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COUNSEL FOR PETITIONING CREDITORS

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§
	§ CASE NO. 11-35165-SGJ-7
RETIREMENT VALUE, LLC,	§
	§ INVOLUNTARY CHAPTER 7
Debtor.	§ PROCEEDING
	§

PETITIONING CREDITORS' MOTION TO CONVERT CASE TO CHAPTER 11

TO THE HONORABLE STACEY G.C. JERNIGAN,
UNITED STATES BANKRUPTCY JUDGE:

Richard Stafford, Frank Marlow, Yvonne Staley, and Hugh Dunn (together, the “Petitioning Creditors”) hereby file this Motion to Convert Case to Chapter 11 (the “Motion to Convert”) pursuant to 11 U.S.C. § 706(b) and Fed. R. Bankr. P. 1017 and would respectfully show the Court as follows:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334(b). Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory basis for relief requested herein is Section 706(b) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 1017.

II. PROCEDURAL BACKGROUND

3. On August 12, 2011, the Petitioning Creditors filed an involuntary bankruptcy petition against Retirement Value, LLC (the “Alleged Debtor”) under Chapter 7, commencing this involuntary bankruptcy case.

4. Contemporaneously with the filing of the involuntary petition, the Petitioning Creditors filed their Emergency Motion for Appointment of Chapter 7 Interim Trustee (as amended, the “Trustee Motion”) [Docket No. 2] seeking the appointment of an interim Chapter 7 trustee during the involuntary gap period under Section 303(g) of the Bankruptcy Code.

5. On August 19, 2011, the Petitioning Creditors filed an Amended Involuntary Petition purporting to change the Chapter under which the involuntary case was filed from Chapter 7 to Chapter 11 of the Bankruptcy Code.

6. Also on August 19, 2011, the Petitioning Creditors filed their Amended Emergency Motion for Appointment of Interim Trustee [Docket No. 22] seeking the appointment of an interim trustee under Section 1104 of the Bankruptcy Code.

7. On August 22, 2011, the Court held a hearing on the Petitioning Creditor’s Trustee Motion and the Receiver’s Expedited Motion for Interim and Final Relief Pursuant to 11 U.S.C. § 543(d) from Turnover of Property, or, Alternatively, for Abstention Pursuant to 11

U.S.C. § 305(a) (the “Relief Motion”) [Docket No. 17], at which hearing the Court carried consideration of the two motions to a continued setting on September 27, 2011.

III. FACTUAL BACKGROUND

A. The Retirement Value Business Model

8. Retirement Value, LLC was in the business of selling investment products based on life insurance policies that it purchased. Retirement Value received approximately \$77.6 million from more than 900 note holders, including the Petitioning Creditors, promising to repay them approximately \$125 million. The proceeds of the debt were used to acquire 48 insurance policies at a purchase price of approximately \$28 million and establish a premium reserve of approximately \$25 million.

9. Each of Retirement Value’s investment products was structured as a loan to Retirement Value, whereby, in exchange for the note holder’s promise to provide Retirement Value with funds to acquire life insurance policies, Retirement Value promised to pay a fixed sum of money upon the maturity of the life insurance policies. The amount that Retirement Value agreed to pay was tied to the calculated life expectancy of insureds under life insurance policies that Retirement Value purchased. In all instances, Retirement Value agreed to pay a return of 16.5% simple interest per year for the insured’s calculated life expectancy. The date on which the insured under the policy died set the date that the investment matured and the date upon which Retirement Value would be required to repay the loan. The loan’s maturity date did not affect the amount of money that Retirement Value was obligated to pay the note holder, except that note holders were entitled to a return of unused premiums, if any. Each note holder was allowed to allocate his or her investment so that it was matched with a rotating portfolio of life insurance policies maintained by Retirement Value.

B. The State Court Appointment of the Receiver

10. By selling unregistered investments in resale life insurance policies, Retirement Value allegedly violated the registration requirements of the Securities Act of 1933 and the Blue Sky Laws of Texas and the other states in which it sold investments, under which an investment in resale life insurance policies is considered to be a security.

11. In May 2010, the Texas State Securities Board issued a Cease and Desist Order halting all of Retirement Value's operations. On May 5, 2010, the 126th Judicial District Court of Travis County, Texas appointed Mr. Eduardo S. Espinosa, a Dallas attorney, as receiver over Retirement Value's estate (the "Receiver") pursuant to the First Amended Temporary Restraining Order and Order Appointing Receiver in the cause numbered D-1-GV-10-000454 and styled *State of Texas v. Retirement Value, LLC, Richard H. "Dick" Gray, and Bruce Collins, Defendants, and Keisling, Porter & Free, P.C., Relief Defendant* (the "Retirement Value Lawsuit"). The Receiver continued to serve as the court-appointed receiver over Retirement Value's assets under the Agreed Temporary Injunction Order entered in the Retirement Value Lawsuit on May 28, 2010 until the filing of the involuntary bankruptcy petition before this Court.

C. The Receiver's Management of Retirement Value's Assets & Proposed Plan of Reorganization

12. The Receiver was charged with the duty to: take control of Retirement Value's property, assets, books, records, and physical premises; conduct and manage the business affairs of Retirement Value; notify note holders; assist the State Securities Board and the State Attorney General in its investigations of Retirement Value's violations of applicable securities laws; and to effect fair restitution, if possible, from the assets under his control according to a plan to be approved by the Travis County court. The assets under the Receiver's control are comprised

almost exclusively of money paid by note holders, including the Petitioning Creditors, to purchase life insurance policies and pay premiums, augmented by the proceeds of a large insurance policy that matured after the appointment of the Receiver.

13. After conducting his investigations and publishing his results in reports filed on July 28, 2010 and April 30, 2011, the Receiver concluded that Retirement Value was insolvent.¹ See Affidavit of Eduardo S. Espinosa, dated July 29, 2011 (the “Espinosa Affidavit”), ¶7, attached hereto as **Exhibit A**.

14. The Receiver proposed a plan of reorganization (the “Plan”) in the Retirement Value Lawsuit that, among other things, seeks to reject key terms in the note holders’ loan agreements – including the coupling of the individual note holders’ contracts to pre-selected policy proceeds – and pay such note holders on a pro rata basis up to the amount of their claims, as funds become available for distribution. (Espinosa Affidavit, ¶19) A true and correct copy of the Receiver’s proposed Plan is attached hereto as **Exhibit B**. In explaining the effects of approving his proposed Plan, the Receiver specifically pronounced that “[n]o investor has an interest in or entitlement to the proceeds of any particular policy.” (Espinosa Affidavit, ¶19)

15. The Receiver’s Plan proposes to fund premium policy payments from existing reserves and proceeds from settlements obtained during the Receivership Lawsuit and make distributions to investors on a pro rata basis. The Receiver’s Plan does not contemplate an option for a buyer to purchase all or a portion of Retirement Value’s life insurance policy portfolio at a profit to the estate, and in fact, the Receiver failed to pursue offers made by various buyers because he considered them not to be credible.

¹ The Receiver continues to assert the Alleged Debtor’s insolvency. See Receiver’s Relief Motion, ¶21 (“The Alleged Debtor is insolvent.”).

16. The Petitioning Creditors believe that the value of Retirement Value's assets, particularly its portfolio of life insurance policies acquired with investor funds, may be better preserved for the benefit of Retirement Value's creditors if Retirement Value's involuntary bankruptcy case under Chapter 7 were converted to an involuntary bankruptcy case under Chapter 11. A Chapter 11 trustee will be better positioned to market Retirement Value's assets and entertain offers from qualified buyers to yield a higher return to the estate in the context of a controlled liquidation under Chapter 11, as opposed to an immediate liquidation under Chapter 7.

IV. ARGUMENT AND ANALYSIS

17. Section 706(b) of the Bankruptcy Code provides as follows:

(b) On request of a party in interest and after notice and a hearing, the court may convert a case under this chapter to a case under chapter 11 of this title at any time.

11 U.S.C. §706(b) (emphasis added).

18. This Court may exercise its discretion to convert a case under Chapter 7 to a case under Chapter 11 where it finds that conversion will "most inure to the benefit of all parties in interest." *In re Texas Extrusion Corp.*, 844 F.2d 1142, 1161 (5th Cir. 1988) (citing H.R. Rep. No. 595, 95 Cong., 1st Sess. at 380 (1977), reprinted in 1978 U.S. Code Cong. & Admin. News at 6336; *In re Graham*, 21 B.R. 235, 237 (Bank. N.D. Iowa W.D.1982)).

