused at least the following amounts to be transferred to or for the benefit of the following persons or entities in the form of wire transfers from an account controlled by Frankel at Banque SCS Alliance:

<u>Person or Entity</u>	<u>Number of Transactions</u>	<u>Amount of Funds Transferred</u>
American Service Corporation (ASC)	1	50,000,049.18
Gary Atnip	69	798,335.36
Thomas A. Bolan	3	175,156.89
Thomas Corbally	4	273,048.03
Don Orione Fathers	2	49,105.35
Endurance Investments, Ltd.	2	1,478,000.00
Alfredo Fausti	5	1,083,250.25
Fausto Fausti	7	1,641,203.21
Martin Frankel	14	392,985.92
Sonia Howe	42	254,846.49
Sonia Howe and Stefan Radencovici	33	561,486.52

<u>Person or Entity</u>	<u>Number of Transactions</u>	<u>Amount of Funds Transferred</u>
Father Peter Jacobs	16	245,421.09
John Jordan	38	561,934.71
Maloney Mehlman & Katz (for Martin and American Annuity)	5	853,691.96
Middleburg Investments, Ltd.	4	30,062.34
Monitor Ecclesiasticus Foundation	2	20,107.18
Jeffrey Moreau and Kaethe Schuchter	16	170,328.49
Rocco Nuzzaci	1	1,500,050.20
Thomas Quinn	2	3,750,103.81
David Rosse	40	512,897.02
Karen Timmins	38	283,403.80
Kaethe Schuchter	74	4,930,063.61
Thunor Trust	44	19,000,295.79

COUNT I

CLAIMS AGAINST COLLINS

Violations of 18 U.S.C. § 1962(c)

All Plaintiffs v. Collins

113. Plaintiffs reallege paragraphs 1 through 112 above as if set forth verbatim herein.

114. Collins was associated with Frankel and was a member of the Association. Through this association and membership, Collins was associated with the enterprises.

115. From time to time from May 1998 through April 1999, Collins knowingly conducted, participated in, controlled, manipulated, or directed the enterprises' affairs through a pattern of

racketeering activity consisting of violations of the federal mail and wire fraud statutes, in violation of 18 U.S.C. § 1962(c).

116. Specifically, Collins implemented the scheme to defraud by agreeing to serve as a “front” for Frankel’s acquisition of CLICO, and by misrepresenting, and allowing Frankel and others associated with the enterprises to misrepresent, that Collins was the source of the funds to be used in the acquisition of CLICO. Collins also misrepresented, and allowed Frankel and other persons associated with the enterprises to misrepresent, that Collins had control and authority over the management of ASC, when in fact ASC was a nominee of Frankel and Collins had no authority over ASC.

117. Collins also misrepresented, and permitted Frankel and other persons associated with the enterprises to misrepresent, that he was a Trustee of Lourdes Charitable Trust and of Cambridge Charitable Trust, with full control and authority over the management of these trusts, when, in fact, Frankel exercised sole control of the trusts at all times.

118. Collins further misrepresented, and allowed Frankel and other persons associated with the enterprises to misrepresent, that Collins had control and authority over the management of St. Francis, when in fact St. Francis was a nominee of Frankel, and Collins had no authority over St. Francis but was a Trustee in name only. Collins also misrepresented, and allowed others to misrepresent, that St. Francis received its funding from “Roman Catholic tribunals, charitable and cultural organizations,” to conceal from regulators and others the fact that Frankel was the true source of St. Francis’ funding.

119. Collins accepted substantial compensation, including approximately \$40,000 to \$50,000 in air travel benefits to him and his companions and other benefits resulting from the scheme to defraud.

120. Collins knew that the U.S. Postal Service, private or commercial interstate carriers, and interstate wires and telephone lines would be used in furtherance of Frankel's scheme to defraud, in violation of the federal mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343.

121. The uses of the mails and wires in furtherance of the scheme to defraud amounted to continuing criminal activity and thus constituted a pattern of racketeering activity pursuant to 18 U.S.C. § 1961(1)(b)(5), in violation of 18 U.S.C. § 1962(c).

122. The uses of the mails and wires in furtherance of the scheme to defraud was the regular way of conducting the ongoing business activities of Collins, and would have continued indefinitely, had insurance regulators not taken control of the Insurance Companies.

123. As a direct result of the scheme to defraud, the use of the mails and wires in furtherance thereof, and by reason of the operation of the enterprises through the above-described pattern of racketeering activity, the Insurance Companies were injured in their business and property in an amount not yet determined, but believed to be in excess of \$200,000,000.

