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U.S. DISTRICT COURT
DISTRICT OF MASS.

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,**	**JURY TRIAL DEMANDED**
v.	Case No. 06 CA 10657 RCL
THOM A. FARIA, **STEPHEN J. MCLAUGHLIN and** **WILLIAM M. STICKNEY** **Defendants.**	

COMPLAINT

Plaintiff Securities and Exchange Commission ("SEC" or "Commission"), for its complaint against defendants Thom A. Faria ("Faria"), Stephen J. McLaughlin ("McLaughlin") and William M. Stickney ("Stickney"), alleges the following and, pursuant to Federal Rule of Civil Procedure 38(b), hereby demands a trial by jury of any issue triable of right by a jury:

SUMMARY

1. Beginning in at least October 1998 and continuing through August 2003, defendants Faria, McLaughlin and Stickney, all senior officers and employees of New England Life Insurance Company, a Boston-based distributor of insurance and other financial services products that uses New England Financial ("NEF") as its service mark and trade name and which is a subsidiary of Metropolitan Life Insurance Company, which in turn is a subsidiary of MetLife, Inc. ("MetLife"), engaged in a fraudulent scheme to misrepresent and conceal NEF expenses resulting in the reporting of multiple materially false financial statements, as well as

other public statements, by both MetLife and NEF. The scheme involved the improper reclassification of NEF non-commission expenses as insurance commissions in an effort to hide those expenses making NEF appear more efficient, productive and profitable than it actually was.

2. Beginning in at least October 1998 and continuing virtually every month through June 2003, Stickney improperly reclassified a portion of non-commission payments made by NEF to certain NEF insurance agencies and agents into NEF commission accounts. Faria, the top day-to-day executive at NEF with profit and loss and expense management responsibilities for the NEF distribution channel, and McLaughlin, a senior vice president at NEF who reported to Faria and was responsible for tracking NEF expense budgets, both were aware of, authorized and approved this practice of false accounting entries. The amount reclassified consistently approximated the amount by which NEF had exceeded certain expense budgets MetLife had approved for NEF, thereby a) artificially allowing NEF to meet its budgets, and b) correspondingly make NEF appear more efficient, productive and profitable than it actually was. On more than one occasion, McLaughlin and Stickney actively sought to hide from MetLife personnel both the reclassifications themselves as well as the fact that the reclassifications were a contrived means by which NEF met its budgets. The scheme resulted in the improper reclassification of over $100 million in non-commission expenses to commission expense accounts from October 1998 through June 30, 2003. Because Generally Accepted Accounting Principles ("GAAP") required MetLife and NEF to capitalize a portion of commissions and amortize them over time, and because the non-commission expenses that were improperly reclassified did not qualify for such deferral and amortization, the reclassifications resulted in the improper deferral of expenses on MetLife and NEF financial statements, a direct result of which

was the publication of materially false overstatements in MetLife and NEF net income.

3. By engaging in the transactions and practices alleged in this complaint:

a.. Faria, McLaughlin and Stickney violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-5 and 13b2-1 thereunder [15 U.S.C. §§ 78j(b) and 78m(b)(5) and 17 C.F.R. §§ 240.10b-5 and 240.13b2-1], and Section 34(b) of the Investment Company Act of 1940 ("Investment Company Act") [15 U.S.C. § 80a-33(b)], and aided and abetted violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B) and 17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13]; and

b. Faria aided and abetted violations of Section 10(b) of the Exchange Act and Rules 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5].

4. Unless enjoined, the defendants will continue to engage in acts, practices and courses of business as set forth in this complaint or in acts, practices and courses of business of similar object and purpose.

5. Accordingly, the Commission seeks: (i) entry of a permanent injunction prohibiting each Defendant from further violations of the relevant provisions of the federal securities laws; (ii) disgorgement of performance bonuses related to the performance of NEF as

ill-gotten gains from each of the defendants, plus prejudgment interest thereon; (iii) the imposition of a civil monetary penalty against each defendant; (iv) entry of an order barring each of defendants Faria and McLaughlin from serving as an officer or director of a public company; and (v) such other equitable relief as the Court deems just and appropriate.

JURISDICTION AND VENUE

6. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u and 78aa]. In addition, the acts and practices alleged herein occurred primarily within the District of Massachusetts.

7. The Commission brings this action pursuant to the authority conferred upon it by Sections 20(b) and (e) of the Securities Act [15 U.S.C. § 77t(b) and (e)] and Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§ 78u(d) and (e)].

8. In connection with the conduct alleged herein, the defendants, directly and indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, the facilities of national securities exchanges, and/or of the means and instruments of transportation or communication in interstate commerce.

DEFENDANTS

9. Faria, age 54, a resident of Needham, Massachusetts, was president of the NEF distribution channel from 1998 through August 2003. He routinely was referred to as the president of NEF. During much of the relevant period, Faria reported either to the president of MetLife's Individual Business unit or to the president of MetLife's U.S. insurance and financial services division, both of whom reported to the Chairman and CEO of MetLife. Faria also was a

senior vice-president at MetLife from at least mid-2000 through August 2003. In September 2002, Faria became a member of the NEF board of directors.