19. The benefits of conversion from Chapter 7 to Chapter 11 to all parties in interest warrant this Court's approval of the Petitioning Creditors' Motion to Convert. The unique nature of Retirement Value's assets does not lend itself to a quick liquidation at the hands of a Chapter 7 trustee. The Alleged Debtor's estate will realize significant gains if its assets are marketed according to the terms of a confirmed liquidation plan for a period of time sufficient to solicit the highest and best offers. There is also a benefit to the Alleged Debtor's estate if a court-approved

professional is allowed the opportunity to explore all potential avenues of repaying creditors that may have not received sufficient consideration by the Receiver.

20. Even the Receiver agrees, in his own pleadings, that a Chapter 7 liquidation would not return the benefit that a Chapter 11 liquidation could yield: “After analyzing the Alleged Debtor’s options, the Receiver adamantly disagrees that a fire-sale of the Alleged Debtor’s assets under chapter 7 of the Bankruptcy Code – including all the additional costs and delay associated with transitioning the estate to a new party – would benefit anyone.” (Receiver’s Relief Motion, ¶38)

WHEREFORE PREMISES CONSIDERED, the Petitioning Creditors request that this Court grant their Motion to Convert, enter an order converting this involuntary case from a case under Chapter 7 to a case under Chapter 11 of the Bankruptcy Code, and grant the Petitioning Creditors such other and further relief that they may show themselves to be entitled.

Dated: September 22, 2011.

Respectfully submitted,

/s/ Gerrit M. Pronske

Gerrit M. Pronske

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**COUNSEL FOR PETITIONING
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CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that, on September 22, 2011, I caused to be served the foregoing Motion upon the parties listed below via U.S. Mail and via the Court's electronic transmission service.

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/s/ Melanie P. Goolsby
Melanie P. Goolsby

CAUSE NO. D-1-GV-10-000454

STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
	§	
Plaintiff,	§	
	§	
v.	§	
	§	
RETIREMENT VALUE, LLC,	§	
RICHARD H. "DICK" GRAY, HILL	§	
COUNTRY FUNDING, LLC, a	§	
Texas Limited Liability Company,	§	TRAVIS COUNTY, TEXAS
HILL COUNTRY FUNDING, a Nevada	§	
Limited Liability Company, and	§	
WENDY ROGERS,	§	
	§	
Defendants,	§	
	§	
AND	§	
	§	
KIESLING, PORTER, KIESLING, &	§	
FREE, P.C.,	§	
	§	
Relief Defendant.	§	126th JUDICIAL DISTRICT

AFFIDAVIT OF EDUARDO S. ESPINOSA

BEFORE ME, the undersigned authority, on this day personally appeared Eduardo S. Espinosa, who is personally known to me, and after being duly sworn according to law, upon his/her oath duly deposed and said:

1. My name is Eduardo S. Espinosa. I am over the age of twenty-one (21) years, of sound mind, and fully competent to testify in this cause. I have personal knowledge of the facts stated herein, all of which are true and correct.

2. I am a partner in the law firm of K&L Gates, LLP. I was admitted to practice law in the State of Louisiana in 1996 and in the State of Texas in 1999. Prior to entering private practice, I was an Enforcement Attorney with the United States Securities and Exchange

Commission, where I investigated violations of and enforced the antifraud provisions of the federal securities laws.

3. The Court appointed me as the receiver for Retirement Value, LLC, a Texas limited liability company (“Retirement Value”), and the assets derived there from of Richard H. “Dick” Gray (“Gray”) and Bruce Collins (“Collins”) pursuant to the First Amended Temporary Restraining Order and Order Appointing Receiver entered on May 5, 2010 (as extended as to all Defendants on May 12, 2010 and as extended as to Collins on June 2, 2010, (the “First Amended TRO”) in the cause numbered D-1-GV-10-000454 and styled *State of Texas v. Retirement Value, LLC, Richard H. “Dick” Gray, and Bruce Collins, Defendants, and Kiesling, Porter, Kiesling, & Free, P.C., Relief Defendant*, in the 126th District Court of Travis County, Texas (the “Retirement Value Lawsuit”).

4. I continue as the court-appointed receiver for Retirement Value and Gray’s assets derived therefrom pursuant to the Agreed Temporary Injunction Order against Defendants Retirement Value LLC and Richard H. “Dick” Gray and the Relief Defendant and Order Appointing Receiver entered on May 28, 2010 (the “Agreed TI”) in the Retirement Value Lawsuit.

5. Initially, the First Amended TRO and now, the Agreed TI directs me to, among other things: take control of the property, assets, books, records, and the physical premises of Retirement Value; conduct and manage the business affairs of Retirement Value; notify investor-victims; assist the State Securities Board and the Attorney General with their investigations of the Defendants’ violations of the Securities Act and other laws of the State of Texas and to effect fair restitution, if possible, from the assets under my control according to a plan to be approved by the Court.

6. As directed in the Agreed TI, I have completed a diligent investigation into the identity of investor-victims, the amounts they paid to Defendants Retirement Value or Gray, any amounts already paid by Defendants Retirement Value or Gray to the investor-victims, and the circumstances under which their dealings with Defendants Retirement Value or Gray arose. The results of my investigation are detailed in my Initial Report of July 28, 2010 and in my Report of April 30, 2011. Both reports have previously been filed with the Court. For convenience, I am attaching copies of each report to my affidavit (Exhibits A and B, respectively). The copy of the Initial Report attached to this affidavit does not have the exhibits attached as they are voluminous and already part of the Court's record.

7. Retirement Value is insolvent. The market value of the assets it holds is far less than its debts. Retirement Value owes \$125.1 million in debt. Almost all of this debt is owed to the investors -- \$77.6 million in principal and \$47.2 million in interest. It also owes about \$100,000 to various vendors and other trade creditors. In addition, Retirement Value faces a claim for employment discrimination as well as other unliquidated claims. To pay these debts Retirement Value has approximately \$29 million in cash and a portfolio of policies with an estimated liquidation value of \$5.7 million.

8. Retirement Value also holds claims against its members, licensees and others. It has reached tentative agreements to settle its claims against Dick Gray and Kiesling Porter. These settlements are anticipated to generate approximately \$1.3 million in cash and assets. While Retirement Value remaining claims are meritorious, it is not possible to estimate their value at this time.

9. Retirement Value had planned to repay its debt to the investors (or at least represented that it would do so) by holding the policies in its portfolio to maturity and using the

proceeds of the policies to pay the investors. Retirement Value's initial plan has zero chance of success. It needs approximately \$42.7 million in additional reserves just to get each policy to the insured's life expectancy – the point at which the insured has a 50/50 chance of having died. As it stands currently, no policy has sufficient reserves to keep it in force until life expectancy. Most policies are significantly under-reserved and many policies either have already exhausted their reserves or will run out in just a few months.

10. Simply holding the policies and attempting to keep them in force through maturity using only the funds reserved for each policy will not work. Even worse, attempting to do so will deplete the estate, leaving it unable to pay the investors at all. The portfolio must be either restructured or liquidated.

11. 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.

12. The downside of liquidation is that it will return relatively little value for the portfolio. The fair market value for the policies is between \$4.3 million and \$7.1 million. Using the middle value of \$5.7 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.

13. 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 44%; 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.

14. 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. Statistically 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) L&E Revised Valuation Report dated June 27, 2011 attached as Exhibit C to my affidavit.

15. 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.

16. 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.

17. 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 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.

18. 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.

19. To that end, I have proposed a Plan of Distribution that contains the following points:

- The investors will be paid on a pro rata basis up to the amount of their claims, as funds become available for distribution. No investor has an interest in or entitlement to the proceeds of any particular policy.
- The investors will have priority over the general creditors (e.g., trade creditors).
- Investor claims will be valued on a "net investment" basis – dollars invested less dollars received from Retirement Value. This will have a limited effect on the majority of investors but reduces the claims of investors who also happen to be licensees by the amount of the commissions received.
- I will publish a schedule of claims. Only those claimants (i) whose claims are scheduled as disputed; (ii) whose claims are not scheduled or (iii) who dispute the

amount or classification of their claim will need to take further action by filing a proof of claim. Proofs of claim must be filed by a bar date, to be set by the Court. The overwhelming majority of claimants will not need to do anything to preserve their claim.

- As policies mature and portfolio variables in the model become known, I will periodically review the portfolio cash reserves, and make distributions of excess cash flows, when on-hand cash exceeds the forecasted reserve requirements.
- Reserve levels will be maintained at levels equal to the necessary premium reserves calculated at the 97½ percentile in the most recent stochastic model prepared by the estate's actuaries plus a reserve for expenses and contingencies.
- There will be an initial distribution of \$7.7 million payable in 2011. Further distributions will be made as excess net cash flow funds become available.

I solicited comments on the Plan of Distribution from the Intervenors and other investors as well as the State. I also posted the Plan on the Receivership website.