Violations of 18 U.S.C. § 1962(d)

All Plaintiffs v. Collins

124. Plaintiffs reallege paragraphs 1 through 123 above as if set forth verbatim herein.

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

126. Specifically, Collins knew Frankel sought to acquire and gain control of insurance companies while concealing from insurance regulators and others his involvement in and control of the acquisitions.

127. Collins agreed to facilitate Frankel's scheme to defraud, and did facilitate Frankel's scheme to defraud, by his conduct as alleged above.

128. By this conduct, Collins agreed to participate in the affairs of the enterprises through a pattern of racketeering activity.

129. As a result, the Insurance Companies were injured in their business and property by reason of the violation of 18 U.S.C. § 1962(d) in an amount not yet determined, but believed to be in excess of \$200,000,000.

Civil Conspiracy

All Plaintiffs v. Collins

130. Plaintiffs reallege paragraphs 1 through 129 above as if set forth verbatim herein.

131. By his conduct alleged above, Collins conspired with Frankel to acquire, gain and maintain control of insurance companies by unlawfully concealing Frankel's involvement in and control over the companies.

132. As a direct and proximate result of the actions taken in furtherance of this conspiracy, the Insurance Companies were damaged in an amount not yet determined, but believed to be in excess of \$200,000,000.

Aiding and Abetting Fraud

All Plaintiffs v. Collins

133. Plaintiffs reallege paragraphs 1 through 132 above as if set forth verbatim herein.

134. Collins assisted Frankel in his scheme to defraud by agreeing to serve as a "front" and by making false statements to conceal Frankel's control over and involvement in the proposed acquisition of insurance companies.

135. At the time Collins assisted Frankel, he knew that Frankel sought to acquire and gain control of insurance companies while concealing from insurance regulators and others his involvement in and control of the companies. In addition, he knew that misrepresentations had been made concerning the source and amount of funds available to ASC and St. Francis for insurance company acquisitions.

136. As a direct result of Frankel's scheme to defraud, the Insurance Companies were damaged in an amount not yet determined, but believed to be in excess of \$200,000,000.

COUNT II

CLAIMS AGAINST COLAGIOVANNI, MEF AND THE VATICAN

Violations of 18 U.S.C. § 1962(c)

All Plaintiffs v. Colagiovanni, MEF and the Vatican

137. Plaintiffs reallege paragraphs 1 through 112 above as if set forth verbatim herein.

138. In 1998 and 1999, Colagiovanni was associated with Frankel and was a member of the Association. Through this association and membership, Colagiovanni was associated with the enterprises. Colagiovanni knew that MEF had never contributed funds to St. Francis, that the purported trustees of St. Francis did not control St. Francis, and that Frankel did. Colagiovanni knew that representations that MEF or the Vatican were the source of St. Francis' funding were false.

139. MEF was associated with the enterprises through the actions of its agent Colagiovanni. MEF knew, through its agent Colagiovanni, that the Vatican did not contribute funds to MEF for St. Francis, that MEF had never contributed funds to St. Francis, that the purported trustees of St. Francis did not control St. Francis, and that Frankel did.

140. The Vatican was associated with the enterprises through the actions of its agent Colagiovanni. At all times relevant to this Complaint, Colagiovanni acted as the agent of the Vatican. Through its agent Colagiovanni and other agents, the Vatican knew that funds represented as being held by St. Francis and contributed to St. Francis by MEF, were not held by St. Francis and had not been contributed to MEF. It knew, through its agent Colagiovanni, that funds allegedly contributed to MEF by the Vatican or Vatican-related entities for further contribution to St. Francis had not been contributed. It knew, through Colagiovanni, that Frankel was to be the source of any funds allegedly contributed to either foundation. It knew, through Colagiovanni, that Frankel controlled St. Francis, even though Jacobs, Bolan and Collins were listed as members of the Board of Trustees. Colagiovanni's position within the Vatican was an essential element of the scheme because it gave a patina of legitimacy to St. Francis, and Colagiovanni used his position in furtherance of the scheme. High-ranking officials at the Vatican authorized or ratified the plan whereby MEF would be used as a conduit for the flow of Frankel's money to St. Francis to purchase U.S. insurance companies, while St. Francis claimed a "Vatican tie."