10. McLaughlin, age 54, a resident of Plainville, Massachusetts, was a senior vice-president of NEF from at least 1998 through early August 2003. At all relevant times McLaughlin reported to Faria.

11. Stickney, age 51, a resident of Hopkinton, Massachusetts, was an assistant regional vice-president at NEF beginning in approximately 2001 through early August 2003. Prior to that Stickney was a senior financial consultant at NEF. At all relevant times, Stickney directly reported to McLaughlin with respect to the reclassification of non-commission expenses to commission accounts.

RELATED ENTITIES

12. NEF, a wholly owned subsidiary of Metropolitan Life Insurance Company located in Boston, Massachusetts whose legal name is New England Life Insurance Company, sells and distributes insurance and other financial service products, including variable life insurance policies. NEF was formed as of January 1, 1996 as a result of the merger of Metropolitan Life Insurance Company and the New England Mutual Life Insurance Company. NEF is the depositor of the New England Variable Life Separate Account, a variable life insurance separate account registered with the Commission as a unit investment trust. In connection with its role as depositor of the separate account, NEF filed its own audited financial statements with the Commission in 2000, 2001 and 2002.

13. MetLife is a Delaware corporation with its headquarters in New York, New York which, through subsidiaries and affiliates, sells a variety of insurance and other financial

service products to institutional and individual customers. MetLife was established in 1999 and became a publicly traded company in April 2000. MetLife stock is traded on the New York Stock Exchange and is registered with the Commission pursuant to Section 12(b) of the Exchange Act. Metropolitan Life Insurance Company is a wholly-owned subsidiary of MetLife.

FACTS

A. Background

14. NEF is one of the four individual business sales and distribution channels of Metropolitan Life Insurance Company. The consolidated financial statements of NEF are included in the publicly filed consolidated financial statements of its parent, MetLife, and are also filed separately with the Commission because it is the depositor for a separate account registered with the Commission as a unit investment trust.

15. NEF maintains a national network of agencies and agents that sell and distribute a variety of insurance and other financial service products to individual and institutional investors. There are primarily two types of NEF agencies: developmental general agencies and full formula agencies. Developmental general agencies are those which need and receive financial subsidies and assistance from NEF, whereas full formula agencies are generally financially self-sufficient.

16. NEF tracked its developmental general agency expenses in an account called the developmental general agency net cost account ("DGA Net Cost"). Those expenses generally took the form of direct subsidies paid by NEF to sustain such agencies financially. A separate account tracked NEF's agent financing expenses, which were similar to DGA Net Costs in that they were subsidies paid by NEF to agents (as opposed to agencies) who needed financial assistance.

17. Commissions are fees paid to agents and agencies upon the sale of insurance products. At NEF, commissions were categorized as "formula" expenses. Formula expenses were expenses that were automatically generated upon the sale of an insurance product. Because commission expenses were automatically incurred upon the sale of an insurance product, commissions were formula expenses. Generally Accepted Accounting Principles ("GAAP") require that Metlife and NEF capitalize a portion of commissions and amortize those expenses over time to coincide with the payment of premiums over the life of the insurance policies. Commissions that were so deferred and amortized were known as deferred acquisition costs, or DACs.

18. DGA Net Costs and agent financing expenses were neither commissions nor formula expenses. DGA Net Costs and agent financing expenses were, in effect, subsidies to agencies or agents in need of financial assistance, and GAAP required that they be expensed on financial statements as they were incurred; *i.e.*, that they not be deferred or amortized over time.

19. On an annual basis, MetLife approved a business plan budget submitted by NEF that included annual and monthly budgets for NEF DGA Net Costs and agent financing expenses. Faria was responsible for submitting the business plan budgets to MetLife's corporate offices for approval, and McLaughlin was responsible for tracking actual NEF expenses to the budgets. Taken together, DGA Net Costs and agent financing expenses made up a significant percentage (approximately thirty to forty percent) of the MetLife budgets for NEF distribution channel discretionary spending. Faria's short-term cash bonus was based in part on how well NEF performed vis-a-vis the budget targets set out in the annual business plan budgets.

20. Expense management and expense reduction, including the management and reduction of distribution channel expenses, was a priority at MetLife. On a regular basis, senior MetLife management compared NEF and other MetLife distribution channels' actual expenses to budgeted expenses as a means of tracking their performances. MetLife also regularly measured the effectiveness of its distribution channels' expense management by analyzing what it called the "expense gap." The expense gap was the difference between the expenses that had been priced into the insurance products that were being sold and the actual expenses that were being incurred.

21. Among his duties as president, Faria had responsibility for the profit and loss and expense management of the NEF distribution channel. Faria knew and understood that expense management and expense reduction at NEF and other MetLife distribution channels were important to senior MetLife management.

B. The Defendants Used Improper Reclassifications of DGA Net Costs to Hide Expenses Resulting in Improper Accounting Entries

22. Virtually every month from at least October 1998 through June 2003, Stickney improperly reclassified a portion of DGA Net Costs and agent financing expenses into NEF commission expense accounts. Faria and McLaughlin were aware of, authorized and approved this practice of false accounting entries. Neither DGA Net Costs nor agent financing expenses were commission expenses, and as such should not have been placed into commission accounts. The reclassification of these expenses to commissions violated GAAP.