20. I anticipate making further distributions in the future. As maturities occur, I expect that cash on hand will exceed the reserves necessary to keep the policies in force. At those points, I 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 Estate.

21. The Plan that I have proposed provides the best likelihood of paying the most money to the most investors. It treats all investors equally with no investor or group of investors prevailing over the others. It is also in line with how Retirement Value actually operated its business (as opposed to how Retirement Value represented it would do so). Retirement Value treated the policies it held as a single portfolio taking funds as needed from various reserve accounts to purchase policies unconnected to those accounts.

22. In the course of my investigation of the business affairs of Retirement Value, I personally interviewed several Retirement Value employees, including without limitation, Gray on May 6, 2010, and Wendy Rogers ("Rogers") on May 7, 2010. Further, my agents interviewed

several Retirement Value employees, including without limitation Carie Morales (“Morales”) on May 11, 2010. I have also reviewed numerous documents and other records I or my agents found in Retirement Value’s offices located at 707 N. Walnut, New Braunfels, Comal County, Texas as well as records stored on Retirement Value’s computers.

23. Among the records I reviewed were QuickBooks accounting files maintained by Retirement Value and by Kiesling Porter Kiesling & Free, PC (“KPKF”), who acted as the nominal escrow agent for Retirement Value’s Resale Life Insurance Policy Program (“RSLIP”). I also reviewed bank records, wire transfer instructions, payment instructions and escrow release instructions evidencing the movement of funds among the accounts maintained by KPKF on behalf of Retirement Value and the transfer of funds from KPKF to Pacific Northwest Title, which acted as the escrow agent pursuant to the policy purchase agreements between Retirement Value and James Settlement Services. I also reviewed accounting records provided by Pacific Northwest Title. All of these records have been produced to the parties. Because of the size of these records, I have summarized relevant portions of them in this affidavit.

24. In my review of these records, I identified 84 instances where Retirement Value instructed KPKF to pay for a policy using funds reserved for other policies. I also identified numerous instances where Retirement Value allowed James Settlement Services to direct Pacific Northwest to use funds directed to the purchase of one policy for the purchase of a different policy. As an example, Retirement Value sent in excess of \$4 million to Pacific Northwest on account of policy PLI140-111109-DM. Of those funds, only \$2.36 million was applied to that policy. In addition, there were a number of accounts at Pacific Northwest which had positive balances even after the policy had been paid in full and delivered. In other instances, Pacific

Northwest applied more to a given policy than the stated purchase price or than Retirement Value sent on account of that policy.

25. I also discovered that Retirement Value routinely directed KPKF to deliver funds to Pacific Northwest for the purchase of policies before Retirement Value had raised and received sufficient funds from investors to pay the purchase price of the policy and to maintain the promised premium reserve. In a number of instances, Retirement Value directed KPKF to deliver funds to Pacific Northwest even before Retirement Value had raised and received sufficient funds from investors to pay for the purchase price. These instructions created a risk that Retirement Value would purchase policies but be unable to establish the promised reserves to pay premiums creating a risk of default by Retirement Value on the investments tied to that policy. In most cases, these funds were released to Pacific Northwest without requiring delivery of the policies which the funds were intended to purchase.

26. In addition, my review of the records indicates Retirement Value routinely allowed Pacific Northwest to disburse funds to James Settlement Services as funds became available and without requiring delivery of the policies. Allowing the escrow agent to disburse funds without requiring the delivery of policy being purchased defeats the purpose of the escrow and leads to a risk that policies would be paid for and not delivered. As of the date I was appointed (May 5, 2010), Retirement Value was party to contracts to purchase 12 policies of insurance from James Settlement Services. At Retirement Value's instructions, KPKF had delivered \$7.1 million towards the purchase of these policies; of which \$6.5 million had been released to James Settlement Services without delivery of the policies.

27. In order to discover the extent of the commingling, I directed that my agents examine the payment instructions provided by Retirement Value to KPKF and the corresponding

payment instructions from KPKF to Pacific Northwest. An example of these instructions is attached as Exhibit D to my affidavit. My agents reviewed the payment instructions relating to the reserve accounts for policies PLI140-111109-DM, LFG740-071509-RL and AXA091-012110-PC. They have summarized the disbursements made to purchase policies from those accounts in a Summary of Reserve Disbursements, which is attached as Exhibit E to my affidavit. This analysis reveals that it is not possible to trace the investment by any particular investor to the purchase of any particular policy.

28. According to Retirement Value's records, it paid \$4,290,000 to purchase policy PLI140-111109-DM. KPKF disbursed \$3,290,000 from various reserve accounts to Pacific Northwest to purchase the policy. Summary of Reserve Disbursements at 1. Retirement Value separately sent \$1,000,000 from its operating account to Pacific Northwest on account of policy PLI140. The purchase price for PLI140, according to the purchase agreement between Retirement Value and James Settlement, was only \$2,360,000. Records provided by Pacific Northwest, confirm that \$2,360,000 was applied to the PLI140 policy – leaving \$1,930,000 “paid” on behalf of PLI140 but actually used to purchase other policies. From the records available to me, I cannot determine which of the funds sent to Pacific Northwest to purchase the PLI140 policy were actually used for that purpose.

29. Of the funds sent to Pacific Northwest to purchase the PLI140 policy, only 18.2% came from the appropriate account. The remaining 81.8% came from Retirement Value's operating account and from thirteen different reserve accounts. *Id.* Instead of using the funds in the PLI140 reserve account to buy that policy, Retirement Value used them to purchase other policies. KPKF's records reflect that it disbursed \$2,205,507 from the PLI140 reserve account

for the purchase of policies. Of these funds, \$779,967 went towards the purchase of policy PLI140 and \$1,425,540 went towards the purchase of other policies. *Id.* at 2

30. According to the purchase agreement between Retirement Value and James Settlement Services, the purchase price for LFG740-071509-RL was \$1,040,000. However, both the records provided by Pacific Northwest and by KPKF show that \$1,250,000 was paid for the policy. The records available to me do not explain the \$210,000 discrepancy between the purchase price (as set by the purchase agreement) and the amount actually paid for policy LFG740. Of the \$1,250,000 paid for the policy, only \$10,000 (0.8%) came from the reserve account dedicated to policy LFG740. The remaining \$1,240,000 (99.2%) came from fifteen other reserve accounts. *Id.* at 5. Kiesling Porter disbursed \$387,000 from the LFG740 reserve account to Pacific Northwest for the purchase of policies. Of that, only \$10,000 went towards the purchase of LFG740. The remainder was used to purchase three other policies. *Id.* at 6.

31. According to the purchase agreement between Retirement Value and James Settlement Services, the purchase price for policy AXA091-012110-PC was \$1,300,000. Of the \$1,300,000 paid for the policy, only \$222,101 (17.1%) came from the reserve account dedicated to policy AXA091. The remaining \$1,077,899 (82.9%) came from eight other reserve accounts. *Id.* at 3. KPKF disbursed \$1,359,904 from the AXA091 reserve account for the purchase of policies. Of that, \$222,101 went to purchase policy AXA091 and the remaining \$1,137,803 was used to purchase twelve other policies. *Id.* at 4.

32. Based on the results of the review of the three accounts (PLI140-111109-DM, LFG740-071509-RL and AXA091-012110-PC), the documentary evidence of pervasive commingling throughout the life of Retirement Value and Dick Gray's testimony that Retirement

Value commingled funds from the beginning of its operations, I determined that further analysis of the reserve accounts would not yield different or better information.

33. The mishandling of the reserve accounts described above caused Retirement Value to have less in reserve than it promised as part of the RSLIP. According to the RSLIP documents, Retirement Value agreed to maintain sufficient reserves to pay premiums on the policies it acquired for the life expectancy of the insured (as calculated by Midwest Medical Review) plus 24 months. As of May 5, 2010, the reserve accounts for the fully subscribed policies on a net basis were short by \$272,159.87. Some of the reserve accounts on the fully subscribed policies had more than the required amount while others had less than the required amount. When the reserve accounts for the policies that were not fully subscribed are included, the total reserves are short by \$14.2 million from the LE+24 level promised by Retirement Value. Taking into account reserves allocated for policies not acquired and for \$2.6 million of investor money that was never placed into reserve accounts, the total reserve shortfall (from the LE + 24 level) is approximately \$3 million. I have attached my calculations of the reserve shortfalls as F to my affidavit.

34. Retirement Value's use of unreasonably short life expectancy calculations caused additional shortfalls in the necessary premium reserves. In the course of its investigation, 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. 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. These calculations were based on the most current medical information available from the insureds and their doctors. 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. The chart below summarizes the results from Midwest Medical, 21st Services, AVS and ISC.