141. Colagiovanni had actual authority to act as the Vatican's agent in connection with Frankel's scheme by virtue of his position as a member of the *Curia*, as a prelate auditor *emeritus*, and as a consultant to two Vatican Congregations. Further, high-ranking officials with the power to bind the Vatican in financial matters were aware of, did not object to, and explicitly or tacitly approved Frankel's plan and Colagiovanni's and MEF's role in the plan in advance of its implementation, including that part of the plan that would require representations to be made that Frankel's foundation had Vatican connections. Colagiovanni consulted with high-ranking Vatican officials about the plan, and obtained their approval. Because of the involvement of these high-ranking officials, Colagiovanni had the Vatican's actual authority to assist Frankel in his scheme,

and Colagiovanni's representations about the Vatican connection and funding were made within the scope of that authority. As Colagiovanni's principal, the Vatican is responsible Colagiovanni's acts committed within the scope of his agency.

142. In addition, Colagiovanni had apparent authority to bind the Vatican by virtue of his positions within the Vatican. He had access to private areas of the Vatican and brought insurance company executives there to convince them of the Vatican's involvement in the MEF/St. Francis plan. He used Vatican faxes, letterhead and telephone lines, including the letterhead of the *Rota* and the fax cover sheet of "Vatican City," to participate in the plan. He was able to secure for lay people audiences with Vatican officials, in their offices on Vatican sovereign territory, and was able to have members of the *Curia* pose for pictures with visiting insurance company executives. While in Mississippi, Colagiovanni wore clerical clothing and a purported Papal ring, and expressly held himself out to Mississippi regulators as an emissary of the Vatican.

143. The Vatican manifested this authority to third parties by allowing Colagiovanni to use the Vatican's office buildings to meet with third parties, by participating in these meetings, by allowing Colagiovanni to use its fax and telephone lines to contact third persons, and by allowing Colagiovanni to use its letterhead to communicate with third persons. The Vatican also manifested its approval of Colagiovanni's and MEF's role in the scheme by its silence when questioned about them, which connoted approval under the circumstances.

144. Colagiovanni's actions were also ratified by the Vatican. High-ranking Vatican officials – including Re and Cacciavillan – knew of, and failed to repudiate, certain of Colagiovanni's misrepresentations, when presented with the opportunity to do so. This refusal to repudiate or comment was in complete contrast to the Vatican's efforts to distance itself from Colagiovanni, MEF and St. Francis in June 1999, after the Frankel scandal drew the attention of the

international media. Both Re and Cacciavillan, among others, had the clear chance to end Colagiovanni's participation in the scheme and to prevent further misrepresentations about the claimed Vatican link. Neither took the steps to do so.

145. When presented with Sandifur's pointed inquiries about MEF's and St. Francis' funding clearly premised on misrepresentations, Re did not deny that the Vatican had given \$190 million to MEF for St. Francis, a fact which Re knew was false, nor did he act to correct or even address several of the other issues presented in the Sandifur letter. His silence gave the impression that St. Francis' misrepresentations about its funding were correct and enabled the scheme to continue.

146. When Cacciavillan was presented with evidence of Colagiovanni's involvement in Frankel's plan, including the claims that the Vatican had given \$190 million to MEF, instead of repudiating the claims to the target of the misrepresentations and directing Colagiovanni to cease making such claims as an agent of the Vatican, Cacciavillan agreed to forward to Colagiovanni or someone else more familiar with the scheme any future inquiries about MEF, St. Francis or about the Vatican's connection to either, thereby enabling the plan to continue.

147. At all times relevant to this complaint, the activities of the Vatican and its agents were wholly commercial and secular. Its actions were not uniquely sovereign in nature, nor were they of a religious character. Its actions and motivations, and those of its agents, were of the same type as any private commercial entity interested in investing in U.S. insurance companies for profit.

148. In 1998 and 1999, Colagiovanni, MEF and the Vatican knowingly conducted, participated in, controlled, manipulated, or directed the enterprises' affairs through a pattern of racketeering activity consisting of violations of the federal mail and wire fraud statutes, in violation of 18 U.S.C. § 1962(c).

149. Specifically, Colagiovanni, MEF and the Vatican implemented Frankel's scheme to defraud by assisting Frankel in the establishment of St. Francis for the purpose of acquiring insurance companies while concealing the true source of St. Francis' funding, and concealing Frankel's control of and involvement in St. Francis, and by causing false statements to be made to insurance regulators and others to conceal St. Francis' true source of funding and Frankel's control and involvement in the proposed acquisition of those insurance companies, and to conceal and maintain Frankel's control of the Insurance Companies and their assets.