23. During the relevant time period, NEF did not manage its DGA Net Cost or agent financing expenses to meet the budgets approved by MetLife, but instead to meet internal

NEF projections that most always – if not always – exceeded the MetLife budgets, often by millions of dollars. Unlike the budgets submitted by NEF and approved by MetLife, the internal NEF projections contained the actual estimates of DGA Net Costs or agent financing expenses that NEF predicted it would incur. Because it managed its business to meet the higher internal expense projections, NEF almost always spent much more in DGA Net Costs and agent financing expenses than had been allotted in the MetLife approved budget.

24. To make it appear as if NEF was staying within its MetLife budgets, on a monthly basis Stickney would compare NEF's actual DGA Net Costs and agent financing expenses with the monthly and annual amounts budgeted by MetLife. In the event that NEF spent more than it had been budgeted, which it did for virtually every month from October 1998 through June 2003, Stickney would submit a memorandum to NEF account processing personnel authorizing a manual journal entry to reclassify DGA Net Costs and agent financing expenses to NEF commission expense accounts. The amount of the reclassifications always approximated the amount by which actual DGA Net Costs or agent financing expenses exceeded the MetLife budgets. By reclassifying the overage of the DGA Net Costs and agent financing expenses to commission expense accounts, NEF artificially appeared as if it was within its MetLife DGA Net Cost and agent financing budgets when in fact it was not. Faria and McLaughlin were aware of, authorized and approved this practice.

25. In addition to artificially improving NEF's budget performance, the reclassifications also artificially improved the NEF expense gap. For a number of years, NEF consistently had one of the lowest, if not the lowest, expense gap of all the MetLife distribution channels, sometimes by a wide margin.

26. On numerous occasions in the 1990s, Faria discussed with McLaughlin and an NEF regional vice-president the strategy of reclassifying the overage of DGA Net Costs into certain formula expense accounts so as to stay within DGA Net Cost budgets. Faria and McLaughlin knew that a formula expense is an expense that is automatically generated upon the sale of an insurance product and that because commission expenses were automatically incurred upon the sale of an insurance product, commissions were formula expenses. DGA Net Cost and agent financing expense accounts were not formula expenses.

27. In late 2002, McLaughlin discussed with Faria the fact that DGA Net Costs were being allocated to NEF commission accounts and that DGA Net Cost expenditures were getting very high. McLaughlin requested the opportunity to discuss the matter with Faria in more detail. Although Faria responded that they would meet to talk about it in the beginning of 2003, no such meeting ever took place.

28. In both late 2002 and mid-2003, a former NEF senior vice-president who reported to Faria conveyed to Faria accounting concerns held by an NEF employee in charge of monitoring NEF expenses. The NEF employee in charge of monitoring expenses had told the NEF senior vice-president that his accounting concerns related to DGA Net Costs being reclassified as commission expenses. In response to the former NEF senior vice-president, Faria indicated that the accounting procedures had been in place since the early 1990's and also stated that he would change the accounting procedures if he was asked to do so. At no time did Faria seek to stop the practice of reclassifying DGA Net Costs or agent financing expenses to commissions in response to the accounting concerns raised by subordinates.

C. Faria's Extensive Experience and Broad Financial Responsibilities Positioned Him to Understand the Impact and Effect of the Reclassifications

29. Faria knew, or was extremely reckless in not knowing, that the reclassification of DGA Net Cost and agent financing expenses to commission expense accounts would have an impact on MetLife and NEF's reported financial results.

30. As president of the NEF distribution channel, Faria had significant duties relating to the financial performance of NEF, including duties specifically relating to its profitability and expense management. A summary of Faria's responsibilities as president of "NEF Distributors" stated Faria was "responsible for all distribution at New England Financial . . . with significant focus on a business unit approach with profit and loss responsibilities." A June 1999 officer position summary for Faria listed "[d]imensions of [the] [p]osition" as "[a]chieve revenue and expense plan objective" and "achieve business plan goals within $148M NEF expense allowables." That same document listed "[a]ssure profitability" and "[f]ormulate, implement and monitor" the distribution channel's "mission, targets, financial objectives and overall strategy and direction" as the first two of Faria's "Principal Responsibilities." A January 2003 Faria self-assessment listed "to focus on new approaches and creative solutions to help the enterprise achieve its revenue and expense plan objectives" and striving to "ensure business plan results" as areas of emphasis.

31. Faria also knew, or was extremely reckless in not knowing, that certain NEF commission expenses were deferred and amortized.

32. Prior to August 2003, Faria had approximately three decades of experience in the insurance industry. On numerous occasions, Faria received documents that discussed DACs and

the impact of deferred expenses on financial results.

33. Faria attended meetings during the relevant time period involving senior MetLife officers where the various MetLife distribution channels' expense gaps were analyzed and discussed. Faria knew that reducing distribution channel expenses, including NEF expenses, was a priority at MetLife.