	<u>Midwest Medical</u>		<u>21st</u>	<u>AVS</u>	<u>ISC</u>
	<u>(50%)</u>	<u>(85%)</u>	<u>(50%)</u>	<u>(50%)</u>	<u>(50%)</u>
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%

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

35. Retirement Value reserved too little money to pay premiums because it relied on life expectancy calculations that were too short. Because the insureds' life expectancies are more than twice as long as originally represented, I will need to pay premiums for a longer period of time that anticipated. In addition, the premiums that I will have to pay are higher than originally anticipated because the premiums necessary to keep a policy in force increase as the insured ages. As a result, Retirement Value did not reserve sufficient funds to pay premiums.

36. To better understand the magnitude of the reserve shortfall, I had my 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 for the insureds' 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 from February 28, 2011 onward. The reserves set aside for those policies originally were only \$15.3 million.¹

37. In addition to computing the total reserve required to maintain each policy through the insureds' life expectancy, L&E also calculated how long each premium reserve account would be expected to last using the anticipated premium cost for the applicable policy. Not a single policy has sufficient reserves to maintain the policy in force for the insured's life expectancy. In other words, each policy has less than a 50/50 chance of maturing before its premium reserves are exhausted.

38. I have also reviewed the insurance policies owned by Retirement Value, records provided by the insurance companies as well as the change of beneficiary forms executed in connection with those policies. No investor is or was named a beneficiary, much less an irrevocable co-beneficiary, on any of the policies owned by Retirement Value. The sole beneficiary was KPKF. I have seen no indication on any of the documents that I have reviewed that KPKF was named an irrevocable beneficiary on any policy owned by Retirement Value. In every instance in which the insurance company identified the nature of KPKF's beneficiary designation, the insurance company noted that KPKF was a revocable beneficiary.

39. Attached as Exhibits G, H, I, J and K are true and correct copies of documents that are kept by Retirement Value in the regular course of its business, and such records are made at the time of the acts, transactions, occurrences and/or events reflected in the records, or within a reasonable time thereafter, by someone with personal knowledge of such acts, transactions, occurrences and or events.

¹ These are the reserves allocated to specific policies. This figure does not include funds by the Receiver that are not dedicated to any particular policy or funds received in connection with the maturity of policy PLI140-111109-DM.

FURTHER AFFIANT SAYETH NOT.


Eduardo S. Espinosa

SUBSCRIBED AND SWORN TO BEFORE ME this 27th day of July 2011.


Notary Public

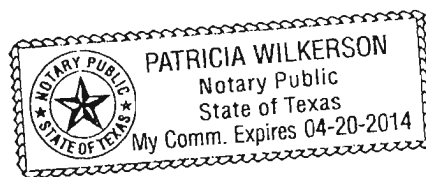


Exhibit A

INITIAL REPORT

OF

EDUARDO S. ESPINOSA,
TEMPORARY RECEIVER

FOR

RETIREMENT VALUE, LLC
A TEXAS LIMITED LIABILITY COMPANY

As of
July 28, 2010

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

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**INITIAL REPORT OF EDUARDO S. ESPINOSA,
TEMPORARY RECEIVER FOR RETIREMENT VALUE, LLC**

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.

I. Background and Status of the State’s Suit

On May 5, 2010, the State of Texas filed suit against Retirement Value, Gray and Collins alleging that they were selling unregistered securities, engaging in securities fraud and violating the Texas Deceptive Trade Practices Act. Among other things, the State sought the appointment of a receiver for Retirement Value, the issuance of temporary and permanent injunctions against the defendants and restitution for the losses suffered by investors. The State subsequently amended its suit to include Wendy Rogers as a defendant, and to seek a receivership over Hill Country Funding, LLC, a Texas limited liability company (“HCF-TX”), and Hill Country Funding, LLC, a Nevada limited liability company (“HCF-NV”), each a Retirement Value affiliate.

On May 28, 2010, the Court entered, by agreement of the parties, a temporary injunction against Gray and Retirement Value and continued the Receiver’s appointment. The temporary

injunction and the receivership will remain in place until the end of the trial of this matter, which is currently scheduled for February 28, 2011.

Bruce Collins has agreed to the entry of a permanent injunction which the Court entered on June 17, 2010. He has also entered into a settlement with the Receiver under which Collins transferred approximately \$319,000 in cash and other assets to the Receiver. On June 17, 2010, the Court approved the settlement between Collins and the Receiver.

II. The Appointment of the Receiver

Whenever there are allegations of fraud in an investment context, particularly if there are assets remaining in the estate, the State will usually seek the appointment of a receiver to preserve the assets and protect them from being dissipated by the individuals accused of fraud. The Receiver's duties include: (a) collecting and preserving the receivership assets; (b) notifying the investor-victims of these proceedings; (c) attempting to effect fair restitution to the investor-victims based on a plan to be approved by the court; and (d) assisting the State in its investigation of the Defendants and those who dealt with them.

The Receiver has retained the law firm of K&L Gates, LLP to represent him in connection with this case, to assist him in the performance of his duties and to prosecute or defend litigation on behalf of Retirement Value. The Receiver is a partner in K&L Gates. He has also retained the following professionals:

- BKD, LLC to act as the Receiver's accountants and to prepare the Receivership's books and records;
- Asset Servicing Group to act as a portfolio manager for Retirement Value's policies and to advise the Receiver on how to maximize the policies' value; and
- Lewis & Ellis to provide actuarial consulting as to the portfolio's value and the funds necessary to keep the policies in force.

The fees of the Receiver, K&L Gates and the other professionals employed by the Receiver are subject to the approval of the Court.

III. The Receiver's Investigation

Once appointed, the Receiver instituted an investigation into the business and assets of Retirement Value and its affiliates. The investigation is intended to: (1) determine Retirement Value's current status and to assess the investors' claims against it; (2) identify, gather and protect any assets belonging to Retirement Value; and (3) to uncover and prosecute viable claims against members, officers, licensees and others who have done business with Retirement Value.

The investigation, although well under way, is not complete. To date, we have interviewed most of Retirement Value's employees, including Dick Gray, Wendy Rogers and Bruce Collins as well as key employees of Kiesling Porter. We have also spoken with many investors and licensees to gain their perspectives on the investment offered by Retirement Value. In addition, we have spoken with representatives of each bank known to have done business with Retirement Value as well as representatives of the insurance companies which have issued policies owned by Retirement Value. We have also spoken with Ron James of James Settlement Services, which sold the policies to Retirement Value.

We have searched Retirement Value's offices for the purpose of gathering and examining records relating to the operations of Retirement Value. We have also obtained and reviewed the accounting records maintained by Retirement Value and Kiesling Porter as well as banking and other financial records. In addition, we have gathered some 236 gigabytes of data (if printed, that would be roughly about 14 million pages of information) from Retirement Value's computers. In addition, we have obtained access to substantial additional Retirement Value data stored by various vendors. With the assistance of the Texas Department of Insurance, we have

also gathered additional documents and records from the insurance companies. We have also reviewed recordings of Retirement Value's monthly sales meetings and calls with licensees.

As a result of the investigation, we have been able to reach certain preliminary conclusions as to the business conduct of Retirement Value.

A. Nature of the Investment

From April 2009 through March 29, 2010, Retirement Value raised approximately \$77 million from more than 900 investors through the sale of investments in its Re-Sale Life Insurance Policy Program.

Each of the investments was structured as a loan to Retirement Value, whereby the investors provided Retirement Value with funds in exchange for Retirement Value's promise to pay a fixed sum of money at an undetermined date in the future. The amount that Retirement Value agreed to pay was tied to the calculated life expectancy of insureds under life insurance policies purportedly owned by Retirement Value. In all instances, Retirement Value agreed to pay a return of 16.5% simple interest per year for the insured's calculated life expectancy. Thus, Retirement Value would pay \$18,800 on a \$10,000 investment in a policy where the insured had a calculated life expectancy of 64 months. The date on which the insured under the policy died set the date that the investment matured and when Retirement Value would be required to repay the loan. The loan's maturity date did not affect the amount of money that Retirement Value was obligated to pay the investor, except that investors were entitled to a return of unused premiums, if any. Each investor was allowed to select a life insurance policy or policies to which to tie his or her investment from a rotating portfolio of ten policies maintained by Retirement Value. Investor Agreement – Qualified (Exh. A-1); Investor Agreement – Non-Qualified (Exh. A-2).¹

¹ The exhibits to this report are contained in the Appendix to the Initial Report.

