REPORT

OF

EDUARDO S. ESPINOSA,
TEMPORARY RECEIVER

FOR

RETIREMENT VALUE, LLC
A TEXAS LIMITED LIABILITY COMPANY

As of
April 30, 2011

Issued in connection with
that certain matter pending before the
126th District Court of Travis County, Texas,
Cause Number D-1-GV-10-000454

On May 5, 2010, the 126th Judicial District Court of Travis County, Texas (the "*Court*") appointed Eduardo S. Espinosa as the temporary receiver for Retirement Value, LLC, a Texas limited liability company. Since then, my team and I have been engaged in: (a) gathering and preserving Retirement Value's assets; (b) investigating claims against Retirement Value by investors and others; and (c) investigating Retirement Value's potential claims against its principals and other participants in its Re-Sale Life Insurance Policy Program. We have also spoken or corresponded with many of the investors. However, because there are more than 900 investors, it is not possible for us to communicate with each investor, individually. This report updates the investors, the Court and the public as to the status of the Receivership as of the end of April 2011 – one full year into the Receivership.

I. Status of the Litigation

There are currently two lawsuits involving the receivership estate. The first is the State's suit against Retirement Value, LLC, Richard Gray, Wendy Rogers and Hill Country Funding, LLC. The second is the Receiver's suit against David and Elizabeth Gray, who were formerly partial owners of Retirement Value. The Receiver anticipates that he will file additional lawsuits against the licensees and others in the near future. In addition, Retirement Value is the subject of an investigation by Equal Employment Opportunities Commission arising out of allegations of employment discrimination by a former employee.

A. State of Texas vs. Retirement Value, LLC et al.

The State's case against Retirement Value, Dick Gray and Wendy Rogers is proceeding. Earlier this year, the Receiver asserted his own claims against Dick Gray, his wife, Catherine Gray, and Wendy Rogers. The Receiver has alleged that the Grays and Rogers caused Retirement Value to pay themselves substantial amounts of money in violation of Texas law at a time when Retirement Value was insolvent. The Receiver later amended his claim to assert that

Dick Gray and Wendy Rogers violated their fiduciary duties to Retirement Value by causing it to participate in the fraudulent scheme which resulted in liability to the State and the investors. Two groups of Intervenors[1] have also asserted similar claims against the Grays and Rogers.

The Receiver, the State and the Intervenors (except for Grant and Opel Bejeck) have reached a tentative agreement to settle their claims against Dick and Catherine Gray for approximately $650,000 in cash and property. The parties are in the process of drafting the documents to effectuate the settlement. When the settlement documents are drafted and executed by the parties, the Receiver will file a motion with the Court to seek approval of the settlement.

The parties were unable to reach agreement with Wendy Rogers and the claims against her remain pending. Trial of those claims is currently set for May 2011 but will likely be postponed until August 2011.

In addition to the claims by the State, the Receiver and others against the Grays and Wendy Rogers, a group of Intervenors has asserted a class action against Kiesling, Porter, Kiesling & Free, P.C. ("*Kiesling Porter*") alleging claims arising out of its role as escrow agent. The claims against Kiesling Porter have been severed from the claims against Retirement Value, the Grays and Rogers and will be tried separately, if necessary. A tentative agreement has been reached to settle the claims of the putative class and the potential claims of the State and Receiver against Kiesling Porter for $710,000. As with the settlement with the Grays, the parties are in the process of preparing documents to effectuate the settlement. When that process is complete, the Receiver and the class plaintiffs will seek approval of the settlement from the Court and provide notice of the details of the settlement to the investors.

[1] The Intervenors asserting claims against Dick Gray are Gary Cain, MD, Barry Edelstein, Qvest III Master Fund, LLC and Ladell Harrison on behalf of Matthew C. Allen, Jr., Teddie Allen and the Matthew and Teddie Allen Charitable Remainder Annuity Trust. Grant and Opel Bejcek have also intervened in this case but have not asserted claims against any of the Defendants.

B. Receiver vs. David and Elizabeth Gray

The Receiver has filed suit against David and Elizabeth Gray to recover monies paid to them by Retirement Value and to declare that Retirement Value is not obligated to make payments due on an agreement to redeem their membership interests. Discovery in this case is proceeding and it has not been set for trial.

II. The Financial Condition of Retirement Value

A. Inadequate books and records

Retirement Value failed to maintain meaningful or appropriate financial records. Retirement Value financial records were erroneously and inappropriately bifurcated between Kiesling Porter and Retirement Value. The absence of a complete set of financial records required the Receiver and his accountants to reconcile and consolidate Kiesling Porter's escrow records with Retirement Value's financial records.

Kiesling Porter maintained the financial records pertaining to the funds received from investors. Generally speaking, Kiesling Porter tracked its cash receipts and disbursements as either an increase or decrease in an off-setting liability account. Thus, according to Kiesling Porter's books, each disbursement (payment to Retirement Value, licensees, premiums, etc) served as a reduction in the liabilities to the investor, which was inaccurate. Though Kiesling Porter's records may have been sufficient for its use, they did not appropriately account for Retirement Values' business or correctly represent Retirement Value's debt obligations.

Retirement Value failed to maintain financial records that reflected the amount that it borrowed from the investors, the policies purchased by Retirement Value, the costs of purchasing and maintaining the policies or the payments to the licensees the amount of money it raised. Instead, the books maintained by Retirement Value's bookkeeper, Frank Frye, reflect the portion of investor funds diverted to Retirement Value's operating account as its gross revenues.

The only expenses shown are those relating to Retirement Value's headquarters. This methodology ignored the majority of Retirement Value's business, and failed to accurately represent Retirement Value's results from operations or its financial position.

Neither set of records properly accounts for the policies that Retirement Value owned, its debts, its payments to licensees or its premium obligations. Because of these accounting issues, the Receiver has had to create books and records for Retirement Value. Subject to further adjustment in accordance with the claims process, a current balance sheet, based on the work of the Receiver and his forensic accountants is attached as **Exhibit A**.

B. Tax Issues

Retirement Value will recognize taxable income when the life insurance policies mature. Under Revenue Rulings 2009-14 and 2009-25, Retirement Value's taxable income will be the proceeds of each policy less Retirement Value's basis in that policy. Under the Revenue Rulings, basis in a life settlement policy includes the cost of acquiring and carrying the policy, including interest on debt incurred in order to acquire the policy, and the premiums paid to maintain it. The commissions paid to the licensees are part of the cost of acquisition and are properly included in the basis. Since Retirement Value's business was to purchase and hold life settlement policies to maturity, most of the costs associated with the operation of Retirement Value should also be capitalized against the policies.

Retirement Value is a limited liability company which has elected to be taxed as S-corporation. This means that the income from Retirement Value's operations is attributed and taxable to its members. However, we believe that Retirement Value's members will be unable to meet their tax obligations and that the IRS will look to the estate to pay those taxes. The estate's ultimate obligation to pay taxes is not currently determinable. However, our models assume that the estate will have to pay those taxes.

III. The Portfolio of Life Insurance Policies

In addition to its cash, buildings and other assets, Retirement Value owns a portfolio of 49 life insurance policies insuring the lives of 44 individuals (the "*Portfolio*"). One of the Portfolio's policies, PLI140-111109-DM, matured last November leaving 48 active policies in the Portfolio. After several months of delay, the insurer for PLI140-111109-DM paid the proceeds of the policy – approximately $10.1 million – to the Receiver earlier this year.

The remaining policies are the primary asset of Retirement Value and represent the most likely avenue for the Receiver to make restitution to the investors and to pay the other creditors of the Retirement Value. Because of their importance, the Receiver has devoted substantial time and attention to the Portfolio. He has retained Asset Servicing Group ("*ASG*") to act as the Portfolio's administrator and Lewis & Ellis, Inc. ("*L&E*"), an actuarial firm, to evaluate the Portfolio. The Receiver has tasked L&E with analyzing each of the policies in the Portfolio. L&E has studied the insureds' life expectancies, the Portfolio's policies and information provided by the insurance companies to model the potential cash flows from the policies. This analysis will enable the Receiver to evaluate the various options available to obtain as much value as possible from the Portfolio. A copy of L&E's full report is attached hereto as **Exhibit B** (the "*Actuarial Report*").