34. From 2000 through 2002, the MetLife annual reports included in their "Summary of Significant Accounting Policies" sections describing DACs. Those sections stated:

> **The costs of acquiring new insurance business that vary with, and are primarily related to, the production of new business are deferred. Such costs, which consist principally of commission**, agency and policy issue expenses, are amortized with interest over the expected life of the contract for participating traditional life, universal life and investment-type products.

(emphasis added).

35. From at least February 2000 through July 2002, Faria regularly attended NEF audit committee and board of director meetings. At many of these meetings, NEF income statements and other NEF financial information was presented, analyzed and discussed, including, on occasion, DAC information. Meeting notebooks that contained, among other things, NEF income statements or other NEF financial information were distributed to meeting participants. A number of the documents in the meeting notebooks showed how the capitalization of DACs directly reduced both NEF expenses and the NEF bottom line, oftentimes by tens of millions of dollars. Other financial documents in the meeting notebooks describing NEF expenses list "Commissions" immediately before "Other Deferrable Expenses," and still others refer to DAC "unlocking" or DAC amortization.

36. In September 2002, Faria became a member of the NEF board of directors. As an NEF board member, Faria was a signatory to the 2002 NEF registration statement filed with the Commission on April 28, 2003. Faria's signature was executed pursuant to a power of attorney filed with the Commission on December 12, 2002. The 2002 registration statement signed by Faria contained NEF's 2002 income statement and other financial information from both 2002 and previous years. The 2002 registration statement reported NEF net income of $16 million for 2002, $76 million for 2001, and $12 million for 2000. In the section entitled Summary of Significant Accounting Policies, the 2002 NEF financial statement explains that DACs include commissions:

> **The costs of acquiring new business that vary with, and are primarily related to, the production of new business are deferred. Such costs, which consist principally of commissions**, agency and policy issue expenses, are amortized with interest over the expected life of the contract for participating traditional life, variable life, universal life, investment-type products, and variable annuities.

(emphasis added).

D. Covering Up The Use of Reclassifications

37. On multiple occasions prior to August 2003, McLaughlin and Stickney actively sought to hide from MetLife and NEF personnel both the reclassifications themselves as well as the fact that the reclassifications were a contrived means by which NEF stayed within its DGA Net Cost and agent financing expense budgets. On each occasion, when employees at MetLife or NEF raised questions about the fact that NEF commissions appeared to be higher than anticipated, Stickney or McLaughlin would provide either incomplete or inaccurate information to keep hidden the fact that NEF was reclassifying non-commission expenses to commissions for budgetary purposes. At no time prior to August 2003 did McLaughlin, Stickney or Faria inform

MetLife personnel that it was the practice at NEF to reclassify to commission accounts the amount by which actual DGA Net Cost or agent financing expenses exceeded their budgets.

38. For example, in October 2001, a MetLife employee primarily responsible for calculating the percentage of NEF commissions that were to be treated as DACs became concerned that NEF commissions appeared consistently higher than what he expected. The employee explained in an email to a co-worker that the reason he was raising the issue was because MetLife "defer[s] most of the commissions [it is] paying in the GAAP statement and then amortize[s] them into future year's earnings statements in proportion to future profits." Because NEF's commissions appeared so high, the employee took the unusual step of withholding some commissions from his DAC calculations to try to prevent commissions from being improperly deferred.

39. In investigating the reason for the high commissions, the employee and his co-worker learned that the high commissions were the result of manual journal entries authorized by Stickney involving DGA Net Costs. A meeting involving Stickney and others was scheduled for November 22, 2001 to discuss the issue. The day prior to the meeting, McLaughlin wrote a handwritten note to Stickney asking "Will you pls. visit me today on the 'DAC' review by [the two MetLife employees]?"

40. At the meeting, Stickney gave a false explanation for why he was reclassifying DGA Net Costs to commission accounts. At no time did Stickney explain that it was NEF's practice to reclassify to commission accounts the amount by which actual DGA Net Costs exceeded the DGA Net Cost budget. The MetLife employee accepted the false explanation provided by Stickney, and as a result the reclassification practice continued.

E. MetLife Discovers the Improper Reclassifications and Faria Acknowledges He Was Aware Of and Understood the Practice

41. By spring 2003, MetLife employees (as well as NEF employees not involved in the reclassifications) had developed information suggesting that NEF was improperly reclassifying DGA Net Costs as commissions. MetLife scheduled a meeting for August 1, 2003 with McLaughlin to discuss, in part, DGA Net Costs.

42. In mid-June or July 2003, McLaughlin told Faria and an NEF regional vice-president that the utilization of commission accounts for certain "fixed cost" expenses – *i.e.*, DGA Net Costs and agent financing expenses – could be having a DAC impact and therefore could be artificially increasing MetLife earnings.

43. In July 2003, Stickney, at McLaughlin's direction and in preparation both for the planned August 1 meeting as well as another meeting scheduled for July 18, 2003 in New York City between Faria and certain MetLife executives, prepared spreadsheets indicating the total DGA Net Cost and agent financing expenditures that had been improperly reclassified to commissions.