B. Use of Investor Funds by Retirement Value

Retirement Value used funds received from investors to purchase insurance policies, to set up premium reserves, to pay administrative costs, including commissions to its licensees, fees payable to Kiesling Porter and to fund its operations. The amount of the premium reserve for a given policy was calculated by Retirement Value based on: (i) the life expectancy of the insured, as calculated by Midwest Medical, plus 24 months; and (ii) a schedule of estimated premiums provided by the seller of the policies, James Settlement Services, LLC.² Retirement Value paid Kiesling Porter a fee equal to 1% of the face value of each policy and the licensees a commission of no less than 16% of the money invested. Any money not allocated towards purchasing the policies, establishing premium reserves or paying administrative costs was immediately released by Kiesling Porter to Retirement Value.

All money paid by investors was received by and held in accounts administered by Kiesling Porter. On any given investment, after funds cleared and the 10-day free look period expired,³ Retirement Value would instruct Kiesling Porter as to the distribution of the funds. Based on instructions received from Retirement Value, Kiesling distributed money to the licensees involved in the particular investment, to Retirement Value's operating account and to itself as payment for its fee. The remaining funds were placed in sub-accounts dedicated to the particular policies in which the investor invested.

As of May 5, 2010 – the date that the TRO was entered, Retirement Value had distributed the following amounts:

² This schedule was an estimate. It did not reflect the premiums actually due on the policies or ultimately paid by Retirement Value.

³ The 10 day free look commenced running upon Kiesling Porter's receipt of executed documents or funds from the investor, whichever came first. Accordingly, the 10 day free look period often ran contemporaneously with the funds clearing process.

<u>Recipient</u>	<u>Amount</u>
James Settlement Services, LLC (via Pacific Northwest Title)	\$27,939,063.00
Retirement Value, LLC Operating	\$10,251,508.49
Kiesling, Porter, Kiesling & Free PC	\$1,275,666.48
Licensees	\$12,796,389.76

KPKF Accounting Record Excerpts – Vendor Distributions (Exh. B). Retirement Value used the remaining funds to pay premiums and to fund the premium reserve accounts. There are approximately \$23 million remaining in the various reserve accounts.

The Defendants or members of their immediate families received the following amounts from Retirement Value prior to the issuance of the TRO:

<u>Dick and Catherine Gray</u>		<u>Wendy Rogers</u>	
Dividends (10/6/09 to 3/5/10)	\$2,139,000	Dividends (10/6/09 to 3/5/10)	\$688,000
2010 Tax Prepayment	599,200	2010 Tax Prepayment	149,800
Dick Gray salary (2009-10)	210,574	Wendy Rogers salary (2009-10)	133,693
C Gray (2009-10)	45,833	Wendy Rogers, Licensee	12,300
Dick Gray, Licensee	13,400		
Total	\$3,008,007	Total	\$983,793
<u>Bruce Collins</u>		<u>David and Elizabeth Gray⁴</u>	
Honorarium as COO	\$75,000	Buyout Agreement (2010)	\$231,155
B Collins, Licensee	43,390	Dividends (2009)	579,307
Collins Marketing, Licensee	469,799		
Total	\$588,189	Total	\$810,462

RV & KPKF Accounting Record Excerpts – Insiders (Exh.C).

Retirement Value also diverted over \$1 million to HCF-TX, a company owned and controlled by Dick and Catherine Gray. In a series of transactions occurring in February and March of 2010, Retirement Value and HCF-TX transferred significant sums of money between

⁴ David Gray is the brother of Dick Gray and a former member (owner) of Retirement Value. Elizabeth Gray is David Gray's wife.

them. The net result of these transactions was the transfer of \$1,150,000 from Retirement Value to HCF-TX. RV Accounting Record Excerpts – RV to HCF (Exh. D). Dick Gray explained these transfers as money that he intended to use to reimburse previous investors whom he had convinced to invest in a Ponzi scheme operated by Secure Investment Services, Inc.

On March 30, 2010 – the day that the Texas State Securities Board served its emergency cease and desist order on Retirement Value, Dick Gray obtained a cashier’s check drawn on the HCF-TX account at First Commercial Bank in the amount of \$1,075,000⁵ and withdrew all of the funds remaining in Retirement Value’s bank account (\$342,000). He deposited these funds into an account at JP Morgan Chase in the name of Special Acquisitions, Inc., a Texas corporation (“Special Acquisitions”). *Id.* Special Acquisitions was formed on March 30, 2010 by Carie Morales, a part-time employee of Retirement Value and a long-time friend of Wendy Rogers. According to state records and the statements of Ms. Morales and Ms. Rogers, Carie Morales was Special Acquisitions’ sole owner, officer and director. Special Acquisitions Formation Records (Exh. E). The signatories on the Special Acquisitions account at JP Morgan Chase were Ms. Rogers and Ms. Morales.

Gray and Rogers intentionally created a corporation, in which the public record did not reflect them as having any interest in; to hide Retirement Value’s remaining assets from the State as it continued its investigation. The Receiver discovered this account during the search of Retirement Value’s offices on May 5 and immediately took steps to seize these funds

C. Fraud in the Sale of Investments

The investigation to date has uncovered substantial evidence of fraud in the sale of investments by Retirement Value and its licensees in the Re-Sale Life Insurance Policy Program.

⁵ This money is directly traceable to the \$1,150,000 transferred from Retirement Value.

This fraud covers most aspects of the program from the structure of the investment, the protections offered to the investors to the potential return and risks of the investment. Material misstatements and omissions were made to the investors regarding the Re-Sale Life Insurance Policy Program, denying them the opportunity to make an informed investment decision. Quite simply, the investors have not received the investment that they were promised.

1. The Investors Are Not Irrevocable Co-Beneficiaries

The investors were promised that they would be “irrevocable co-beneficiaries” in the policies associated with their investments. RV Marketing Materials (Exh. F) at F-1, p.3, F-2, p.3, F-5, p.4, F-6, p.7. Kiesling Porter was the only named beneficiary under the policies. It, however, owed no contractual duty to the investors and was, itself, merely a revocable beneficiary. In short, the investors have no contractual interest in or lien on the proceeds of the policies. And, Retirement Value had no contractual obligation to maintain the policies, particularly beyond the calculated life expectancy plus 24 months.

2. Investor Funds Were Not Held in Escrow

The “escrow accounts” into which the investor’s money was deposited were not true escrows. Retirement Value and its licensees⁶ represented that all investor funds would be deposited in “escrow accounts” that would be managed by Kiesling Porter in its role as an “independent escrow agent” and that Retirement Value would not receive or handle investor money. *Id.* at F-1, p.2, 5, F-2, p.2, 5. In addition, Retirement Value represented that funds would be placed in sub-accounts tied to each policy owned by Retirement Value. Retirement Value described Kiesling Porter’s role as “your Third Party Fiduciary,” which would assure the

⁶ According to Dick Gray and corroborated by records reviewed in the investigation, Retirement Value approved the promotional materials used by the licensees and created some materials for use by the licensees.

safe-keeping of investor money. *Id.* at F-6, p.8. Retirement Value made numerous comments about the role of Kiesling Porter as the “protector” of the investor’s funds. *Id.* at F-1, p.5, F-2, p.5. For example, at the July 2009 licensee meeting, Dick Gray described Kiesling Porter’s role as “representing the money and protecting the money and protecting you from us in a sense.” July 2009 Meeting, Disk 2; Transcript (Exh. G) at 2. Although Brent Free of Kiesling Porter was present, he did not contradict this statement. Later at the July 2009 meeting, Free described Kiesling Porter’s role, “Our job is to safe guard the money and as the anti drug campaign used to say ‘just say no.’ ... Our job as escrow agents is...as I said is to make sure the money is safe ” *Id.* at 9.⁷

These statements significantly misstate the role of Kiesling Porter and the nature of the premium reserve accounts. First, the funds loaned to Retirement Value by the investors were not held in escrow and Kiesling Porter did not act as an escrow agent. An escrow agreement requires at least three parties – the two parties to the transaction and the escrow agent. Further, to create an escrow, the depositor – in this case, Retirement Value – must make an irrevocable deposit with the escrow agent and cede all control over the escrowed funds to the escrow agent. The escrow agent owes fiduciary duties to both parties to release the escrowed property only upon the occurrence of the conditions set forth in the escrow agreement.

The “master escrow agreement” between Kiesling Porter and Retirement Value does not satisfy this test. The only parties to the agreement were Kiesling Porter and Retirement Value. Master Escrow Agreement (Exh. H) at ¶ 23 Further, Kiesling Porter agreed to “disburse funds as directed by Retirement [Value]” and that its liability was limited to transferring funds into sub-

⁷ At this point, Free also vouched for Gray, Retirement Value and the Program. See July 2009 Meeting, Disk 2 (Transcript at 8)(“[W]hen we talked with Dick about this about a year ago he explained what it was and we did as much research as we could and we felt very comfortable with him in the whole process.”).

accounts “as directed by Retirement [Value];” paying premiums “upon written instruction by Retirement [Value];” and “disbursement of re-sale life insurance proceeds upon death of insured in accordance with written instruction from Retirement [Value].” Master Escrow Agreement at ¶¶ 6, 8. In other words, Kiesling Porter acted only as the agent of Retirement Value. And, far from acting as the investors’ “Third Party Fiduciary,” Kiesling Porter expressly disavowed any duties to the investors.