A. Update on Life Expectancies

The insured's life expectancy is a key component of the value of a life insurance policy and of the likelihood of success in an investment in a life settlement. As we reported previously, there were a number of questions raised about the Midwest Medical life expectancy calculations used by Retirement Value. In the course of its investigation, the State obtained a report by HessMorganHouse (the "*Hess Report*"), which was partially commissioned by Retirement Value, on the accuracy of Midwest Medical's life expectancy calculations. The Hess Report

showed that Midwest Medical's "actual-to-expected" performance was a miserable 42% as compared to the 90+% performance of the major providers. In addition, the State obtained life expectancy calculations by 21st Services and AVS Underwriting, LLC on many of the persons insured under policies owned by Retirement Value. Comparison of their calculations to those by Midwest Medical show that the life expectancies calculated by 21st and AVS, on the same individuals generated at or about the same time, were about 2½ times as long as those of Midwest Medical.

Due to the questions raised by the State and to obtain the best possible information, the Receiver obtained his own life expectancy calculations from Insurance Strategies Services, LLC ("*ISC*"), another major provider of life expectancy calculations.[2] These calculations were based on the most current medical information available from the insureds and their doctors. The chart below summarizes the life expectancy calculations prepared by ISC. [3] The ISC life expectancy calculations are comparable to those of AVS and 21st and more than twice as long as the median calculations provided by Midwest Medical.

	Midwest Medical		**21st**	**AVS**	**ISC**
	(50%)	**(85%)**	**(50%)**	**(50%)**	**(50%)**
Portfolio Only Data	49	48	38	49	48
Average LE (in months)	52.43	83.69	121.03	134.67	123.98
%MM (50%)	--	160%	231%	257%	236%

[2] The Receiver's actuaries, Lewis & Ellis, recommended ISC. ASG, the Receiver's Portfolio administrator concurred in the recommendation.

[3] A chart summarizing the life expectancy calculations by ISC for each of the policies in the Portfolio is attached as **Exhibit C**. ISC did not perform a life expectancy calculation on policy PLI140-11109-DM because we were unable to obtain medical records from the insured before that policy matured.

Because the ISC life expectancy results are comparable to those of AVS and 21st and because of the good reputation enjoyed by ISC, the Receiver and his actuarial consultants are comfortable that ISC's calculations fairly estimate the life expectancies of the insureds.

B. The Effect of Longer Life Expectancies on the Portfolio

As noted, the actual life expectancies of the insureds are significantly longer than represented by Retirement Value in the course of soliciting loans from the investors. What does this mean to the investors? That the life expectancies are slightly more than twice as long as originally stated creates two problems. First, the fair market value of the policies in the Portfolio is significantly less than what Retirement Value paid for them. Second, the premium reserves are far too small to support the Portfolio as currently structured.

1. *The Policies are Worth Much Less than Retirement Value Paid for Them*

A significant consequence of Retirement Value's underestimation of the insureds' life expectancies is that the policies are worth significantly less than Retirement Value paid for them. The life expectancy of the insured is a significant factor in determining the value of an insurance policy.[4] All other things being equal, the longer the insured's life expectancy is, the less valuable the policy will be. The longer the insured is expected to live, the more premiums will have to be paid and the longer the investor will have to wait for a return on his investment. Because the life expectancies of the insureds are twice as long as Retirement Value said they were, the policies are worth much less than Retirement Value said they were.

Because the life expectancy estimates used by Retirement Value were so far off, the Receiver needed to determine the actual market value of the policies in order to determine the

[4] The other factors that determine the value of an insurance policy are the anticipated premium costs, and the face amount of the policy. Higher premium costs reduce a policy's value. Conversely, higher face amounts generally lead to greater policy values.

best course of action for the investors. Unfortunately, there is no easily available market price for life settlement insurance policies. Unlike stocks, bonds and commodities, there is no public exchange for insurance policies. Each sale takes place in private between a single buyer and a single seller. The sales price is generally confidential and, in any event, there is no centralized database for sales of life insurance policies, such as there is for real estate. Accordingly, it is not generally possible to determine the market price for an insurance policy based on sales of comparable policies.

Instead, policies are valued based on the net present value of their anticipated cash flows. Present value is the value today of a future payment or series of future payments, discounted to reflect the time value of money and other factors such as investment risk.[5] To determine the net present value, the present values of the expected expenses (premiums) are subtracted from the present values of the expected income (the proceeds of the policy).

Our actuaries determined the expected cash flows on the policies by taking into account the probabilities of the insureds dying at various points in time. This type of calculation (called, the "probabilistic method") takes into account the possibility the insureds may die earlier than expected as well as the possibility that the insureds may die later than expected. It is the method most commonly used by sophisticated purchasers of policies.

We used discount rates equal to those currently required by purchasers to value the policies. Currently, purchasers are basing their valuations on discount rates between 18% and 24% according to our experts, L&E and ASG. Also, several potential purchasers have contacted the Receiver to express interest in purchasing the Portfolio. Each of these purchasers has indicated that their pricing would be based on discount rate of approximately 20%. For purposes

[5] The discount rate makes a significant difference to present value. The higher the discount rate applied to a given payment, the lower the present value of that payment.

of its valuation of the Portfolio, L&E used discount rates of 16%, 18% and 20% to take into account potential market variations and the Receivers' ability to negotiate for a lower discount rate (i.e., a better price). These rates are in line with the 16.5% annual return represented by Retirement Value when soliciting the investors.

Based on its analysis, L&E has determined that the Portfolio has a market value between $5.3 million and $8.3 million.[6] Compare this to the $26.5 million that Retirement Value paid for the policies[7], and it is relatively clear that Retirement Value significantly overpaid for the policies.

However, the Receiver is not faced with a "buy" decision, but rather whether to sell or to hold. Accordingly, the value of these policies to the estate is potentially much higher. The Receiver is not deciding whether to purchase the policies, the estate already owns them. Nor does the estate need to promise to pay a large return to induce investors to provide funds for their purchase, the investors have already provided those funds. The Receiver's primary goal is to maximize the estate's value so as to return as much of the investors' money back as possible.

2. *The Premium Reserves are Too Small*

Retirement Value represented that it had reserved sufficient funds to pay the anticipated premiums due on the policies past the point at which 98.5% of the insureds were expected to die. It failed to do so. Instead, Retirement Value understated the required premium reserves because: (i) the insureds' life expectancies are more than twice as long as originally represented; and (ii)

[6] A policy by policy breakdown of the market value of each policy is reflected in the Actuarial Report at page 6.

[7] Policy PLI140-111109-DM has matured and was excluded from these fair market value and aggregate purchase price calculations.

the premiums necessary to keep a policy in force increase as the insured ages.[8] As a result, Retirement Value did not reserve sufficient funds to pay premiums.

Retirement Value represented that it would reserve sufficient funds to pay premiums on each policy for LE + 24, by which time it represented the insured on that policy had a greater than 98.5% chance of dying. It calculated the amount to reserve using an estimate of future premium costs provided by James Settlement Services. This approach has a number of flaws.

First, it completely ignores what a life expectancy calculation actually is. A person's life expectancy is not the date by which he is expected to die. It is the date by which 50% of the people similar to the insured are expected to have died. Thus, an insured has a 50% chance of dying prior to his life expectancy and a 50% chance of surviving beyond his life expectancy. Adding 24 months to the life expectancy does not raise the odds of the insured dying to 98.5%. In the aggregate, Midwest Medical's life expectancy certificates reflect that the Portfolio has: (i) an average median life expectancy of 52.43 months; and (ii) an average 85% life expectancy of 83.69 months. Thus, according to Midwest Medical, it would take, on average, 31.26 months (the difference between 83.69 months and 52.43 months) to increase the probability of death from 50% to 85%. By way of comparison, ISC's calculations, indicate that, on average for the Portfolio, it requires an additional 68.1 months (from 123.98 months to 192.08 months) to go from a 50% probability to an 85% probability.

Second, Midwest Medical's life expectancy calculations are less than half as long as they should have been. To get even to life expectancy (the 50/50 mark) requires twice as long as anticipated. Assuming that Retirement Value accurately anticipated its premium costs and

[8] In addition, Retirement Value's mishandling of the reserve accounts and commingling of funds caused it to reserve less money than it said it would.

maintained the reserves that it said it would, it should have reserved on average 76 months[9] of premiums. ISC's median life expectancy is, on average, 124 months – some four years longer than Retirement Value's calculated reserves.

Third, Retirement Value underestimated the cost of maintaining the policies in force. The estimates that Retirement Value used to calculate its premium reserves were based on information provided by James Settlement Services. As Retirement Value began to work with the insurance companies to calculate the cost of maintaining the insurance in force, it discovered that the estimates provided by James Settlement Services were unreliable. Gray Dep. at 177-79. In addition, the cost of maintaining a universal life policy increases every year. As a result it will cost more to maintain a policy through years 6 through 10 than it will to maintain it for years 1 through 5.