44. McLaughlin, Faria and an NEF regional vice-president met in mid-July 2003 in preparation for the July 18, 2003 New York City meeting. McLaughlin discussed how for a number of years NEF had reclassified the excess of the budgeted DGA Net Costs to commission accounts.

45. At the mid-July meeting with Faria and the NEF regional vice-president, McLaughlin gave Faria a packet of information that included a spreadsheet prepared by Stickney containing the amount of DGA Net Costs and agent financing expenses that had been improperly

reclassified to commissions since 1993. McLaughlin reviewed the spreadsheet with Faria, discussing the reclassification of DGA Net Costs to commissions and conveying to Faria that the amount that typically was reclassified equaled the amount by which actual DGA Net Costs exceeded the budgeted amount.

46. On Friday, August 1, 2003, McLaughlin attended the planned meeting with MetLife and other NEF personnel. During the meeting, McLaughlin divulged the actual amount of NEF's DGA Net Costs and agent financing that had been expended since 1993, including the amount of DGA Net Costs and agent financing expenses had been reclassified to commission accounts. Also discussed at that meeting was the fact that the reclassifications likely had improperly reduced NEF's expense gap by a significant amount and that there existed a potential DAC, and therefore financial statement, issue. The potential DAC and financial statement issue existed because the improper reclassification of DGA Net Costs and agent financing expenses to commissions may have caused expenses to have been deferred improperly, thereby resulting in an inflation to net income and earnings.

47. On August 4, 2003, MetLife issued a press release announcing its second quarter 2003 financial results. MetLife filed the release with the Commission on a Form 8-K. The press release was issued (and the Form 8-K filed) before MetLife had analyzed the potential effect of the improper expense reclassifications on its financial statements.

48. MetLife began an internal audit and investigation of the reclassifications on August 5, 2003. As part of its investigation, MetLife internal auditors interviewed Faria on August 7, 2003. During the interview, Faria told the auditors that the practice of moving expenses to commissions had been in place at NEF since 1993 or 1994 and that he had been

aware of the practice since that time. On the same day, attorneys from the law firm Willkie Farr and Gallagher, who MetLife retained to assist in its investigation, also interviewed Faria. During the interview, Faria told the Willkie Farr attorneys that NEF had been reclassifying expenses as commissions since 1993 or 1994, and that the reclassifications had been made by Stickney and McLaughlin.

F. As a Result of the Improper Reclassifications Both MetLife and NEF Made Multiple Materially False and Misleading Public Statements and Public Filings

49. By approximately August 8, 2003, MetLife internal auditors had discovered that over $100 million in NEF non-commission expenses had been improperly reclassified to NEF commission accounts from 1998 through June 2003. The improper reclassifications resulted in a significant amount of expenses being deferred that otherwise should not have been, which in turn caused materially false and misleading overstatements of net income and earnings in MetLife financial statements filed with the Commission on Forms 10-Q or 10-K in every fiscal quarter from at least the first quarter of 2000 through the first quarter of 2003. MetLife filed the Forms 10-Q or 10-K containing the materially false and misleading overstatements on the following dates: May 19, 2000 (first quarter of 2000), August 14, 2000 (second quarter of 2000), November 14, 2000 (third quarter of 2000), March 14, 2001 (fourth quarter of 2000 and fiscal year 2000), May 15, 2001 (first quarter of 2001), August 14 and 16, 2001 (second quarter of 2001), November 13, 2001 (third quarter of 2001), March 18, 2002 (fourth quarter of 2002 and fiscal year 2002), May 14, 2002 (first quarter of 2002), August 14, 2002 (second quarter of 2002), November 14, 2002 (third quarter of 2002), March 19, 2003 (fourth quarter of 2002 and fiscal year 2002), May 14, 2003 (first quarter of 2003).

50. MetLife issued press releases announcing its financial results in each of the above reporting periods, as well as for the second quarter of 2003. Those press releases contained materially false and misleading overstatements of MetLife net income and earnings caused by the improper reclassifications. MetLife filed those press releases with the Commission on Forms 8-K on the following dates: May 10, 2000 (first quarter of 2000), August 9, 2000 (second quarter of 2000), November 8, 2000 (third quarter of 2000), February 13, 2001 (fourth quarter of 2000 and fiscal year 2000), May 8, 2001 (first quarter of 2001), August 7, 2001 (second quarter of 2001), November 6, 2001 (third quarter of 2001), February 12, 2002 (fourth quarter of 2001 and fiscal year 2001), May 7, 2002 (first quarter of 2002), August 6, 2002 (second quarter of 2002), November 6, 2002 (third quarter of 2002), February 10 and 12, 2003 (fourth quarter of 2002 and fiscal year 2002), May 5, 2003 (first quarter of 2003), and August 4, 2003 (second quarter of 2003).

51. On an aggregated basis, the reclassifications caused quarterly net income overstatements at MetLife as high as 7.54, 6.04 and 5.43 percent in some quarters. The following chart shows the quarterly MetLife net income overstatements (in millions of dollars) caused by the improper reclassifications from the first quarter of 2000 through the second quarter of 2003. The net income overstatement amounts set out in the chart already take into consideration the offsetting nature of the amortization of any prior periods' deferred expenses. Also, the aggregated net income overstatement figures include amounts improperly overstated in 1998 and 1999.