This Agreement is solely between Retirement [Value] and Kiesling [Porter]. Neither Participants investing funds nor Licensees are intended to be nor shall they be a party to this Agreement or a third-party beneficiary of this Agreement. Kiesling [Porter] has no responsibility, obligations or duties to such Participants and will have no contact with Participants other than the receipt of funds and transfer of such funds as directed by Retirement [Value].

Master Escrow Agreement at ¶ 23 (emphasis added).

Second, Retirement Value (with the acquiescence of Kiesling Porter) repeatedly commingled the funds held in the sub-accounts. Retirement Value routinely directed Kiesling Porter to take funds out of a sub-account dedicated to one policy to pay the purchase price owed to James Settlement Services on a second policy. As an example on March 25, 2010, Retirement Value directed Kiesling Porter to pay \$552,384 towards the purchase of policy AVL180-030510-MR⁸ but to take the funds from the sub-accounts for the following policies:

<u>From the account for policy</u>	<u>Amount</u>
AXA091-012110-PC	\$ 61,878
AXA335-022410-PS	\$ 54,235
AVL180-030510-MR	\$136,045
LFG735-030510-AS	\$ 53,300
LFG311-031210-HM	\$ 96,450
AXA036-031610-PC	\$ 26,817
JHL633-031210-CT	<u>\$123,659</u>
Total	\$552,384

⁸ To preserve the insureds’ privacy, we are using the policy codes used by Retirement Value to sell the investments.

Only \$136,045 of the payment for the AVL180-030510-MR policy came from the correct sub-account. The remaining \$416,339 came from accounts that were to be set aside solely to pay expenses related to other policies. Kiesling Porter followed these instructions, without comment. Copies of Retirement Value's instructions to Kiesling Porter and Kiesling Porter's transmittal to Pacific Northwest, redacted to protect the underlying insured privacy, are attached hereto as Exhibits I-1 and I-2, respectively. Retirement Value directed Kiesling Porter to commingle funds in this manner on at least 50 separate occasions from November 2009 through March 2010.

As a result of the frequent use of funds dedicated to one policy to pay expenses related to a second policy, Kiesling Porter was required to "re-balance" the sub-accounts from time to time. KPKF Accounting Record Excerpts – Rebalancing (Exh. J). As of the date of the TRO, some sub-accounts were over funded in relation to what is expected to be in those accounts while many others are under funded by that measure.⁹ Premium Reserve Calculation (Exh. K).

In short, investors were led to believe that Kiesling Porter had custody and control over their funds and that Retirement Value "never touched the money." In reality, Retirement Value at all times maintained control over the funds.

3. Retirement Value Overstated the Likely Return from the Investments and Understated the Likely Risks

When selling the investment, Retirement Value provided the investors with charts showing the return on an investment in a given policy over time. As an example, the "Client Participation Example and Base Line Targeted Income During Ten Years" Chart for policy PLI140-111109-DM, is attached hereto as Exhibit L-1. The chart represented that the policy had

⁹ This is an entirely separate issue from the under funding of all accounts due to the miscalculation of life expectancies by Midwest Medical and the underestimation of premiums due on the policies when setting the original reserve amounts.

a face value of \$10,000,000 with an annual premium of \$399,702 and that the insured's life expectancy was 38 months. An investment of \$10,000 would have a base line return of \$15,225. Assuming that the insured died at month 38,¹⁰ the investment would return \$16,442 representing the base line return of \$15,225 plus unused premiums of \$1,217 for an annualized return of 18.41%. If the insured survived to LE+24 or 62 months, the investment would return \$15,225 for an annualized return of 9.50%.

The chart also reflects Retirement Value's predictions for the investment's performance beyond LE +24. In making this prediction, Retirement Value assumed that the investors would respond to premium calls in accordance with their agreements. In the chart, Retirement Value represented that each investor would be required to pay an annual premium of \$608.55 per \$10,000 invested in the policy.

In connection with the use of these charts, Retirement Value made a number of misrepresentations. First, Retirement Value misrepresented the likelihood that an insured would survive beyond LE+24. Second, it misrepresented the premium cost that each investor would be expected to incur if the insured survived beyond Third, Retirement Value misrepresented the risk to the investor if the insured survived beyond LE+24.

a. *Life Expectancy Calculations*

The insured's life expectancy is a key component of the value of a life insurance policy and of the likelihood of success in the Re-Sale Life Insurance Program. If the insured lives more than 24 months longer than his or her calculated life expectancy, then the premium reserves would be exhausted and the investors would be required to pay future premium costs.

¹⁰ Retirement Value's projections assume that the investment in a given policy would be made on the date of the life expectancy certificate provided by Midwest Medical.

Retirement Value significantly misrepresented the insureds' likelihood of outliving their calculated life expectancy. In its written materials, Retirement Value represented that "90% of policies mature at or before projected LE" and that "95% of policies mature at or before LE plus 12 months." Marketing Materials (Exh. F) at F-1, pp. 8,10. In other materials, Retirement Value represented that Midwest Medical was "accurate 95% of the time to LE" and had "98.5% accuracy within 12 months after expected LE." *Id.* at F-6, p.11. In conversations with the undercover investigator for the State Securities Board, Dick Gray represented that 95% of the insureds would die within 24 months of the life expectancy calculated by Retirement Value. Transcript of "Cody Walker" Call (Exh. M) at 6. All in all, Retirement Value strove to and succeeded in creating an impression that it was a very low risk (1.5% to 5%) that the insureds would outlive the premium reserve.

Retirement Value's representations as to this risk are wholly false. The life expectancy calculation used by Retirement Value and presented to the investors was Midwest Medical's calculation of the insured's median life expectancy. It is the point at which 50% of the people who are statistically similar to the insured are expected to have died and 50% are expected to remain alive. Thus, even if Midwest Medical was 100% accurate in its calculations (which it was not), there was at best a 50% likelihood that the insured would die at or before his or her life expectancy.

Retirement Value did not disclose, and in fact hid, its use of a median life expectancy from the investors. As a general matter, Retirement Value did not provide investors with copies of the life expectancy certificates when the investors made their investment decisions. Instead, it simply stated a life expectancy without disclosing that it was a median or explaining what that meant. After the investor's 10-day free look period expired, Retirement Value purported to

provide the life expectancy certificates for the policies in which an investor invested. However, in many cases, Retirement Value provided only the first two pages of the three-page life expectancy certificate provided by Midwest Medical.¹¹ The first two pages contain a narrative of the insured's health and a statement of the life expectancy. On the third page (the page often hidden by Retirement Value), Midwest Medical provided its statistical analysis. This analysis discloses that the life expectancy shown on the first two pages was a median. It also discloses a life expectancy at an 85% confidence level (i.e., the point at which 85% of the people like the insured are expected to have died). On average Midwest Medical's 85% life expectancy was just over LE+30. In other words, Retirement Value's assertion that there was a 95%-98.5% probability that the insured would pass away within LE+24 is contradicted by the Midwest Medical life expectancy certificates in its possession, which estimate the probability of death prior to LE+30 at less than 85%.

Even if RV had not misrepresented them, Midwest Medical's life expectancy calculations are unreliable. Midwest Medical has a very poor reputation and a history of regulatory problems. Its owner, George Kindness, is a convicted felon. He and Midwest Medical's predecessor, AmScot Medical, were accused of falsifying life expectancy calculations as part of fraudulent schemes to sell life insurance policies to investors. Retirement Value was aware of these issues with Midwest Medical and failed to disclose them to investors. Moreover, Retirement Value knew that Midwest Medical's life expectancy calculations were shorter than those provided by more reputable companies. When Dick Gray and Jeremy Gray were interviewed, they told the Receiver those life expectancy calculations provided by better known

¹¹ The Life Expectancy Certificate for policy AGL73L-031909-WK (Exh. N) is attached as an example.

life expectancy providers (such as AVS and Fasano) were at least 180% longer than those provided by Midwest Medical.

In the course of its investigation, the State of Texas 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. To further illustrate the disparity between Midwest Medical and the more reputable providers, we compared Midwest Medical's 85% life expectancy certificates with 21st and AVS median life expectancies for the same individuals. As you can see from the table below,¹² even the average of Midwest Medical's 85% calculations is significantly below the average of the median life expectancies provided by the more reputable providers.