In short, Retirement Value did not reserve adequate funds to pay premiums for the Portfolio's policies. To better understand the magnitude of the reserve shortfall, the Receiver had his actuaries, L&E, determine how much money would be needed to maintain each policy in force until the life expectancy of the insured. Using information provided by the insurance companies, L&E was able to estimate the cost of maintaining the insurance in force until each insured's median life expectancy. It estimates the cost of maintaining the 48 remaining policies in force during the insured's life expectancy will be approximately $58 million.[10] Retirement Value's current premium reserves for those policies are only $15.3 million.[11]

---

[9] Midwest Medical's average life expectancy calculation for the Portfolio was 52.43 months. Adding 24 months to the average equals 76 months.

[10] This estimate does not include any costs related to PLI140-111109-DM because that policy matured on November 2, 2010.

[11] These are actual reserves, so they do not include amounts under-reserved because Retirement Value acquired policies prior to being fully subscribed. This also does not include funds held by

In addition to computing the total reserve required to maintain each policy through the insureds' life expectancies, L&E also calculated how long each premium reserve account is expected to last using the anticipated premium costs for the applicable policy. Page 7 of the Actuarial Report is a chart that compares the remaining balance for each reserve account (in months) to the life expectancy of the insured for the policy tied to that account. As you can see, no policy has sufficient reserves to maintain the policy in force for the insured's life expectancy. In other words, each policy has less than (often, significantly less than) a 50/50 chance of maturing before the premium reserves are exhausted.

IV. Distribution to Investors– How Much and When

There are over 900 investor-victims with claims against Retirement Value in excess of $77 million. Additionally, there are known trade-creditor claims not exceeding $100,000.[12] The Retirement Value assets available to satisfy these claims are: (i) about $29 million, in cash; (ii) 48 life policies with a market value of $6,667,066; (iii) the sale of Retirement Value's office building in New Braunfels, which is expected to yield about $300,000; (iv) proceeds from the pending mediated settlements of approximately $1,360,000;[13] and (v) any recoveries from claims against the remaining defendant and other participants in the Retirement Value scheme.

In order to pay Retirement Value's debts, the portfolio of insurance policies that it owns must be converted into money. There are two basic options for doing this: (1) the polices can be

---

the Receiver that are not dedicated to any particular policy or funds received in relation to PLI140-111109-DM.

[12] In addition, there are several unliquidated and disputed claims asserted against the estate, such as the employment discrimination claim and the claim by David Gray for payment under an agreement to redeem his interest in Retirement Value.

[13] The Receiver has reached tentative settlements with Dick Gray and Kiesling Porter. Each settlement is in the process of being reduced to writing and will be presented to the Court for approval.

liquidated and the proceeds distributed to creditors; or (2) the policies can be held until maturity and any funds left over after payment of premiums can be distributed to the creditors. How the funds will be distributed – either on a pro rata basis with each creditor receiving a pro rata share of the entire pool of assets or on a policy by policy basis in accordance with the representations made by Retirement Value in selling the investments – impacts these options as well.

We are preparing a plan for distribution and briefing to the Court and the investors which will provide more detail as to the various options available to the Receiver and as to the mechanics for repayment of claims. In this report, we are providing only a summary of the various options and an explanation of the actuarial analysis supporting the Receiver's recommendations.

A. Liquidation

The first option is simply to liquidate the portfolio and to pay the proceeds of the sale of the policies plus any remaining cash to the creditors. Liquidation has the virtue of being quick and relatively inexpensive. A sales process designed to maximize the sales price should take approximately six to twelve months, depending on the level of interest. The portfolio is in good shape for sale currently. Each of the policies is in force, has a current illustration and a current life expectancy calculation from a reputable source. We have already received several unsolicited expressions of interest in the portfolio and anticipate that by soliciting offers we could have a number of potential offers within a reasonable period of time. The primary expense would be the premiums necessary to keep the policies in force until sale.

The downside of liquidation is that it will return relatively little value for the portfolio. The fair market value for the policies is between $5.3 million and $8.3 million. Using the middle value of $6.7 million plus the cash and other assets on hand, sale of the estate's assets would yield approximately $35 million dollars in distributable cash. With over $77 million in claims,

that means that the estate would only be able to return approximately 45% of each investor's initial investment to them. In effect, liquidating the portfolio locks in the loss associated with the difference between the purchase price paid by Retirement Value for the portfolio and its actuarial value.

How the funds will be distributed – either on a pro rata basis or on a policy by policy basis – does not impact the total return to the investors as a group from liquidation. It does, however, have a significant impact on the distribution of funds among the investors. Under a pro rata method, all investors will recover equally based on the amount invested. Under a policy by policy method, some investors will recover more than 45%; others will recover much less. Who recovers what, depends on the market value of the policies a particular investor invested in and the reserves actually maintained for that policy. Under the policy by policy method, whether an investor participated in policy PLI140 will also play a significant role as PLI140 investors would recover more than investors who did not invest in PLI140.

B. Hold to Maturity

The second option is to hold the policies to maturity distributing the net proceeds after payment of premiums and other expenses to the investors. The option will take longer to pay out as it requires waiting for the policies to mature. However, it will recover significantly more than liquidation. After analyzing the Portfolio, L&E has determined that if the Receiver administers the estates' assets as single Portfolio, then the Portfolio is expected to yield $77.9 in cash for the investors at maturity, an amount sufficient to repay 100% of the amount invested.[14] Statistically

[14] L&E ran 100,000 iterations of a simulation that randomly generated a date of death for each insured based on each individual's survival curve that was developed from the insured's LE. For each iteration, the simulation compiled (i) how much cash was needed to pay the premiums through to maturity; and (ii) how much net cash the Portfolio yielded through maturity. A chart of the result of each iteration is included in the Actuarial Report. Among the 100,000 iterations,

speaking, there is: (i) a 68% probability that the cash available for the investors will be between $70 million and $85 million (returning between 91% and 110% of the investors' initial investment) ; and (ii) a 95% probability that the cash available for the investors will be between $62.5 million and $92.5 million (returning between 81% and 120% of the investors' initial investment). Actuarial Report at 13.

Under this option, all of the assets of the estate would be available to pay premiums on all of the policies in the Portfolio. When a policy matures, the proceeds of the policy will be used to pay premiums on the policies that have not matured. Since the life expectancy of each insured is a median, some of the policies should mature prior to their stated life expectancy and some will mature after their stated life expectancy. The policies that mature early will generate proceeds that the estate can use to pay the premiums for policies that have yet to mature. By using all of the available cash to pay premiums as they become due, the estate can disregard the significant and often imminent shortfalls in the reserve accounts to maintain all of the policies in force and realize their maturity.

Managing the Portfolio in this manner requires significantly less cash at the onset than attempting to manage the portfolio on a policy by policy basis. Because proceeds from maturing policies can be used to pay future premiums, the estate need not reserve 100% of its future cash obligations. Instead, it can rely on statistical probabilities to determine its probable cash requirements. Based on the 100,000 scenarios modeled by L&E, Retirement Value needs only $19.9 million in cash on-hand to have adequate resources to pay premiums in 97.5% of the scenarios.

---

the "Base Case" assumes that all insureds die at their life expectancy. Though an unlikely scenario, the Base Case provides a reference point for discussion purposes.

This means that we can make a distribution to the investors this year and that we will likely be able to make further distributions to the investors over time before all of the policies mature. The estate currently has $29 million in cash and the Receiver anticipates receiving an additional $1.7 million in proceeds from pending settlements and sale of assets not related to the portfolio. Accordingly, in conjunction with the plan of distribution, the Receiver will recommend that the Court approve a distribution of $7.7 million this year.[15]

We anticipate making further distributions in the future. As maturities occur, we expect that cash on hand will exceed the reserves necessary to keep the policies in force. At points, we will make additional distributions. The frequency and amount of future distributions will depend upon the timing of future maturities and recoveries from claims asserted by the Receiver.

When a substantial number of the policies have matured, it will make sense to revisit the issue of whether to hold or liquidate the policies. Eventually, the cost of administering the portfolio will exceed the incremental value of continuing to hold. We don't anticipate that this will occur before the average life expectancy of the Portfolio (124 months) is reached. However, if the early maturities are high face value polices, then that may accelerate this decision.