150. Colagiovanni, MEF, and the Vatican knew that the U. S. Postal Service, private or commercial interstate carriers, and interstate wires and telephone lines would be used in furtherance of Frankel's scheme to defraud, in violation of the federal mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343.

151. The use of the mails and wires in furtherance of the scheme to defraud amounted to continuing criminal activity and thus constituted a pattern of racketeering activity pursuant to 18 U.S.C. § 1961(1)(b)(5), in violation of 18 U.S.C. § 1962(c).

152. The use of the mails and wires in furtherance of the scheme to defraud was the regular way of conducting the ongoing business activities of Colagiovanni, MEF and the Vatican and would have continued indefinitely had the insurance regulators not taken control of the Insurance Companies.

153. As a direct result of the scheme to defraud, the use of the mails and wires in furtherance thereof, and by reason of the operation of the enterprises through a pattern of racketeering activity, the Insurance Companies were injured in their business and property in an amount not yet determined, but believed to be in excess of \$200,000,000.

Violations of 18 U.S.C. § 1962(d)

All Plaintiffs v. Colagiovanni, MEF and the Vatican

154. Plaintiffs reallege paragraphs 1 through 112 and 137 through 153 above as if set forth verbatim herein.

155. Beginning in 1998, Colagiovanni, MEF, acting through its agent Colagiovanni, and the Vatican, acting through its agent Colagiovanni, conspired to participate in the enterprises' affairs through a pattern of racketeering activity consisting of multiple acts of mail and wire fraud in violation of 18 U.S.C. § 1341 and 18 U.S.C. § 1343.

156. Specifically, Colagiovanni, MEF acting through Colagiovanni, and the Vatican acting through Colagiovanni and other agents knew: that Frankel sought to acquire and gain control of U.S. insurance companies while concealing from insurance regulators and others his involvement in and control of the companies and the true source of funding for the acquisitions; that Frankel intended to use MEF, St. Francis and the Vatican itself to conceal his involvement in and control of the Insurance Companies and to enable the acquisition of additional insurance companies; and that the source and amount of funds available to St. Francis for insurance company acquisitions was being misrepresented to insurance regulators and others.

157. Colagiovanni, MEF, acting through its agent Colagiovanni, and the Vatican, acting through its agent Colagiovanni, agreed to facilitate Frankel's scheme to defraud, and did facilitate Frankel's scheme to defraud, by causing false statements to be made to insurance regulators and others about St. Francis' funding and its controlling person.

158. By this conduct, Colagiovanni, MEF, and the Vatican agreed to participate in the affairs of the enterprises through a pattern of racketeering activity.

159. The Insurance Companies were injured in their business and property by reason of the violation of 18 U.S.C. § 1962(d) and suffered damages in an amount not yet determined, but believed to be in excess of \$200,000,000.

Common Law Fraud

All Plaintiffs v. Colagiovanni, MEF and the Vatican

160. Plaintiffs reallege paragraphs 1 through 112 and 137 through 159 above as if set forth verbatim herein.

161. Colagiovanni, as an agent of the Vatican and MEF, implemented Frankel's scheme to defraud by knowingly assisting or making misrepresentations, and concealing material information, about the nature of St. Francis and MEF, about the source of funding for both MEF and St. Francis, and about the amount of funds available to MEF and St. Francis. Colagiovanni, as an agent of the Vatican and MEF, also fraudulently concealed from others the true role of Frankel as the controlling person and the source of funds for St. Francis.

162. At the time of these misrepresentations and omissions, Colagiovanni, as an agent of the Vatican and MEF, knew that such misrepresentations were false, and that material information was being concealed from insurance regulators, insurance company acquisition targets and others, and that the concealment of such information left a false impression with such persons as to St. Francis' control and funding. Colagiovanni, as an agent of the Vatican and MEF, knew that insurance regulators, insurance company acquisition targets and others would reasonably rely, and such persons did reasonably rely, on the misrepresentations and omissions.

163. As a direct and proximate result of these misrepresentations and omissions, the Insurance Companies were damaged in an amount not yet determined but believed to be in excess of \$200,000,000.

Civil Conspiracy

All Plaintiffs v. Colagiovanni, MEF and the Vatican

164. Plaintiffs reallege paragraphs 1 through 112 and 137 through 163 above as if set forth verbatim herein.

165. By the conduct alleged in detail above, Colagiovanni, as an agent of the Vatican and MEF, conspired with Frankel to acquire and gain control of insurance companies by unlawfully concealing Frankel's control over, funding and involvement in the proposed acquisitions.