	<u>Midwest Medical</u>		<u>21st</u>	<u>AVS</u>
	<u>(50%)</u>	<u>(85%)</u>	<u>(50%)</u>	<u>(50%)</u>
All data points	53	52	40	52
Average LE	52.42	83.83	120.85	133.77
Data points in Common	40	39	40	40
Average LE (in months)	52.55	83.69	120.85	134.65
% MM (50%)	-	159%	230%	256%
% MM (85%)	-	-	144%	161%

Attached as Exhibit L-2, is a modified version of Retirement Value's "Client Participation Example and Base Line Targeted Income During Ten Years" chart for policy PLI140-111109-DM. It is modified to superimpose 21st Services' and AVS's median life expectancies (and 21st Services 85% calculation) and to reflect the anticipated effect of a more reliable but longer life expectancy on the underlying investment. In this instance, the insured's

¹² The underlying data is shown on Exhibit O.

median life expectancy extends well beyond the 38 months reported by Midwest Medical or the 62 months of LE+24. In fact the insured's median life expectancy exceeds Retirement Value's LE+24 by 4-5 years. Thus, there is a significant probability (more than 50%) that the insured will live beyond LE+24 and that the investors would have to cover significant premiums for many years beyond LE+24. Failure to do so is not only a default for that investor, but places at risk the other investors who participated in that policy. *See*: Section III.C.3.c, below.

In addition, the State obtained a report by HMH Consulting on Midwest Medical's performance as an estimator of life expectancies. This report showed that Midwest Medical's Actual to Expected Performance to be 42%.¹³ HMH reviewed 14,528 the life expectancy certificates issued by Midwest Medical. Based on Midwest Medical's predictions, HMH expected to observe that 3,319 subjects had died as of the study's effective date. Actually, only 1,395 people had died. As a general standard, a life expectancy underwriter's actual to expected performance should be between 90% (too short) and 110% (too long), with 100% considered perfect. As an example, 21st Services reports that an independent auditor calculated its actual to expected performance at 98.1%. 21st Services Press Release (Exh. P).

Further, Retirement Value misrepresented where it obtained life expectancy calculations and how it used them. Retirement Value represented in writing and in oral communications with potential investors that it used the longest of three independent life expectancy calculations. Marketing Materials (Exh. F) at F-1, p.2; Transcript of "Cody Walker" Call (Exh. M) at 5. Retirement Value did not in fact obtain any life expectancy calculation, but rather relied exclusively on Midwest Medical's certificate which was provided by James Settlement Services.

¹³ When describing the HMH Report to the TSSB's undercover investigator, Dick Gray misrepresented that Hess concluded that Midwest Medical's actual to expected performance was 92%. Transcript of "Cody Walker" Call (Exh. M) at 4

Contrary to its representations, Retirement Value did not obtain any life expectancy calculations and clearly did not use the longest of three calculations.

b. *Premium Cost*

Retirement Value disclosed that if the underlying insured survived LE+24, each investor would have to cover its pro rata portion of the premiums. However, as previously mentioned, Retirement Value falsely led investors to expect that there was only a 1.5%-5% chance that an insured would survive beyond LE+24. Moreover, Retirement Value also misrepresented the cost of maintaining the policy in force after the premium reserves expired at LE+24. Client Participation Example (Exh. L-1). In its projections to investors, Retirement Value represented that the premiums paid by the investors after the expiration of LE+24 would be the same as the premiums paid prior to LE+24. This representation was false. In a universal life policy, which is the only type of policy that Retirement Value purchased, the cost of insurance – the amount of money that must be paid each month to keep the policy in force – rises each year. As the underlying insured ages, this increase in cost of insurance increases dramatically.

When an insurance company sells a universal life policy, it typically sets a planned premium. The planned premium is substantially larger than the amount of money required to keep the policy in force initially. The excess cash is deposited with the insurance company and earns interest. In later years when the cost of insurance exceeds the planned premium, there should be sufficient cash value in the policy to pay the difference between the planned premium and the cost of maintaining the policy.

Retirement Value, like most life settlement companies, paid only the amount necessary to maintain the policy in force until the next premium payment was due. As a routine matter, Retirement Value engaged in premium optimization – working with the insurance company to determine the minimum payment needed to keep the policy in force until the next premium is due.

In this manner, the current amount required to maintain the policy is reduced at the expense of the cash value which would otherwise subsidize the cost of insurance in later years. As a result, the premiums needed to keep the policies in force after LE+24 would be substantially higher than those estimated at the time of investment.

c. *Risk on Non-Payment by Other Investors*

Retirement Value failed to disclose the risk of loss, if the other investors on a policy failed to pay their share of the post-LE+24 premiums. While Retirement Value's debt to any investor who defaulted on its portion of a post LE+24 premium would be extinguished, Retirement Value remained liable to pay each investor who paid his or her share of the additional premiums. However, Retirement Value would be able to do so only if it were able to keep the policy in force. Thus, Retirement Value would have to: (i) solicit additional premiums from the non-defaulting investors; (ii) pay the premiums itself; or (iii) find a new investor to take over the defaulting investors positions. Retirement Value made no disclosures regarding its own credibility or ability to cover such post-LE+24 premium shortfalls. As of the date of the TRO, Retirement Value had distributed substantially all surplus cash to its owners and retained no reserves to cover such a contingency.¹⁴ RV Accounting Records Excerpt – Balance Sheet (Exh. Q)¹⁵ Further, Retirement Value had no other means of repaying the investors, except for the proceeds from the life insurance policies. In any case, the success on the investment turned on Retirement Value's success in raising money and selling investments. If Retirement Value could

¹⁴ There was only \$118,000 in Retirement Value's bank account as of the date of May 5, 2010, when the account was seized by the Receiver.

¹⁵ The balance sheet attached as Exhibit Q was printed directly from Retirement Value's accounting records and reflects its assets and liabilities as such records were maintained by Retirement Value. This balance sheet is inaccurate and incomplete in that it fails to reflect either the liabilities associated with Retirement Value's debt to the investors or the current value of insurance policies owned by Retirement Value.

not raise the funds necessary to cover a premium shortfall, whether by selling new investments or from another source, then the respective policy would lapse and even those investors who complied with their obligation to pay premiums past LE + 24 would lose their entire investment.

Retirement Value did not disclose this risk to the investors. Nor did Retirement Value provide the investors with any information with which to make an informed decision as to Retirement Value's ability to pay additional premiums either from its own funds or by selling additional investments.

4. Retirement Value failed to disclose the risk of regulatory action.

Retirement Value received repeated warnings from multiple sources that its Re-Sale Life Insurance Program constituted or was likely to constitute a security under the Texas Securities Act. Given the probability that Retirement Value's Re-Sale Life Insurance Program would constitute a security, Retirement Value should have (i) registered its offering; (ii) offered the Program pursuant to an exemption from registration; or (iii) disclosed to investors that the investment could be subject to the securities laws, but that it was not being offered in compliance with those laws. It did none of these. By failing to do so, Retirement Value denied the investors the opportunity to make an informed investment decision.

5. Other Issues

a. *Retirement Value released funds from escrow before acquiring policies.*

Retirement Value entered into Policy Purchase Agreements with James Settlement Services with respect to each policy that it acquired or planned to acquire. The Policy Purchase Agreements called for the purchase price to be placed in escrow at Pacific Northwest Title in Oregon to be exchanged for the policy when it was delivered by James Settlement Services. Sample Policy Purchase Agreement (Exh. R). Retirement Value would routinely instruct

Kiesling Porter to distribute funds, as they were received from investors, to Pacific Northwest. As discussed previously, in many cases these funds were taken from sub-accounts other than that dedicated to the policy being purchased. As soon as a deposit was made at Pacific Northwest, Retirement Value authorized Pacific Northwest to release those funds to James Settlement Services even though the full purchase price had not been raised from investors and the policy had not been delivered by James Settlement Services. Escrow Releases (Exh. S). As a result, Retirement Value lost any protection provided by the escrow arrangement with James Settlement Services and Pacific Northwest.

b. *Failed to adequately reserve for the policies*

Commencing in the 4th quarter of 2009, Retirement Value accelerated payments for the purchase price to James Settlement Services by shorting the premium reserves from early subscribers to a policy and making it up from the late subscribers. Thus, Retirement Value acquired policies from James Settlement Services before Retirement Value had established adequate reserves to pay premiums for LE+24. If Retirement Value was unable to continue selling investments as happened at the end of March 2010, it would be unable to raise the funds necessary to fund the reserve accounts.