Period	Originally Reported Net Income	Net Income Overstatement	Percent Change	Aggregated Net Income Overstatement	Percent Change
Q1 2000	236	0.2	0.08%	3.3	1.4%
Q2 2000	(115)	0.4	-0.35%	3.7	-3.22%
Q3 2000	241	0.8	0.33%	4.5	1.87%
Q4 2000	591	0.8	0.14%	5.3	0.90%
Q1 2001	287	0.9	0.31%	6.2	2.16%
Q2 2001	320	1.0	0.31%	7.2	2.25%
Q3 2001	162	1.6	0.99%	8.8	5.43%
Q4 2001	(296)	1.5	-0.51%	10.3	-3.48%
Q1 2002	329	3.1	0.94%	13.4	4.07%
Q2 2002	387	3.1	0.80%	16.5	4.26%
Q3 2002	333	3.6	1.08%	20.1	6.04%
Q4 2002	561	4.3	0.77%	24.4	4.35%
Q1 2003	362	2.9	0.80%	27.3	7.54%
Q2 2003	611	3.7	0.61%	31.0	5.07%

52. MetLife accounted for the reclassifications by taking a charge against earnings for the second quarter of 2003. On August 11, 2003, prior to the opening of the market, MetLife released revised second quarter 2003 financial results that it had previously announced in the August 4 press release and Form 8-K. Quantification of the improperly deferred expenses caused MetLife to reduce its previously announced after-tax net income for the quarter by 5.1 percent, its operating earnings by 4.8 percent, its Individual Operations line operating earnings by over 17 percent, and its Variable and Universal Life operating earnings by 483 percent. MetLife's stock declined on August 11 as much as $1.48 per share (or 5 percent) and closed 3 percent below the previous day's close, falling from $29.28 per share to $28.41 per share. The trading volume of MetLife stock on August 11, 2003 (the day of the revised financials) was over 6 million shares,

the second highest trading volume day in 2003, 650,000 shares higher than the next highest day and over 4 million shares more than the average 2003 MetLife volume. Upon learning of the MetLife charge against earnings, at least two analysts downgraded MetLife's stock, with many others expressing concern about the quality of MetLife's internal controls.

53. NEF is the depositor of the New England Variable Life Separate Account, a variable life insurance separate account registered with the Commission as a unit investment trust. In connection with its role as depositor of the separate account, NEF filed its own audited financial statements with the Commission in 2000, 2001 and 2002. As a result of the fraudulent scheme perpetrated by Faria, McLaughlin and Stickney, the NEF financial statements filed with the Commission in 2000, 2001 and 2002 contained materially false and misleading overstatements of NEF net income. On September 5, 2003, following the quantification of the improper reclassifications, NEF restated its income statements filed with the Commission for 2000 through 2002 as follows:

Period	Originally Reported Net Income	As Restated Net Income	Amount Overstated	Percent Overstatement
2000	$12 million	$10 million	$2 million	20 percent
2001	$76 million	$71 million	$5 million	7 percent
2002	$16 million	$5 million	$11 million	220 percent

54. In 2001, 2002 and 2003, MetLife offered registered securities pursuant to registration statements that incorporated MetLife financial statements which contained materially false and misleading statements. The materially false and misleading statements were caused by the improper reclassifications and false entries authorized by Faria and McLaughlin and carried out by Stickney.

55. The improper reclassifications resulted in MetLife maintaining inaccurate books and records.

56. Each year from 2000 through 2002, Faria, McLaughlin and Stickney received from MetLife short-term cash bonuses. The bonus amounts were based in part on the financial performance of NEF. With respect to Faria, his bonus specifically related to the actual financial performance of NEF compared to the annual NEF business plan approved by MetLife. The annual business plans consisted in part of the DGA Net Cost and agent financing expense budgets. From 2000 through 2002, Faria received $610,000 in short-term bonuses, McLaughlin received $285,000 in short-term bonuses, and Stickney received $79,000 in short-term bonuses.

Remedies

57. The violations set forth in this complaint involve fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement and such violations directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons, within the meaning of Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

FIRST CLAIM FOR RELIEF
AGAINST DEFENDANTS FARIA, MCLAUGHLIN AND STICKNEY

(Violations of Exchange Act § 10(b) and Exchange Act Rule 10b-5)

58. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

59. From at least 2000 through August 2003, Faria, McLaughlin and Stickney engaged in fraudulent activities and a fraudulent scheme resulting in multiple material overstatements of net income in MetLife and NEF's public announcements and/or in its public filings with the Commission. In addition, Faria, as a member of the NEF board of directors, made materially false or misleading statements when he signed the 2002 NEF registration statement filed with the Commission on April 28, 2003, which contained materially false or misleading overstatements of NEF net income for 2000, 2001 and 2002.