An incidental benefit of a single Portfolio is an enhanced ability to manage the on-hand cash. As currently structured, the Receiver has 50 bank accounts, one for each policy's premium reserves and a cash account. Each account's cash balance must be maintained segregated, liquid and available to pay the premiums for the corresponding policy. This results in a significant amount of cash sitting idle at a financial institution. At the simplest of levels, consolidating the

[15] The Receiver will retain additional reserves of $3 million for contingencies and administrative expenses. Future administrative expenses are expected to be substantially less than the $1.8 million that the Receiver expects from the settlements and non-portfolio sales which are in progress. As this $1.8 million is not included in L&E's analysis, the payment of administrative expenses should not affect the returns projected by L&E.

portfolio allows for the deposits to be consolidated and deposited in various CD's with staggered terms structured to mature in accordance with the estate's cash needs. The estate could thus avail itself of the higher interest rates that are available for longer term deposits without exposing its assets to additional financial risk.[16]

The hold strategy works only if Retirement Value's assets are treated as a single portfolio and managed for the proportionate benefit of all investor victims. Attempting to retain the policy by policy structure envisioned by Retirement Value and hold the policies to maturity is simply not possible. No policy has sufficient reserves to maintain the policy in force for the insured's life expectancy. Thus, each policy has less than (often, significantly less than) a 50/50 chance of maturing before the premium reserves are exhausted. If we attempted to hold the policies to maturity without consolidation, the most likely result would be that a handful of policies would mature and the remaining policies would exhaust their reserves and lapse. In other words, a few investors would recover a small portion of their investment but that most would recover nothing. If the portfolio is not consolidated so that each investor shares on a pro rata basis, the only prudent course is to liquidate.

Taking into account the time value of money, a hold strategy is preferable to a liquidation strategy. It is, however, difficult to make the comparison. While we expect to make interim distributions, we do not know when or how much. For discussion purposes, we are going to make the artificial assumption that all future distributions will occur only at maturity of the last

[16] Through the use of CDARs or other financial products that distribute funds among various banks, the Receiver could get the benefit of federal deposit insurance which would eliminate the admittedly small but current risk of loss due to the uninsured failure of a financial institution. The Receiver is currently analyzing whether elimination of this risk is worth the lower returns inherent in CDARs or similar products.

policy in the Portfolio. Though an unrealistic assumption, it allows us to calculate the Portfolio's internal rate of return for comparison purposes. The following table summarizes the anticipated distributions and internal rate of returns for the liquidation scenario, the realistic worst case "hold" scenario and the realistic best case "hold" scenario.[17]

		Realistic Hold Scenarios	
	Liquidation	**Worst Case**	**Best Case**
Net Cash Flow (millions)	35	62.5	92.5
Payment per $1.00 of claims			
Now	0.45	0.10	0.10
Final Maturity	-	0.71	1.10
Years to Final Maturity	-	20	10
IRR		3.60%	12.14%

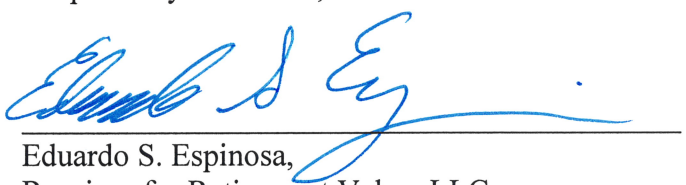
We expect that the actual results will fall between the extremes shown. However, looking at the extremes demonstrates that continuing to hold the policies is the best option. In the worst case (and unrealistically ignoring interim distributions), holding the policies will increase the return to the investors over that from liquidation at a rate that exceeds current depository returns. In the best case, the rate by which the investors' return increases over liquidation is significantly higher than returns from other available investments.

[17] Please note that the IRR measures the internal rate of return on the $0.35 of undistributed liquidation value remaining after the initial $7.7 million distribution.

V. Conclusion

Properly managed, Retirement Value's assets can yield sufficient money to return 100% (plus or minus 20%) of the money invested to the investor-victims. The Receiver has determined that the best and most prudent course of action is not to liquidate the Portfolio but to hold it to substantial maturity. In order to do so, the Portfolio must be consolidated so that all assets of the estate are available to support each policy in the Portfolio and that the proceeds of the policies that mature early will be used to pay premiums on policies that mature later. This means that each investor will be paid a pro rata share of the funds distributed.

Respectfully submitted,



Eduardo S. Espinosa,
Receiver for Retirement Value, LLC

Exhibit A

RETIREMENT VALUE, LLC, RECEIVER
Balance Sheet
As of April 30, 2011

	Apr 30, 11
ASSETS	
Current Assets	
Checking/Savings	
Checking/Savings	10,779,572.05
Policy Bank Accounts	15,310,016.17
WELLS FARGO BASE - 8459	3,197,916.42
Total Checking/Savings	29,287,504.64
Other Current Assets	
Security Deposits	120.00
Total Other Current Assets	120.00
Total Current Assets	29,287,624.64
Fixed Assets	
Building - 707 N Walnut[1]	334,500.00
Land	85,500.00
Total Fixed Assets	420,000.00
Other Assets	
Policies[2]	55,667,732.71
Total Other Assets	55,667,732.71
TOTAL ASSETS	**85,375,357.35**

	Apr 30, 11
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
3rd Party Assets	202,145.69
Total Other Current Liabilities	202,145.69
Total Current Liabilities	202,145.69
Long Term Liabilities	
Payable to Investors	77,590,217.73
Interest Promised to Investors	47,172,631.62
N/P - First Commercial Bank	399,074.89
Total Long Term Liabilities	125,161,924.24
Total Liabilities	125,364,069.93
Equity	
Retained Earnings	-1,275,984.21
Deficit	-38,712,728.37
Total Equity	-39,988,712.58
TOTAL LIABILITIES & EQUITY	**85,375,357.35**

[1] **The Building is reflected on Retirement Value's books at cost less accumulated depreciation.**

[2] **According to FASB Staff Position No. FTB 85-4-1, the Polices are reflected on Retirement Value's books using the investment method. Under the investment method, the book value of each policy includes its purchase price, other acquistion costs (e.g., payments to licensees), premiums paid to date as well as other capitalized expenses. The market value of the Policies is only $6,667,065.56. Taking the market value of the Policies into account, the amount by which Retirement Value's liabilities exceed its assets increases by $49,000,667.15 to $87,713,395.52.**

K&L GATES LLP

Retirement Value

POLICY, PORTFOLIO, & STOCHASTIC ANALYSIS

May 2, 2011

Lewis & Ellis, Inc.
Actuaries & Consultants

S. Scott Gibson, F.S.A., M.A.A.A.
Jacqueline B. Lee, F.S.A., M.A.A.A.

POLICY, PORTFOLIO, & STOCHASTIC ANALYSIS

Table of Contents

Section		Page
I.	Purpose and Scope	1
II.	Valuation	4
III.	Stochastic Modeling	8
IV.	Summary	12

I. Purpose and Scope

Eduardo S. Espinosa (Receiver) is the court-appointed receiver for Retirement Value, LLC (RV). The Receiver engaged Lewis & Ellis, Inc. (L&E) to perform the independent valuation of the RV policies and portfolio. L&E was also asked to perform a stochastic analysis on the portfolio.

The RV portfolio consists of 49 policies with a total face value amount of $134,835,000. The Receiver also hired Asset Servicing Group, LLC (ASG) to administer the portfolio. ASG provided the information used in the valuation. We received illustrations, annual statements, policy contracts, and life expectancy (LE) reports. The LE reports that we used in our analysis were provided by ISC Services, a life expectancy provider generally considered to be reliable. We also reviewed LE reports prepared by AVS and 21st Services, which were provided to us by the Receiver (via ASG).

One policy has matured since the receivership began. This policy has been excluded from all of our analyses, and the received death benefit has been included in the total cash for the portfolio.

The purpose of analysis is to provide the Receiver with a report of the actuarial value, as of February 28, 2011 (Valuation Date) of the portfolio. This report will also assist the Receiver with additional graphs and tools for their presentation to the courts and decision-making process on how to handle the portfolio.

Limits on Distribution and Utilization

This report has been prepared for the use of the Receiver in reporting to the Court and in determining the best strategy for managing the portfolio. It is not appropriate for any other purpose.

This report may not be distributed to any other parties without the prior consent of L&E. Any users of this report must possess a certain level of expertise in life insurance, the life settlement industry, statistics, and/or actuarial science so as not to misinterpret the data presented. Any distribution of this report should be made in its entirety. In addition, any third party with access to this report acknowledges, as a condition of receipt, that L&E does not make any representations or warranties as to the accuracy or completeness of the material. Any third party with access to these materials cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.

