

In the Matter of

**The *FINANCIAL INSTITUTIONS ACT*
(the "Act")
(RSBC 1996, c.141)**

and

**INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")**

and

**LYNNE RAE ZLOTNIK
(the "Licensee")**

and

**LYNNE ZLOTNIK WEALTH MANAGEMENT INC.
(the "Agency")**

**DECISION AND ORDER
UNDER SECTIONS 231 & 238 OF THE ACT**

WHEREAS the Licensee is licensed with Council as a life and accident and sickness insurance agent nominee authorized to represent the Agency; and she is sole director of the Agency and the only person authorized to represent the Agency in a licensed capacity;

AND WHEREAS Council ordered on March 16, 2010 that conditions be imposed on the Licensee and the Agency, which include that:

- The Licensee and the Agency must employ or contract a Chartered Accountant or Certified General Accountant ("Accountant") within five business days of the date of the order and the Accountant must submit a written report to the Insurance Council of British Columbia by April 12, 2010 which advises how monies obtained by Lynne Zlotnik and/or Lynne Zlotnik Wealth Management Inc. through promissory notes or loans from private investors was used; and,
- Failure to comply with any of the licence conditions will result in the automatic suspension of the Licensee's and the Agency's licences.

AND WHEREAS Council did not receive a report from an Accountant as required under the licence conditions;

AND WHEREAS the Licensee submits that an Accountant was retained as required under the licence conditions but that the required report could not be completed and provided to Council given that there were not sufficient monies available to pay the Accountant;

AND WHEREAS the Licensee submits that the monies received pursuant to the promissory notes and the loans were used for the business which she operated;

AND WHEREAS the Licensee filed an assignment for bankruptcy on April 12, 2010 and a trustee was appointed for the Licensee's estate;

AND WHEREAS Council's ongoing investigation of the Licensee and the Agency, pursuant to section 232 of the Act, identified additional information which led to allegations that the Licensee and the Agency failed to act in a trustworthy, competent and financially reliable manner, and in good faith, and in accordance with the usual practice of the business of insurance;

In particular, that the Licensee and the Agency:

- in 2009 and 2010, raised in excess of \$1.4 million from private investors (some of whom were insurance clients) under the auspices of an investment or loan to ostensibly fund the Agency's operations; they have exhausted the capital raised from the private investors; and they are unable to meet the terms of the debt obligations;
- while raising the capital, failed to act in clients' best interests by helping them access monies from insurance contracts, or a line of credit, or an inheritance, to fund the investment or loan, and did so without disclosing to the clients the nature of the investment or loan, the related risks, and/or the tax implications; and in particular, one of the clients was a 96 year old female who surrendered her segregated fund insurance contract which had fixed income underlying investments and a death benefit guarantee;
- contrary to a client's best interests, helped the client access money in her registered insurance contract to invest in an unregulated and ostensibly illiquid investment; and,
- received and cashed a payment from a client that was earmarked for investment into the client's registered insurance contract and then failed to remit the payment for deposit into the insurance contract as required;

AND WHEREAS the Licensee submits that because of the limited time period available, she was not in a position to audit her books and provide to Council a full and accurate list of the promissory notes and loans;

AND WHEREAS Council considered an investigation report on April 13, 2010 which included evidence pertaining to the aforementioned allegations;

AND WHEREAS Council determined that the Licensee and the Agency were less than forthcoming during the investigation as they had submitted a schedule of outstanding promissory notes and loans to Council as being complete, when in fact it was not, and the extent of the promissory notes and loans remains unclear;

AND WHEREAS after considering the evidence, Council determined that the Licensee and the Agency no longer meet the requirements for licensing, namely trustworthiness, competence, financial reliability, and an intention to carry on the business of insurance in good faith and in accordance with the usual practice, and that the Licensee and the Agency could continue to pose a risk to the public;

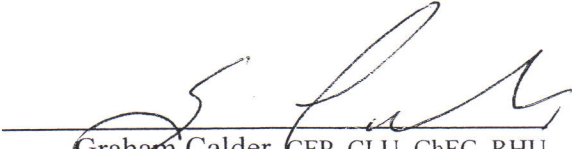
AND WHEREAS the Licensee's licence and the Agency's licence each ceased to be active on April 12, 2010;

AND WHEREAS Council could make an order under section 231 of the Act but considers that the length of time that would be required to hold a hearing would be detrimental to the due administration of the Act;

NOW THEREFORE pursuant to section 231(1)(g) and section 238 of the Act, Council orders that the Licensee's licence and the Agency's licence are each cancelled, effective the date of this order;

TAKE NOTICE that pursuant to section 238 of the Act, the Licensee and the Agency have the right to require a hearing on this order before Council by delivering written notice within 14 days of receipt of this order to Council at Suite 300 – 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1; alternatively, the Licensee and the Agency may each appeal this order to the Financial Services Tribunal.

Dated in Vancouver, British Columbia, on the 13 day of April, 2010.