60. By reason of the foregoing, Faria, McLaughlin and Stickney, singly or in concert with others, directly or indirectly, in connection with the purchase or sale of securities, by the use of any means and instrumentalities of interstate commerce, or of the mails, or any facility of any national securities exchange: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of securities and upon other persons, in connection with the purchase or sale of a security, including purchasers or sellers of MetLife or NEF separate account securities in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5

[17 C.F.R. § 240.10b-5] thereunder.

SECOND CLAIM FOR RELIEF AGAINST DEFENDANT FARIA

(Aiding and Abetting Violations of Exchange Act § 10(b) and Exchange Act Rule 10b-5)

61. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

62. MetLife and NEF, through its employees McLaughlin and Stickney, singly or in concert with others, directly or indirectly, in connection with the purchase or sale of securities, by the use of any means and instrumentalities of interstate commerce, or of the mails, or any facility of any national securities exchange: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of securities and upon other persons, in connection with the purchase or sale of a security, including purchasers or sellers of MetLife or NEF separate account securities, including purchasers or sellers of MetLife or NEF separate account securities in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

63. Faria knew, or was reckless in not knowing, that MetLife and NEF's conduct was improper, and knowingly and substantially assisted it in violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

64. By reason of the foregoing, Faria aided and abetted MetLife's and NEF's violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

THIRD CLAIM FOR RELIEF
AGAINST DEFENDANTS FARIA, MCLAUGHLIN AND STICKNEY

(Violations of Securities Act § 17(a))

65. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

66. From at least 2000 through August 2003, Faria, McLaughlin and Stickney engaged in fraudulent activities and a fraudulent scheme resulting in material overstatements of net income in MetLife's and NEF's public announcements and/or in its filings with the Commission. In addition, Faria, as a member of the NEF board of directors, made materially false or misleading statements when he signed the 2002 NEF registration statement filed with the Commission on April 28, 2003, which contained materially false or misleading overstatements of NEF net income for 2000, 2001 and 2002.

67. During 2001, 2002 and 2003, MetLife offered registered securities that incorporated MetLife financial statements filed with the Commission that contained materially false or misleading statements. The materially false or misleading statements were caused by the false entries authorized by Faria and McLaughlin and carried out by Stickney.

68. By reason of the foregoing, Faria, McLaughlin and Stickney, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or

sale of securities: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions 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; or (c) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities, including purchasers of MetLife securities.

69. As a result, Faria, McLaughlin and Stickney violated Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

FOURTH CLAIM FOR RELIEF
AGAINST DEFENDANTS FARIA, MCLAUGHLIN AND STICKNEY

(Violations of Investment Company Act § 34(b))

70. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

71. By reason of the foregoing, NEF registration and income statements filed with the Commission in 2001, 2002 and 2003 were materially false and misleading.

72. Faria, as a member of the NEF board of directors, made materially false or misleading statements when he signed the 2002 NEF registration statement filed with the Commission on April 28, 2003 which contained materially false or misleading overstatements in NEF net income for 2000, 2001 and 2002.

73. By reason the foregoing, Faria, McLaughlin and Stickney made untrue statements of a material fact or omitted to state facts necessary in order to prevent the statements made, in the light of the circumstances under which they were made, from being materially misleading in

registration statements, applications, reports, accounts, records, or other documents filed with the Commission or the keeping of which is required by registered investment companies in violation of §34(b) of the Investment Company Act [15 U.S.C. § 80a-33].

FIFTH CLAIM FOR RELIEF
AGAINST DEFENDANTS FARIA, MCLAUGHLIN AND STICKNEY

(Violations of Exchange Act § 13(b)(5) and Exchange Act Rule 13b2-1)

74. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

75. By reason of the foregoing, each of McLaughlin, Stickney and Faria knowingly circumvented MetLife and NEF's internal accounting controls; or, directly or indirectly, falsified, or caused to be falsified, MetLife and NEF's books, records and accounts in violation of Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1].

SIXTH CLAIM FOR RELIEF
AGAINST DEFENDANTS FARIA, MCLAUGHLIN AND STICKNEY

(Aiding and Abetting Violations of
Exchange Act § 13(a) and Exchange Act Rules 12b-20 and 13a-1)

76. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

77. By reason of the foregoing, MetLife reported false or misleading information in its Forms 10-K for the fiscal years ended 2000, 2001 and 2002 and the fiscal quarters ended December 31, 2000, December 31, 2001 and December 31, 2002. Each of those filings contained financial statements that misstated MetLife's net income, earnings and other relevant

financial information.

78. Faria, McLaughlin and Stickney knew, or was reckless in not knowing, that MetLife's conduct was improper, and each knowingly and substantially assisted MetLife to report false and misleading information in its Forms 10-K for the fiscal years ended 2000, 2001 and 2002 and the fiscal quarters ended December 31, 2000, December 31, 2001 and December 31, 2002.

79. By reason of the foregoing, each of Faria, McLaughlin and Stickney aided and abetted MetLife's violation of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-1], and therefore is liable pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)].