It is our understanding, upon which we are relying, that any recipient of this report will consult with and rely solely upon their own legal counsel with respect to definitions. No representation is made herein, or directly or indirectly by the report, as to any legal matter or as to the sufficiency of said definitions for any purpose other than setting forth the scope of our Report hereunder. In connection with this Report, we have made such reviews, analyses, and inquiries as we have deemed necessary and appropriate under the circumstances.

Lewis & Ellis is available to answer any questions that may be raised by this report. Please direct any inquiries to Scott Gibson or Jacqueline Lee.

Confidentiality of Review

L&E recognizes that in the performance of the work, we acquired or had access to records and information considered confidential by the Receiver. L&E took steps to comply with all laws, regulations, and standards relating to confidentiality and privacy.

Reliances

L&E's work was based upon data and information obtained through the Receiver and ASG. Lewis & Ellis did not perform a detailed review of the data provided. L&E did review the data for overall appropriateness and reasonableness. The data appear to be appropriate for use. If there are any material inaccuracies in the data provided, the conclusions reached in this report may be invalid.

We have relied upon and assumed, without independent verification unless noted elsewhere, that:

1. The life expectancies as presented are valid, reasonable, and proper; and
2. The life insurance policies' insured information, benefits, and structures are valid as presented.

The professional fee for this engagement is not contingent upon the opinion of the value set forth in the attached written report prepared by L&E.

The report is based on valuation as of the February 28, 2011valuation date. Subsequent events that could affect the conclusion set forth in the report include adverse changes in industry performance or market conditions, adverse mortality experience, and changes to the business. L&E is under no obligation to update, revise, or reaffirm the report.

The report is intended solely for the information of the person or persons to whom it is addressed solely for the purpose stated, and may not be relied upon by any other person or for any other purpose without L&E's prior written consent. The conclusions set forth in the report are based on methods and techniques that L&E considers appropriate under the circumstances, and represent the opinion of L&E based upon information furnished by the Receiver, ASG, and their advisors.

Notwithstanding the foregoing, the opinions set forth in the report are not intended by L&E, and should not be construed, to be the investment advice in any manner whatsoever. Furthermore, no opinion, counsel, or interpretation is intended in matters that require legal, accounting, tax, or other appropriate professional advice. It is assumed that such opinions, counsel, or interpretations have been or will be obtained from the appropriate professional sources.

L&E is not guaranteeing, on any basis, the performance or success of the portfolio, the repayment of invested capital, or any particular rate of capital or income return.

L&E assumes that the portfolio, the Receiver, and ASG have complied with all applicable federal, state, and local regulations and laws, unless the lack of compliance is specifically noted in the report.

Except to the extent specifically disclosed in writing to L&E, the report also assumes that the portfolio has no material contingent assets or liabilities, no unusual obligations, or substantial commitments other than those incurred in the ordinary course of business, and no pending or threatened litigation that would have a material effect on the portfolio.

L&E has not accounted for any no-lapse provisions that may be included with some of the policies.

II. Valuation

Description of the Portfolio

There are 49 policies in the Retirement Value portfolio with a total face value amount of $134,835,000. Asset Servicing Group, LLC (ASG) administers the portfolio. ASG provided the information used in the valuation. We received illustrations, annual statements, policy contracts, and life expectancy (LE) reports.

One policy has matured since the receivership. This policy has been excluded from all of our analyses, and the received death benefit has been included in the total cash for the portfolio.

The purpose of analysis is to provide the Receiver with a report of the actuarial value, as of February 28, 2011 (Valuation Date) for the portfolio.

The term "actuarial value" is defined as the amount at which the Portfolio (or more specifically the policies of the portfolio) would change hands between a willing buyer and a willing seller, each having reasonable knowledge of the relevant facts, with the presumption that actuarial assumptions and discount rates remain the same. We have not accounted for federal income tax in developing the actuarial value.

All valuation methodologies used to determine the actuarial value of the portfolio are predicated on numerous assumptions pertaining to prospective mortality experience. Unanticipated events and circumstances relating to such may occur and actual results may vary from those assumed. The variations may be material.

The discount rate is an assumption that drastically affects the results of the actuarial value in our analysis. Careful consideration is made when choosing this assumption. L&E currently performs life settlement portfolio valuations on 10+ life settlement portfolios ranging from 2 policies to 1,100 policies. Based on our experience with these funds, their managers, and our general perception of the market, the current market discount rate utilized for buying and selling of policies and portfolios ranges from 10-21%. Factors influencing the estimated range are overall financial market conditions, life insurance carrier, freshness and quality of life expectancy evaluation(s), means of original policy acquisition, and quality of policy source provider. The actuarial value of the portfolio has an inverse relationship to the discount rate; therefore, if the discount rate decreases, the actuarial value of the portfolio increases. Prospective buyers in the life settlement market want the discount rate to be higher, which would drive the purchase price down. Since the Receiver is either selling or maintaining the policies in the portfolio, it is reasonable to assume a higher discount rate such as 18%.

The total current death benefit for the policies, excluding the matured policy, in the portfolio is $124,835,000. As of the Valuation Date, the actuarial value of the Fund is $6,667,066 using the 18% discount rate. A value summary of policies held by the

portfolio is shown on the next page (Exhibit A) along with two other discount rate scenarios of 16% and 20%.

Each policy has an escrow account that holds funds that will be used to pay future premiums and are referred to as "Premium Reserves." Exhibit B, which is on the page following Exhibit A, compares the number of months of premium reserves available to the number of months of the life expectancy for each policy. On average, the premium reserves do not provide enough funds to continue paying premiums from the escrow (roughly 45 months). None of the policies have enough funds to be able to pay premiums until the month of the policy's LE. The graph shows the number of months the premiums would be available in escrow as well as the number of months of the LE for each policy.

Exhibit A - Net Present Values
Probabilistic Basis
As of 2/28/2011

	*Purchaser's Perspective***		
Policy*	**16%**	**18%**	**20%**
AGL06L-102009-LM	430,848.67	383,494.19	342,423.11
AGL130-012110-PM	269,496.00	238,743.88	211,694.59
AGL66L-071509-LB	92,756.91	78,344.01	66,253.45
AGL73L-031909-WK	234,996.40	187,977.64	149,979.28
ANI521-102209-BW	(97,289.63)	(97,142.05)	(96,860.07)
ANI852-031909-HO	(61,032.56)	(82,323.33)	(98,105.58)
AVL180-030510-MR	230,384.80	174,347.14	127,850.65
AXA091-012110-PC	223,817.25	141,417.18	74,542.53
AXA146-090409-GJ	14,138.90	(12,309.29)	(33,270.10)
AXA335-022410-PS	1,358.25	(27,854.75)	(50,269.07)
AXA597-110209-HM	(20,644.43)	(33,126.09)	(42,943.94)
AXA729-112009-SF	50,370.72	24,828.76	4,325.22
AXA804-031909-RM	(208,052.03)	(239,268.19)	(262,592.30)
AXA826-110509-IC	9,787.61	(7,258.07)	(20,919.07)
AXA994-011510-BD	198,237.45	156,145.06	121,214.96
HLI814-092509-MI	126,651.82	101,993.08	81,324.89
ING036-071509-EB	(115,058.12)	(140,372.55)	(160,074.80)
ING15J-121409-AK	(53,774.30)	(59,469.45)	(63,612.77)
ING201-071509-AG	(4,519.96)	(41,979.86)	(70,733.67)
ING283-031909-AI	40,293.89	18,818.30	1,251.57
LBL165-031909-NL	39,663.41	29,549.82	21,395.93
LBL361-021710-SW	122,252.87	98,117.47	79,019.11
LBL771-110209-MF	309,382.49	267,941.88	233,119.47
LFG006-103009-JC	(40,264.98)	(48,827.64)	(55,183.87)
LFG008-102909-RB	247,337.99	202,416.42	165,922.89
LFG081-021710-RC	42,470.43	33,072.64	25,507.48
LFG117-021710-HW	(3,005.66)	(15,030.54)	(24,438.59)
LFG177-031909-MC	(21,043.53)	(24,789.09)	(27,199.85)
LFG183-111109-MR	889,335.90	789,529.17	704,782.99
LFG248-012610-HM	318,870.03	264,166.14	219,337.68
LFG272-112009-PS	65,022.78	45,526.99	30,074.67
LFG311-031210-HM	530,789.97	439,612.29	364,907.59
LFG566-071509-MR	770,238.74	685,062.11	612,323.98
LFG591-031909-DH	181,443.04	155,770.93	133,968.32
LFG735-030510-AS	396,678.80	332,026.12	279,328.35
LFG740-071509RL	429,916.80	353,461.03	291,617.47
LFG782-090409-HO	1,623,780.92	1,490,304.07	1,372,485.14
LLI899-102209-AT	445,960.12	334,404.40	243,834.63
MET650-071509-DF	(275,274.43)	(261,038.83)	(248,187.16)
MMI860-071509-ML	(10,913.68)	(26,973.98)	(38,949.70)
OML446-031909-RL	254,107.70	210,247.28	173,109.10
PLI680-102909-JS	(82,486.24)	(82,307.67)	(81,650.23)
PLI930-102009-HM	(41,504.59)	(49,846.58)	(56,441.11)
PLI980-111109-JS	(374,822.02)	(374,179.87)	(371,609.18)
SLA338-112009-CD	49,363.12	24,405.72	4,167.34
SLA534-031909-LC	(9,805.77)	(16,225.41)	(21,410.62)
TRA281-071509-RJ	75,834.79	50,174.42	29,153.13
WPL982-071509-LB	36,547.44	29,341.76	23,498.39
Portfolio Total	***8,298,793.00***	***6,667,065.56***	***5,330,111.16***