166. As a direct and proximate result of the actions taken in furtherance of this conspiracy, the Insurance Companies were damaged in an amount not yet determined but believed to be in excess of \$200,000,000.

Aiding and Abetting Fraud

All Plaintiffs v. Colagiovanni, MEF and the Vatican

167. Plaintiffs reallege paragraphs 1 through 112 and 137 through 166 above as if set forth verbatim herein.

168. Colagiovanni, as an agent of the Vatican and MEF, assisted Frankel in his scheme to defraud by causing false statements and omissions to be made to insurance regulators and others to conceal Frankel's control over, funding and involvement in the proposed acquisition of insurance companies.

169. At the time Colagiovanni, as an agent of the Vatican and MEF, assisted Frankel, he knew that Frankel sought to acquire and gain control of insurance companies while concealing from insurance regulators and others his involvement in and control of the companies. In addition, he knew that misrepresentations and omissions had been made to insurance regulators and others

concerning the source and amount of funds available to St. Francis for insurance company acquisitions.

170. As a direct result of Frankel's scheme to defraud, the Insurance Companies were damaged in an amount not yet determined, but believed to be in excess of \$200,000,000.

COUNT III

CLAIMS AGAINST CORBALLY AND ENDURANCE

Violations of 18 U.S.C. § 1962(c)

All Plaintiffs v. Corbally

171. Plaintiffs reallege paragraphs 1 through 112 above as if set forth verbatim herein.

172. Corbally was associated with Frankel and was a member of the Association. Through this association and membership, Corbally was associated with the enterprises. At all times, Corbally knew Frankel sought to acquire and gain control of insurance companies while concealing from insurance regulators and others his involvement in and control of the proposed acquiring entities.

173. From time to time from 1998 through May 1999, Corbally knowingly conducted, participated in, controlled, manipulated, or directed the enterprises' affairs through a pattern of racketeering activity consisting of violations of the federal mail and wire fraud statutes, in violation of 18 U.S.C. § 1962(c).

174. Specifically, Corbally implemented Frankel's scheme by introducing Frankel to high-profile people who were willing to serve as "fronts" for Frankel's acquisitions or who were willing to lend their names in an attempt to give credibility to Frankel's operation, and by actively participating in Frankel's attempts to recruit additional people into his scheme, thereby ensuring the

continuation and expansion of the scheme. In addition, Corbally assisted Frankel in his flight from the United States by facilitating Frankel's acquisition of false passports.

175. In exchange for his participation in the scheme, Corbally accepted substantial compensation, including more than \$100,000 in air travel benefits. He accepted the use of an American Express Platinum Card on which he charged more than \$250,000 in three months. The air travel and the American Express account were paid with looted funds of the Insurance Companies, wired from Frankel's Swiss bank account.

176. Through Endurance, Corbally accepted cash payments of nearly \$1.5 million, wired directly to Endurance's account from Frankel's Swiss bank account, and consisting entirely of looted funds of the Insurance Companies.

177. Corbally knew that the U.S. Postal Service, private or commercial interstate carriers, and interstate wires and telephone lines would be used in furtherance of Frankel's scheme to defraud, in violation of the federal mail and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343.

178. The uses of the mails and wires in furtherance of the scheme to defraud amounted to continuing criminal activity and thus constituted a pattern of racketeering activity pursuant to 18 U.S.C. § 1961(1)(b)(5), in violation of 18 U.S.C. § 1962(c).

179. The uses of the mails and wires in furtherance of the scheme to defraud was the regular way of conducting the ongoing business activities of Corbally, and would have continued indefinitely, had insurance regulators not taken control of the Insurance Companies.

180. As a direct result of the scheme to defraud, the use of the mails and wires in furtherance thereof, and by reason of the operation of the enterprises through the above-described

pattern of racketeering activity, the Insurance Companies were injured in their business and property in an amount not yet determined, but believed to be in excess of \$200,000,000.

Violations of 18 U.S.C. § 1962(d)

All Plaintiffs v. Corbally and Endurance

181. Plaintiffs reallege paragraphs 1 through 112 and 171 through 180 above as if set forth verbatim herein.

182. Beginning in 1998, Corbally and Endurance conspired to participate in the enterprises' affairs through a pattern of racketeering activity, namely multiple acts of mail and wire fraud in violation of 18 U.S.C. § 1341 and 18 U.S.C. § 1343, in violation of 18 U.S.C. § 1962(c), all in violation of 18 U.S.C. § 1962(d).

