

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
WILLIAM H. TARROLLY,

PETITION FOR ORDER

Respondent,

File No. S-04054(EX)

The staff of the State of Wisconsin, Department of Financial Institutions, Bureau of Registration & Enforcement has conducted an investigation in this matter pursuant to § 551.56, Wis. Stats., and as a result thereof alleges as follows:

1. William H. Tarrolly ("Tarrolly") is an individual with a date of birth of June 20, 1943, has a CRD number of 442715, with a last known business address at 1001 W. Glen Oaks Lane, Suite 106, Mequon, Wisconsin 53092 and last known home address of 10016 Vintage Drive, Mequon, 53092;
2. Foundation Benefit Planning, LLC-II, is a business entity a last known address at 1001 W. Glen Oaks Lane, Suite 106, Mequon, Wisconsin 53092,
3. Upon information and belief, at all times material hereto, Tarrolly has been an owner, officer and/or the controlling person of Foundation Benefit Planning , LLC-II;
4. Tarrolly was licensed by the Wisconsin Division of Securities as a securities agent from March 1996 to March 1999, and by the Wisconsin Office of the Commissioner of Insurance as an insurance agent from January 1, 1982, to the present;
5. Upon information and belief, during the period of at least 1995 to 2003, Tarrolly offered and sold to at least 14 persons in Wisconsin oral and written evidences of indebtedness in the aggregate amount of at least \$900,000, in which Tarrolly promised to pay a certain amount of interest, and to repay the principal by a certain date;
6. The oral and written evidences of indebtedness as described in Paragraph 5 above are securities as defined by sec. 551.02(13(a), Wis. Stats., and have never been registered under Ch. 551, Wis. Stats., for their offer and sale in Wisconsin;
7. According to statements of Tarrolly to staff of the Wisconsin Division of Securities, during the offers and sales to some of the investors, Tarrolly failed to inform at least five of the investors, referred to in Paragraph 5 above, that Tarrolly had defaulted on repayment of loans to other investors and that those investors had filed lawsuits and gotten judgments against Tarrrolly;
8. By engaging in the conduct as described in Paragraphs 5, 6, and 7 above, Tarrolly, in connection with the offers and sales of securities to at least five persons in Wisconsin, omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of sec. 551.41(2), Wis. Stats.;
9. Upon information and belief, during the offers and sales to at least three of the persons in Wisconsin who loaned money to Tarrolly, described in Paragraph 5 above, Tarrolly represented

that Tarrowly had assigned benefits of insurance policies to those person as collateral for their loans;

10. Upon information and belief, Tarrowly did not provide to those three persons, referred to in Paragraph 5 above, an assignment of a life insurance policy, as described in Paragraph 9 above, and no such insurance policies exist;

11. By engaging in the conduct as described in Paragraphs 9 and 10 above, Tarrowly, in connection with the offer and sale of securities to persons in Wisconsin as set forth above, made a misstatement of a material fact in violation of § 551.41(2), Wis. Stats.;

12. Upon information and belief, during the offers and sales to at least three of the persons in Wisconsin who loaned money to Tarrowly, described in Paragraph 5 above, Tarrowly represented that Tarrowly has a business relationship with The Baltimore Life Companies to market a life insurance product for hospital employees through Tarrowly's insurance agency;

13. Upon information and belief, during the time of the offers and sales of the securities to the three persons, referred to in Paragraphs 5 and 12 above, Tarrowly had no business relationship with The Baltimore Life Companies;

14. By engaging in the conduct as described above, Tarrowly, in connection with the offer and sale of securities to persons in Wisconsin as set forth in Paragraphs 12 and 13 above, made a misstatement of a material fact in violation of § 551.41(2), Wis. Stats.;

15. Upon information and belief, during the offers and sales to at least three of the persons in Wisconsin who loaned money to Tarrowly, described in Paragraph 5 above, Tarrowly represented that Tarrowly would be selling at least part of his insurance agency to National Financial Partners in 2003 or 2004 and that those persons who loaned money to Tarrowly had a stock option to exchange the debt of Tarrowly for stock of National Financial Partners, after it purchased the insurance agency of Tarrowly;

16. Upon information and belief, during the time of the offers and sales of the securities to the three persons, referred to in Paragraphs 5 and 15 above, Tarrowly had no commitment or agreement with National Financial Partners for National Financial Partners to purchase any part of Tarrowly's insurance agency;

17. By engaging in the conduct as described above, Tarrowly, in connection with the offer and sale of securities to persons in Wisconsin as set forth in Paragraphs 15 and 16 above, made a misstatement of a material fact in violation of § 551.41(2), Wis. Stats.;

18. According to statements of Tarrowly to staff of the Wisconsin Division of Securities, Tarrowly has not repaid to some of the persons in Wisconsin, referred to in Paragraph 5 above, the principal and/or interest for the oral and written evidences of indebtedness, despite the due date having passed;

19. According to records obtained from the Ozaukee County Clerk of Courts, some persons, referred to in Paragraph 5 above, obtained judgments against Tarrowly including an order for judgment against Tarrowly and his wife entered on December 30, 1998, in the Circuit Court of Ozaukee County, in Case No. 98CV328; an order for judgment against Tarrowly and his wife entered on May 7, 2002, in the Circuit Court of Ozaukee County, in Case No. 2002CV00038; an order for judgment against Tarrowly entered on June 2, 2001, in the Circuit Court of Ozaukee County, in Case No. 2000CV334; an order for judgment against Tarrowly and his wife on January 30, 2003, in the Circuit Court of Ozaukee County, in Case No. 2002CV175,

20. According to records of the CRD, the National Association of Securities Dealers sanctioned Tarrolly in 2001 for violating certain rules when it determined that Tarrolly “ participated, for compensation, in private securities transactions by participating in the sale of a security in the form of a promissory note issued to a public customer and failed to give written notice of his intention to engage in such activity to his member firm, and failed to receive written approval from the firm prior to engaging in such activity; and negligently misrepresented that the promissory note was fully guaranteed, when in fact, the note was subject to risk of repayment”;

21. According to records of the State of Wisconsin Office of the Commissioner of Insurance, Tarrolly’s insurance agent license was suspended in 2000, based on the allegation of Tarrolly’s “borrowing \$25,000 of life insurance proceeds from the widow of a customer by issuing her a ‘Private CD/Bond’ and neglected to file with the insurance company the assignments of life insurance policies that were to secure the loan”; and

22. Despite a written request of the staff of the Bureau of Registration & Enforcement to Tarrolly for information and documents about his securities-related activities with persons in Wisconsin, Tarrolly has not provided information and documents about those persons who have invested with him.

Therefore, the staff of the Bureau of Registration & Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

Mark Dorman 9-9-04

Mark E. Dorman Date
Examiner

David A. Cohen 9/9/04

David A. Cohen Date
Supervising Attorney