**Excludes PLI140-111109-DM*

***Do not include any no-lapse guarantees*

Exhibit B

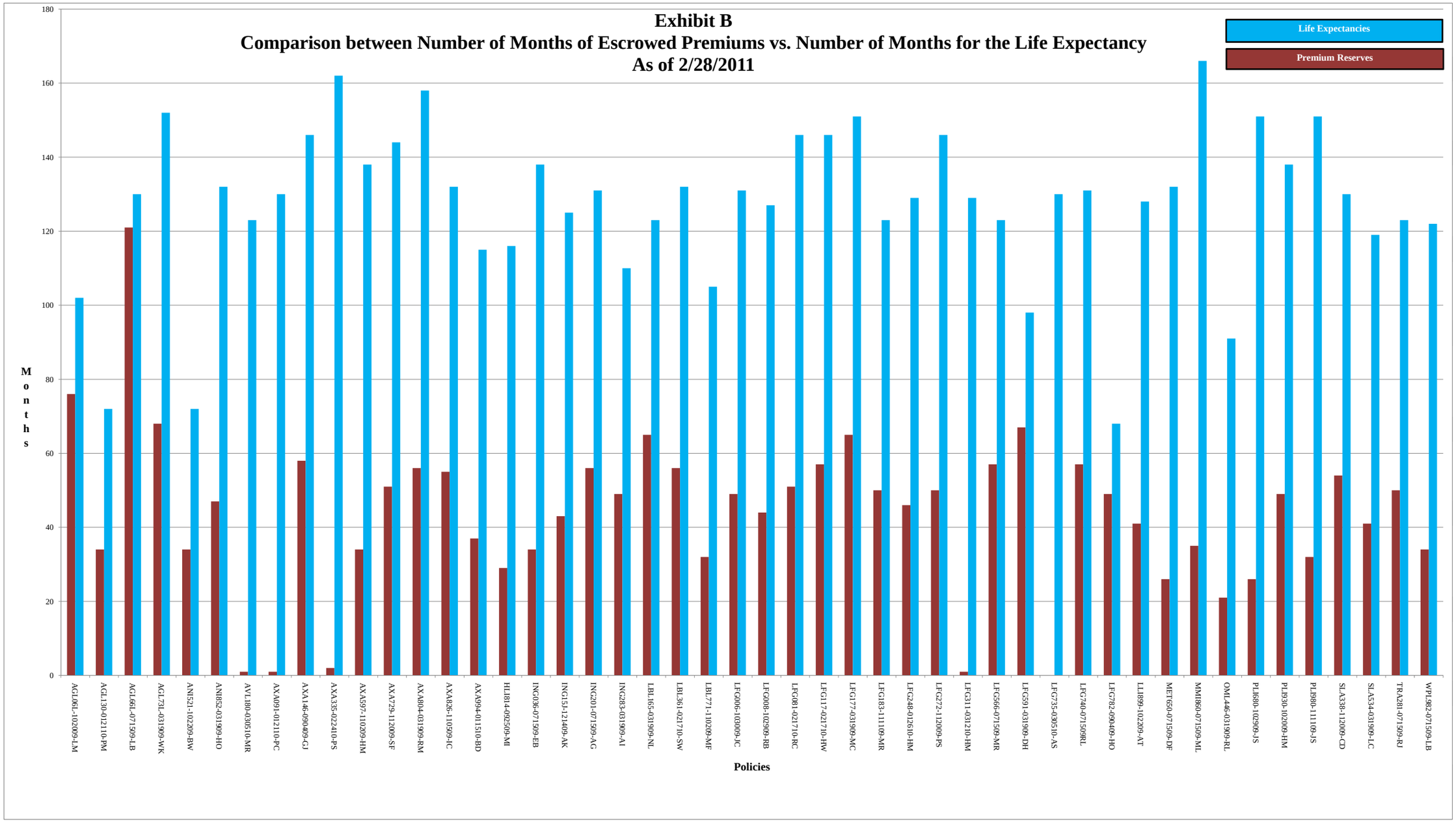


Exhibit B
Comparison between Number of Months of Escrowed Premiums vs. Number of Months for the Life Expectancy
As of 2/28/2011
Life Expectancies
Premium Reserves
Months
Policies
0
20
40
60
80
100
120
140
160
180
AGL06J-102009-LM
AGL130-012110-PM
AGL06L-071509-LB
AGL73L-031909-WK
ANI521-102209-BW
ANI852-031909-HO
AVL180-030510-MR
AXA091-012110-PC
AXA146-090409-GJ
AXA335-022410-PS
AXA597-110209-HM
AXA729-112009-SF
AXA804-031909-RM
AXA826-110509-JC
AXA994-011510-BD
HLI814-092509-MI
ING036-071509-EB
ING153-121409-AK
ING201-071509-AG
ING283-031909-AI
LBL165-031909-NL
LBL361-021710-SW
LBL771-110209-MF
LFG006-103009-JC
LFG008-102909-RB
LFG081-021710-RC
LFG117-021710-HW
LFG177-031909-MC
LFG183-111109-MR
LFG248-012610-HM
LFG272-112009-PS
LFG311-031210-HM
LFG566-071509-MR
LFG591-031909-DH
LFG735-030510-AS
LFG740-071509RL
LFG782-090409-HO
LLI899-102209-AT
MET650-071509-DF
MMI860-071509-ML
OML446-031909-RL
PLI680-102909-JS
PLI930-102009-HM
PLI980-111109-JS
SLA338-112009-CD
SLA534-031909-LC
TRA281-071509-RJ
WFL982-071509-LB

Qualifications ***(to include S. Scott Gibson, FSA, MAAA and Jacqueline B. Lee, FSA, MAAA)***

Lewis & Ellis, Inc. has been an actuarial consulting firm for over 40 years with offices in Dallas, Kansas City, London, and Baltimore. Scott Gibson has been a consultant with L&E in the Dallas office since 1987 serving as a partner since 1993. Jackie Lee has been with Lewis & Ellis since 2008. Scott and Jackie are Fellows of the Society of Actuaries and Members of the American Academy of Actuaries. Scott served as a Board Member of the Life Insurance Settlement Association (LISA) for nearly five years starting in November 2005. Scott specialized his entire actuarial career, which started in 1981, in the life insurance area and has been working/serving the life settlement market since 2004. In 2004, Jackie began her actuarial career serving the health insurance industry, and she transitioned over to the life settlement industry at L&E. For life settlement work, they provide policy pricing, policy/fund valuations providing policy pricing, policy/fund valuations, and general consulting on an independent basis.

Valuation Methodology

The policies are valued based on the Probabilistic Method. The life expectancy, account values, and illustrations were provided to L&E from ASG. Upon receiving the information, L&E solved for the cost of insurance rates. The projected cash flows will be determined based on mortality probabilities.

Other specific items included and utilized in the valuation:

- Base mortality table is the 2008 Valuation Basic Table (2008 VBT) Select that is gender and smoking class distinct; whereby age is on an ANB (age near birthday) basis.
- Every life expectancy (LE) provided came from ISC Services and a constant multiplier is determined such that when applied to the 2008 VBT and adjusted for the multiplier, the adjusted mortality table produces a calculated LE equal to the underwriter's LE as of the underwriting date.
- Based on the final adjusted mortality tables, a continuance table is developed based on the assumption that the survivorship is 100% as of the valuation date, and showing the probabilities of death occurring in each of the following month, and the cumulative probability of survival to each future month.
- Estimates of future premiums, after the valuation date, are the minimum premium streams calculated from the current values on the illustration. The premium streams are those used in pricing the case, and reflect the minimum premiums required to fund the policy short of lapsation, based on the insurance company policy illustration and verification of coverage (VOC) data.