183. Specifically, Corbally knew Frankel sought to acquire and gain control of insurance companies while concealing from insurance regulators and others his involvement in and control of the acquisitions. Corbally agreed to introduce to Frankel people able to assist with Frankel's scheme for expansion, by helping Frankel meet high-profile people who were willing either to serve as "fronts" for Frankel's acquisitions or to lend their names and thereby attempt to give credibility to Frankel's operation, and by actively participating in Frankel's attempts to recruit additional persons into his scheme. Corbally used Endurance as the vehicle through which he received payment to disguise his role in the conspiracy.

184. Corbally and Endurance agreed to facilitate Frankel's scheme to defraud, and did facilitate Frankel's scheme to defraud, by the conduct alleged above.

185. By this conduct, Corbally and Endurance agreed to participate in the affairs of the enterprises through a pattern of racketeering activity.

186. As a result, the Insurance Companies were injured in their business and property by reason of the violation of 18 U.S.C. § 1962(d) in an amount not yet determined, but believed to be in excess of \$200,000,000.

Civil Conspiracy

All Plaintiffs v. Corbally and Endurance

187. Plaintiffs reallege paragraphs 1 through 112 and 171 through 186 above as if set forth verbatim herein.

188. By their conduct alleged above, Corbally and Endurance conspired with Frankel to acquire, gain and maintain control of insurance companies by unlawfully concealing Frankel's involvement in and control over the companies.

189. As a direct and proximate result of the actions taken in furtherance of this conspiracy, the Insurance Companies were damaged in an amount not yet determined, but believed to be in excess of \$200,000,000.

Aiding and Abetting Fraud

All Plaintiffs v. Corbally and Endurance

190. Plaintiffs reallege paragraphs 1 through 112 and 171 through 189 above as if set forth verbatim herein.

191. Corbally assisted Frankel in his scheme to defraud by helping Frankel conceal his control over and involvement in the proposed acquisition of insurance companies. Corbally introduced Frankel to people able to assist with Frankel's scheme for expansion, by helping Frankel meet high-profile people who were willing to serve as a "front" for Frankel's acquisitions or who were willing to lend their names and thereby attempt to give legitimacy to Frankel's operation, by

actively participating in Frankel's attempts to recruit additional persons into his scheme, and by assisting Frankel's flight from the United States with assets of the Insurance Companies, to escape arrest.

192. At the time Corbally assisted Frankel, he knew that Frankel sought to acquire and gain control of insurance companies while concealing from insurance regulators and others his involvement in the control of the companies. Corbally used Endurance as the vehicle through which he received payment to disguise his role in the scheme.

193. As a direct result of Frankel's scheme to defraud, the Insurance Companies were damaged in an amount not yet determined, but believed to be in excess of \$200,000,000.

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

(A) a trial by jury of appropriate number;

(B) with regard to all claims arising under the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §§ 1962(c) and (d), Plaintiffs pray for compensatory damages in an amount to be proven at trial, that the amount of said damages be trebled, prejudgment interest, attorneys' fees, costs, and such other relief as is just and proper, all pursuant to 18 U.S.C. § 1964(c);

(C) with regard to all claims of common law fraud, Plaintiffs pray for compensatory damages in an amount to be proven at trial, prejudgment interest, punitive damages, costs, and such other relief as is just and proper;

(D) with regard to all claims of civil conspiracy, Plaintiffs pray for compensatory damages in an amount to be proven at trial, prejudgment interest, punitive damages, costs, and such other relief as is just and proper;

(E) with regard to all claims of aiding and abetting fraud, Plaintiffs pray for compensatory damages in an amount to be proven at trial, prejudgment interest, punitive damages, costs, and such other relief as is just and proper.

Dated: May 9, 2002

Respectfully submitted,

GEORGE DALE, Commissioner of Insurance for the State of Mississippi, in his official capacity as Receiver of **FRANKLIN PROTECTIVE LIFE INSURANCE COMPANY**

GEORGE DALE, Commissioner of Insurance for the State of Mississippi, in his official capacity as Receiver of **FAMILY GUARANTY LIFE INSURANCE COMPANY**

GEORGE DALE, Commissioner of Insurance for the State of Mississippi, in his official capacity as Receiver of **FIRST NATIONAL LIFE INSURANCE COMPANY OF AMERICA**

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