SEVENTH CLAIM FOR RELIEF
AGAINST DEFENDANTS FARIA, MCLAUGHLIN AND STICKNEY

(Aiding and Abetting Violations of Exchange Act § 13(a) and Exchange Act Rules 12b-20 and 13a-13)

80. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

81. By reason of the foregoing, MetLife reported false and misleading information in its Forms 10-Q for the fiscal quarters ended March 31, 2000, June 30, 2000, September 31, 2000, March 31, 2001, June 30, 2001, September 31, 2001, March 31, 2002, June 30, 2002, September 31, 2002, and March 31, 2003. Each of those filings contained financial statements that materially misstated MetLife's net income, earnings, and other relevant financial information.

82. Each of Faria, McLaughlin and Stickney knew, or was reckless in not knowing, that MetLife's conduct was improper, and each knowingly and substantially assisted MetLife to

report false and misleading information in its Forms 10-Q for the fiscal quarters ended March 31, 2000, June 30, 2000, September 31, 2000, March 31, 2001, June 30, 2001, September 31, 2001, March 31, 2002, June 30, 2002, September 31, 2002, and March 31, 2003.

83. By reason of the foregoing, each of Faria, McLaughlin and Stickney aided and abetted MetLife's violation of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-13], and therefore is liable pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)].

EIGHTH CLAIM FOR RELIEF
AGAINST DEFENDANTS FARIA, MCLAUGHLIN AND STICKNEY

(Aiding and Abetting Violations of Exchange Act § 13(a) and Rules 12b-20 and 13a-11)

84. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

85. By reason of the foregoing, MetLife filed with the Commission on Forms 8-K press releases announcing its financial results for the fiscal periods ended March 31, 2000, June 30, 2000, September 31, 2000, December 31, 2000, March 31, 2001, June 30, 2001, September 31, 2001, December 31, 2001, March 31, 2002, June 30, 2002, September 31, 2002, December 31, 2002, March 31, 2003 and June 30, 2003. Each of those filings contained financial statements that materially misstated MetLife's net income, earnings, and other relevant financial information.

86. Each of Faria, McLaughlin and Stickney knew, or was reckless in not knowing, that MetLife's conduct was improper, and each knowingly and substantially assisted MetLife to report false and misleading information in Forms 8-K filed with the Commission for the quarters

ends March 31, 2000, June 30, 2000, September 31, 2000, December 31, 2000, March 31, 2001, June 30, 2001, September 31, 2001, December 31, 2001, March 31, 2002, June 30, 2002, September 31, 2002, December 31, 2002, March 31, 2003 and June 30, 2003.

87. By reason of the foregoing, each of Faria, McLaughlin and Stickney aided and abetted MetLife's violation of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-11 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-11], and therefore is liable pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)].

NINTH CLAIM FOR RELIEF
AGAINST DEFENDANTS FARIA, MCLAUGHLIN AND STICKNEY

(Aiding and Abetting Violations of Exchange Act § 13(b)(2)(A))

88. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

89. By reason of the foregoing, MetLife maintained books, records and accounts which did not, in reasonable detail, accurately and fairly reflect transactions and dispositions of its assets.

90. Each of Faria, McLaughlin and Stickney knew, or was reckless in not knowing, that MetLife's conduct was improper, and each knowingly and substantially assisted MetLife to keep and maintain books, records and accounts which did not, in reasonable detail, accurately and fairly reflect transactions and dispositions of the MetLife assets.

91. By reason of the foregoing, each of Faria, McLaughlin and Stickney aided and abetted MetLife's violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)], and therefore is liable pursuant to Section 20(e) of the Exchange Act [15 U.S.C.

§ 78t(e)].

TENTH CLAIM FOR RELIEF
AGAINST DEFENDANTS FARIA, MCLAUGHLIN AND STICKNEY

(Aiding and Abetting Violations of Exchange Act § 13(b)(2)(B))

92. The Commission repeats and incorporates by reference the allegations of paragraphs 1 through 57 of the complaint as if set forth fully herein.

93. By reason of the foregoing, MetLife and NEF failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that the company's transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP or any other criteria applicable to such statements and to maintain accountability for assets..

94. Each of McLaughlin, Stickney and Faria knew, or was reckless in not knowing, that MetLife's conduct was improper, and each knowingly and substantially assisted MetLife's failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that the company's transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP.

95. By reason of the foregoing, each of Faria, McLaughlin and Stickney aided and abetted MetLife's violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)], and therefore is liable pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court issue a Final Judgment:

I.

Permanently enjoining Faria, McLaughlin and Stickney from violating, directly or indirectly:

a. Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)];

b. Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;

c. Section 34(b) of the Investment Company Act [15 U.S.C. § 80a-33(b)];

d. Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1];

e. Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, and 240.13a-13];

f. Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]; and,

g. Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)]

II.

Permanently prohibiting Faria and McLaughlin from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

III.

Requiring Faria, McLaughlin and Stickney to disgorge their ill-gotten gains, including

prejudgment interest thereon.

IV.

Requiring Faria, McLaughlin and Stickney to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] in an amount to be determined by the Court.

V.

Ordering such other and further relief as this case may require and the Court deems appropriate.

JURY DEMAND

The Commission hereby demands a trial by jury on all claims so triable.

Respectfully submitted,

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