As months elapse, the new value of the asset will take into consideration the new projected cash flows based on the survivorship of the policy.

On a monthly basis the projected cost of insurance will be assumed to have been paid.

We are relying on and using the LE's that they have currently been provided. As we are not medical underwriters, we cannot opine as to the methodology embedded in or the accuracy of these LE's.

Asset Value Calculation Formula:

x	The insured's age at LE underwriting.
w	The last age of the mortality table; 115 for 2008 VBT.
tPx	The probability of a person age x surviving t years.
tQx	The probability of a person age x dying within t years.
t|Qx	The probability of a person age x surviving t years then dying in the next year.
Ex	The life expectancy in years of a person age x. This is the sum of tPx for t=1 to w minus x.
Mult	The mortality scalar multiplier applied to the Base mortality table such that Ex equals the Life Expectancy Provider's provided LE.
tDB	The face amount of the policy in year t.
tMP	The projected minimum policy premium to be paid in year t.
tEDB	The expected death benefit to be collected in year t. This equals tDB times t|Qx. It should be noted that the sum of all tEDB's equals the face amount of the policy.
tEMP	The expected minimum policy premium to be paid in year t. This equals tMP times tPx.
i	The policy applicable discount rate as defined above.
NPVy(tEDB)	The net present value of the expected death benefits to be collected. This equals the sum of (1+i) to the (-t+y) power times tEDB for t=y+1 to w-x. The assumption is that the death benefit is paid at the end of the policy year.
NPVy(tEMP)	The net present value of the expected minimum policy premiums to be paid. This equals the sum of (1+i) to the (-t+y+1) power times tEMP for t=1 to w-x. The assumption is that premiums are paid annually at the beginning of policy year.
PPP	The policy purchase price. This equals the sum of NPV0EDB minus NPV0EMP.
NAVy	The net asset value of the policy at the end of year t. This equals (the sum of NPVy(tEDB) minus NPVy(tEMP) divided by tPx.

The above formulas are presented on an "annual" basis for simplicity and ease of understanding. The reality is that we make these calculations on a monthly basis with the same principals being applied. Essentially, "t" becomes a measure of months. Proper adjustments are made to the minimum premium component to accommodate for varying modes of payment.

III. Stochastic Modeling

L&E was also asked to provide additional graphs and analysis that would help the Receiver make the appropriate decisions on the behalf of the investors in the policies. Specifically, the Receiver wanted to know how much cash they need to pay all future premiums and see all policies to maturity (Premiums Needed). Also, the Receiver wanted to know the net cash received if all policies matured and accounting for taxes (Net Cash at Maturity) for the portfolio. The net cash also includes over $29 million that the Receiver has in escrow and operating cash for the portfolio.

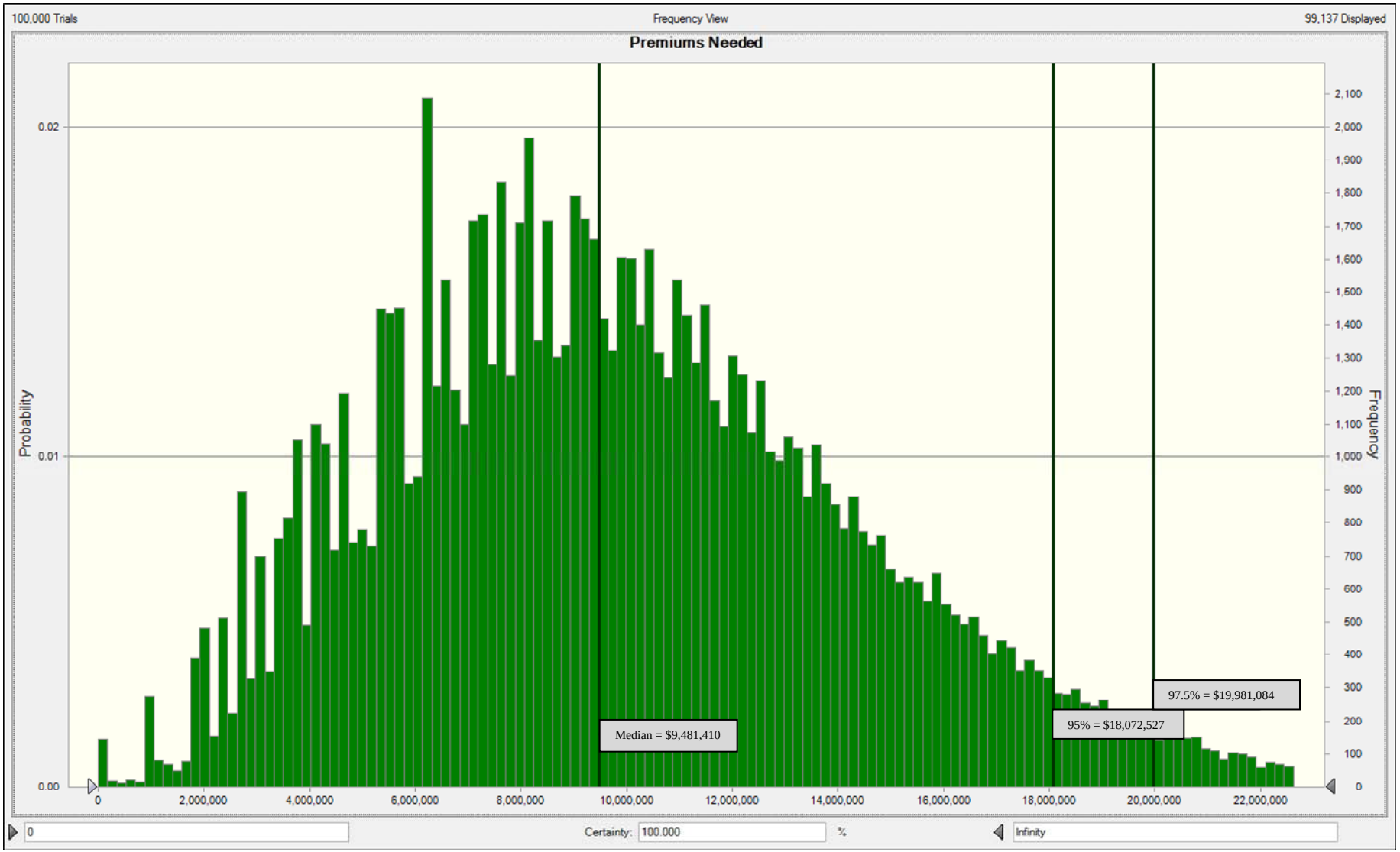
The Receiver's accountant provided guidance on the taxation of the policies. The 35% tax rate is applied to the gain when the death benefit is paid. The gain is the face amount of the policy less the basis (the costs) that RV had in the policy. The basis includes the cost of acquiring the policy as well as all premiums paid on the policy prior to maturity. Our model takes into account the increase in basis resulting from future premium payments. The tax was calculated at the policy level.

L&E used a Monte Carlo simulation to randomly generate the LE's by policy based on each individual's survival curve that was developed during the valuation analysis from the underwriter's LE's. The simulation ran 100,000 iterations. The base case is defined as the scenario where the LE's are equal to the LE provided by ISC. The following chart provides the statistics for the "Premiums Needed" and "Net Cash at Maturity."

Statistics	Premiums Needed	Portfolio - Net Cash at Maturity
Trials	100,000	100,000
Base Case (at LE)	28,995,631	91,188,233
Mean	9,955,226	77,548,109
Median	9,481,410	77,934,276
Standard Deviation	4,526,196	7,511,097
Minimum	0	40,214,472
Maximum	35,319,223	102,685,783

The graph on the next page shows the frequency graph for the Premiums Needed. The graph displays the results from the 100,000 iterations. The graph shows the median, 95th percentile, and 97 ½ percentile.