Graham Calder, CFP, CLU, ChFC, RHU
Chairperson, Insurance Council of British Columbia

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LYNNE ZLOTNIK WEALTH MANAGEMENT INC.
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**DECISION AND ORDER
UNDER SECTIONS 231 & 238 OF THE ACT**

WHEREAS the Licensee is licensed with Council as a life insurance agent and as a life insurance agent nominee authorized to represent the Agency; and she is sole director of the Agency and the only person authorized to represent the Agency in a licensed capacity;

AND WHEREAS Council has commenced an investigation pursuant to section 232 of the Act, relating to allegations that the Licensee and the Agency:

- accepted a \$10,000 personal cheque from a client (the "Client") that was dated January 13, 2010 and made payable to the Agency for investment into an existing registered retirement savings plan ("RRSP"); agreed with the Client that they would provide a short term investment return on the monies prior to the monies being deposited to the Client's existing RRSP; used the \$10,000 as a loan from the Client upon which interest would be paid; on February 26, 2010, issued a \$10,300 Agency cheque as repayment for the loan plus interest and made the cheque payable to an insurance company for deposit into an existing RRSP held by the Client; and this Agency cheque was denied due to insufficient funds;
- issued promissory notes and obtained short term loans from persons between July 8, 2007 and October 30, 2009, resulting in Agency debt obligations of \$1,391,000; the monies

were to be used for the business operations of the Agency; the debt obligations arising from the promissory notes includes 12% monthly interest payments due to the holder of the note and a principal repayment term of either 15 months or 60 months; the debt obligations arising from the short term loans is based on a term of 15 months with principal plus 15% interest due at that time;

AND WHEREAS it appeared to the British Columbia Superintendent of Financial Institutions (the "Superintendent") that:

- the Licensee moved monies from the Agency's bank account to a bank account held by her personally;
- a cheque from the Agency's bank account made payable to an insurance company for the Client's segregated fund insurance investment was denied as having insufficient funds;
- the Licensee may not have sufficient funds to maintain the Agency's business operations, thereby further endangering client monies, which are or may be in the Licensee's possession or control;

AND WHEREAS, on Friday March 12, 2010, the Superintendent ordered that a person having in British Columbia on deposit or under control or for safe keeping, any assets of the Licensee or the Agency, that the person hold such assets in trust;

AND WHEREAS insurance licensees are required to be financially reliable, which means an insurance licensee can be relied upon to properly safeguard and account for money and property entrusted to the licensee and to promptly deliver them in accordance with the circumstances;

AND WHEREAS Council believes that the information set out in this order brings into question the Licensee's and the Agency's financial reliability;

AND WHEREAS Council has provided notice to the Licensee and the Agency that the matter would be brought to the attention of the members of Council on March 16, 2010, to determine if any action is warranted against them;

AND WHEREAS Council has determined that further investigation is necessary to determine the scope of the Licensee's and the Agency's misconduct, but considers the length of time required to complete an investigation and make a decision pursuant to section 231 of the Act, would be detrimental to the due administration of the Act;

AND WHEREAS Council considers it to be in the public interest to impose conditions on the licence of the Licensee and the Agency, pursuant to section 231(1)(h) of the Act;

238 ORDER

Lynne Rae Zlotnik and Lynne Zlotnik Wealth Management Inc.

File Number: 068560-I793

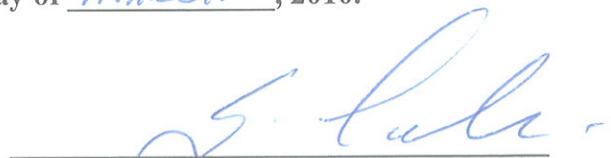
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NOW THEREFORE Council orders the following conditions be imposed on the Licensee and the Agency, pursuant to sections 231 and 238 of the Act, effective the date of this order:

- 1) The licensee must employ or contract a Chartered Accountant or Certified General Accountant ("Accountant") within five business days of the date of this order and the Accountant must submit a written report to the Insurance Council of British Columbia by April 12, 2010 which advises how the monies obtained by Lynne Zlotnik and/or Lynne Zlotnik Wealth Management Inc. through promissory notes or loans from private investors was used.
- 2) The licensee is prohibited from accepting any monies from clients.
- 3) The licensee is prohibited from issuing any promissory notes or debt instruments, or obtaining any form of loan from any person, except from a Canadian financial institution.
- 4) Failure of the licensee to comply with any of the above licence conditions will result in the automatic suspension of the licensee's licence.

TAKE NOTICE that pursuant to section 238 of the Act, the Licensee and the Agency have the right to require a hearing on this order before Council by delivering written notice within 14 days of receipt of this order to Council at Suite 300 – 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1; alternatively, the Licensee and the Agency may each appeal this order to the Financial Services Tribunal.

Dated in Vancouver, British Columbia, on the 16 day of MARCH, 2010.



Graham Calder, CFP, CLU, ChFC, RHU
Chairperson, Insurance Council of British Columbia