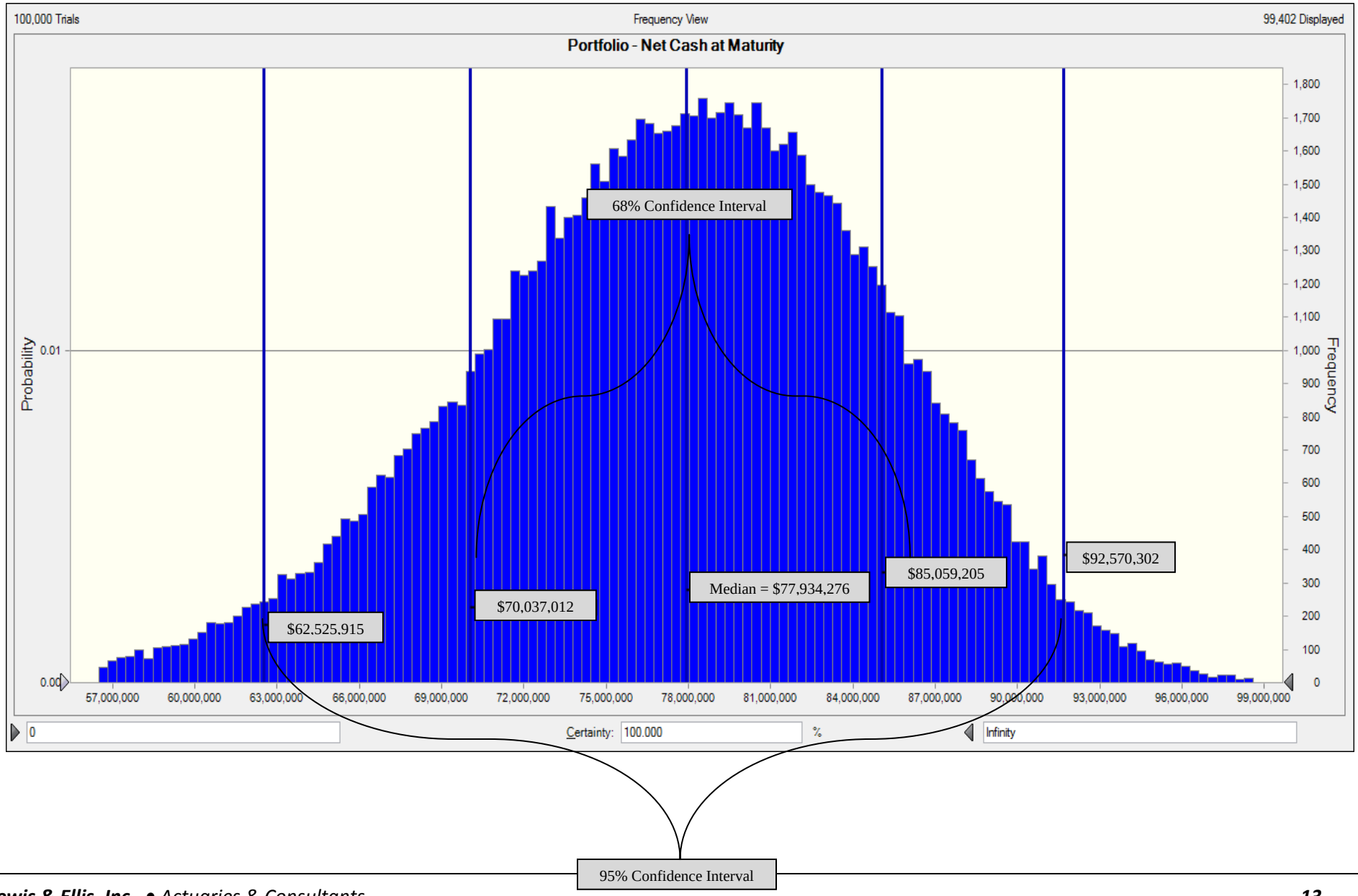
Exhibit C


100,000 Trials
Frequency View
99,137 Displayed
Premiums Needed
Probability
Frequency
0.02
0.01
0.00
2,100
2,000
1,900
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
100
0
0
2,000,000
4,000,000
6,000,000
8,000,000
10,000,000
12,000,000
14,000,000
16,000,000
18,000,000
20,000,000
22,000,000
Median = $9,481,410
95% = $18,072,527
97.5% = $19,981,084
0
Certainty: 100.000
%
Infinity

The next graph shows the results for the net cash at maturity for the portfolio. As explained earlier, the net cash at maturity is the amount of death benefits paid after all policies have matured less taxes and anticipated premiums after 2/28/2011. The net cash also includes the total cash on hand with the Receiver for the RV portfolio. This amount is $29.17 million and is added to the total death benefits less taxes and premiums paid.

The graph resembles a normal distribution, and we have displayed the 68% confidence interval and the 95% confidence interval. Based on the simulation, we are 68% confident that the cash received after all maturities will be between $70.0 million and $85.1 million. Likewise, we are 95% confident that the cash received will be between $62.5 million and $92.6 million.

Exhibit D


100,000 Trials
Frequency View
99,402 Displayed
Portfolio - Net Cash at Maturity
Probability
Frequency
0.01
0.00
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
100
0
57,000,000
60,000,000
63,000,000
66,000,000
69,000,000
72,000,000
75,000,000
78,000,000
81,000,000
84,000,000
87,000,000
90,000,000
93,000,000
96,000,000
99,000,000
68% Confidence Interval
$62,525,915
$70,037,012
Median = $77,934,276
$85,059,205
$92,570,302
95% Confidence Interval
0
Certainty: 100.000
%
Infinity

IV. Summary

Eduardo S. Espinosa is the court-appointed receiver for Retirement Value, LLC. The Receiver engaged Lewis & Ellis, Inc. to perform the independent valuation of the RV policies and portfolio. L&E was also asked to perform a stochastic analysis on the portfolio.

The RV portfolio consists of 48 policies, excluding the matured policy, with a total face value amount of $124,835,000. The Receiver also hired Asset Servicing Group, LLC to administer the portfolio. ASG provided the information used in the valuation. We received illustrations, annual statements, policy contracts, and life expectancy reports.

The purpose of analysis is to provide the Receiver with a report of the actuarial value, as of February 28, 2011 of the portfolio. This report will also assist the Receiver with additional graphs and statistics based on stochastic modeling of the portfolio for their presentation to the courts and decision-making process on how to handle the portfolio.

Analysis

- The actuarial value of the portfolio as of February 28, 2011 is $6,667,066 with an 18% discount rate.
- L&E used a Monte Carlo simulation to randomly generate the LE's by policy based on each individual's survival curve that was developed during the valuation analysis from the underwriter's LE's.
    - Premiums Needed: The Receiver wanted to know how much cash they need to pay all future premiums and see all policies to maturity.
    - Net Cash: Also, the Receiver wanted to know the net cash received if all policies matured and accounting for taxes for the portfolio. The net cash also includes over $29 million that the Receiver has in escrow and operating cash for the portfolio.

S. Scott Gibson, FSA, MAAA
Senior Vice President & Principal
Lewis & Ellis, Inc.
May 2, 2011

Jacqueline B. Lee, FSA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.
May 2, 2011

EXHIBIT C

Internal Code	Life Expectancy in Months ISC LE 50%	ISC LE 85%
LFG177-031909-MC	149	222
LFG081-021710-RC	140	216
LFG740-071509RL	127	194
LFG006-103009-JC	127	196
LFG591-031909-DH	95	148
LFG008-102909-RB	121	191
LFG782-090409-HO	68	113
LFG272-112009-PS	140	216
LFG566-071509-MR	118	188
LFG183-111109-MR	118	188
LFG117-021710-HW	140	217
LFG735-030510-AS	125	197
LFG311-031210-HM	127	192
LFG248-012610-HM	127	192
LBL165-031909-NL	120	186
LBL771-110209-MF	102	158
LBL361-021710-SW	129	197
AGL73L-031909-WK	149	223
AGL66L-071509-LB	125	197
AGL06L-102009-LM	97	161
AGL130-012110-PM	64	121
ANI852-031909-HO	129	198
ANI521-102209-BW	85	146
AXA804-031909-RM	158	229
AXA146-090409-GJ	140	217
AXA826-110509-IC	129	198
AXA994-011510-BD	112	173
AXA729-112009-SF	141	213
AXA597-110209-HM	135	203
AXA091-012110-PC	125	197
AXA335-022410-PS	161	237
SLA338-112009-CD	125	197
SLA534-031909-LC	113	181
MMI860-071509-ML	162	242
PLI980-111109-JS	150	220
PLI680-102909-JS	150	220
PLI930-102009-HM	135	203
PLI140-111109-DM	NA	NA
ING036-071509-EB	132	206
ING201-071509-AG	127	196
ING15J-121409-AK	120	187
ING283-031909-AI	105	168
LLI899-102209-AT	126	192
MET650-071509-DF	127	197
TRA281-071509-RJ	118	188
HLI814-092509-MI	110	178
WPL982-071509-LB	119	182
OML446-031909-RL	91	151
AVL180-030510-MR	118	188
Average	**123.98**	**192.08**