IV. Actions to Preserve and Protect the Estate

Since being appointed, the Receiver has acted to protect and preserve the assets of Retirement Value. We have secured Retirement Value's business premises, its computing facilities, its records and its bank accounts. In addition, the Receiver and his agents have been in contact with every insurance company which has issued a policy of life insurance owned by Retirement Value and all banks with which Retirement Value, Gray or Rogers are known to have done business with.

A. Cash and cash equivalents

Retirement Value's assets consist primarily of cash and short term securities, insurance policies and a building located in New Braunfels. In addition, Retirement Value has claims against its officers, members, licensees and others arising out of the receipt of funds from Retirement Value and misconduct related to its business. Pursuant to the powers granted to him by the Court, the Receiver has seized \$25,463,772.69 in cash and securities as follows:

<u>Entity</u>	<u>RV Assets</u>	<u>3rd Parties</u>	<u>Total</u>
Retirement Value	118,379.23		118,379.23
Kiesling, Porter, Kiesling & Free			-
Bank Accounts	11,374,732.74		11,374,732.74
Investment Accounts	11,737,806.83		11,737,806.83
Special Acquisition Inc		1,231,925.00	1,231,925.00
Richard H. Dick Gray		263,912.24	263,912.24
Wendy Rogers		204,168.86	204,168.86
Bruce Collins			-
Collins Marketing		158,228.13	158,228.13
Hill Country Funding		<u>374,619.66</u>	<u>374,619.66</u>
	23,230,918.80	2,232,853.89	25,463,772.69

Please note that this chart represents the value of these accounts as of the time that they were seized by the Receiver and not their value as of the date of this Initial Report. Funds in the KPK&F premium reserve accounts have been used to pay premiums due on the insurance policies. Funds in the Retirement Value and Special Acquisition accounts have been used to pay expenses such as the mortgage on Retirement Value's office building, payroll for Retirement Value employees,¹⁶ and utility bills.¹⁷

¹⁶ The Receiver terminated the employment of all Retirement Value employees in May 2010.

¹⁷ As of the date of this Initial Report, neither the Receiver nor his counsel has been paid. As directed by the Court in the Temporary Injunction, the Receiver and his counsel will submit their bills to the Court for approval. We anticipate that the monies recovered by the Receiver (including the \$1.2 million from Special Acquisitions) will be sufficient to pay the costs of administering the Receivership.

B. Policies

Retirement Value also owns 41 policies of life insurance with a total face value of \$118,250,000. All of these policies are in-force and premiums are being paid on them as they become due. There are an additional 12 policies (listed below) with a face value of \$36,085,000 that were in the process of being transferred from James Settlement Services to Retirement Value as of the date the cease and desist orders were issued. There is also \$559,304 on deposit in escrow accounts at Pacific Northwest related to purchase agreements between Retirement Value and James Settlement Services, \$489,497 is associated with the disputed policies and the balance is associated with fully consummated transaction.

Policy	Face Amount	Purchase Price	PP Paid	PP Balance Due
GLG089-012110-RF	\$1,000,000	\$295,000	\$295,000	\$ -
AGL76L-12810-WS	\$3,000,000	\$653,300	\$653,300	\$ -
LFG3248-012610-HM	\$3,000,000	\$805,000	\$761,077	\$ 43,923
LFG311-031210-HM	\$5,000,000	\$1,400,000	\$987,775	\$412,225
AVL180-030510-MR	\$5,000,000	\$1,050,000	\$641,104	\$408,896
LFG735-022410-AS	\$5,000,000	\$1,100,000	\$659,784	\$440,216
AXA091-012110-PC	\$5,000,000	\$1,300,000	\$1,300,000	\$ -
AXA777-012310-TP	\$1,000,000	\$100,000	\$100,000	\$ -
AXA335-022410-PS	\$3,000,000	\$565,000	\$565,000	\$ -
LFG117-021710-HW	\$2,000,000	\$459,000	\$459,000	\$ -
LBL15J-021710-HW	\$2,085,000	\$420,000	\$420,000	\$ -
LBL918021710-RW	<u>\$1,000,000</u>	<u>\$208,750</u>	<u>\$208,750</u>	<u>\$ -</u>
	\$36,085,000	\$8,356,050	\$7,050,790	\$1,305,260

As of the date of this Initial Report, the Receiver and James Settlement Services have reached a tentative agreement whereby: (i) James Settlement Services and Retirement Value will jointly instruct Pacific Northwest to release the \$559,304 remaining in escrow to Retirement Value; (ii) Retirement Value will relinquish its interest in GLG089-012110-RF, AGL76L-12810-WS, AXA777-012310-TP, LBL918021710-RW; and (iii) James Settlement Services will deliver the

remaining policies to Retirement Value. The Texas State Securities Board and Texas Department of Insurance have assured the Receiver that they do not consider the completion of these transactions as a violation of the existing cease-and-desist orders.

Please note that prior to the Receiver's appointment, Retirement Value abandoned its right to acquire JHL383-03161-GR, JHL633-031210-CT, AXA826-032410-CD and AXA036-03161-PC.

C. Professional Advisors

The Receiver has retained Asset Servicing Group ("ASG") to act as portfolio manager, and Lewis & Ellis, Inc. ("L&E") to act as actuarial consultants. ASG and L&E will jointly undertake to review and evaluate the portfolio and to advise the Receiver as to its value and the premiums needed to maintain it in force until maturity. The Receiver has also engaged the services of BKD, LLP to provide accounting services for the estate and maintain the Receiverships financial books and records.

1. Asset Servicing Group.

The Receiver has ASG to act as portfolio manager for the 41 policies of life insurance owned by Retirement Value and for the 8 policies that the Receiver anticipates will be delivered by James Settlement Services. ASG will provide Policy Administration (payment of premiums, correspondence with insurers), Death Tracking, Claims Processing, Verification of Policies, Premium Optimization, and Policy Valuation services. These services are essential to the proper maintenance and management of the portfolio. The fees charged by ASG are the result of negotiation and represent a discount off of ASG's standard rates.

ASG is well qualified to act as portfolio manager. It is actively involved in the management of portfolios of life insurance policies and currently has approximately 6,000 policies under management. ASG has acted in this capacity for court-appointed receivers on

numerous occasions. ASG is a member of the two principal trade associations for the life settlement industry, the Life Insurance Settlement Association and the Institutional Life Markets Association.

Tom Moran, ASG's principal, is highly respected in the life settlement industry. He has in excess of 30 years experience with insurance, the last 12 of which are exclusively with life settlements. Over the last 8 years, Mr. Moran, personally, has been appointed as receiver or conservator for life settlement companies by courts on several occasions and has extensive experience in dealing with distressed portfolios of policies.

The Receiver and his counsel researched various potential portfolio managers and conducted due diligence into the background, reputation and competency of ASG and Mr. Moran. Based on this research and due diligence, the Receiver is satisfied that ASG is the best candidate available to provide these services.

2. Lewis & Ellis, Inc.

L&E will provide an actuarial analysis of the portfolio's anticipated cash flows. This analysis is necessary to enable the Receiver to accurately value the portfolio and maximize its value. The principal actuary working on the portfolio will be Scott Gibson. Mr. Gibson is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. In addition, he has extensive experience in the life settlement industry and has served on the board of directors of the Life Insurance Settlement Association.

The Receiver and his counsel researched actuarial consultants and conducted due diligence into the background, reputation and competency of Mr. Gibson and L&E. In addition, the Receiver obtained bids from other actuaries. Based on his research and due diligence, the Receiver is satisfied that L&E is the best candidate available.

L&E has agreed to provide an actuarial analysis of the policies at a fixed rate of \$300 per policy. L&E will provide additional services at base hourly rates as set forth in its engagement agreement with the Receiver. L&E has requested and the Receiver has agreed to pay a refundable retainer of \$6,000 against which L&E will bill. The fees charged by L&E are the result of negotiation resulting in a discount off of L&E's initial bid.

3. BKD LLP.

The Receiver has retained BKD, LLP to provide accounting services for the estate. In addition to maintaining the books of the receivership and preparing necessary tax filings, BKD will also restate the books of Retirement Value to more accurately reflect the company's true financial condition. This will require, among other things, consolidating the financial records maintained by Kiesling Porter Kiesling and Free on behalf of Retirement Value with those maintained directly by Retirement Value. BKD has requested and the Receiver has agreed to pay a refundable retainer of \$5,000 against which BKD will bill

D. Issues Confronting the Portfolio's Administration

Based on information available to date, the portfolio is confronted by three significant issues: (1) we anticipate that the fair market Retirement Value's policy portfolio cannot be liquidated; (2) Retirement Value's failure to adequately reserve sufficient funds to pay premiums through the policies reasonably expected maturity; and (3) the portfolio's structure.

1. Portfolio Value.

Retirement Value paid over \$28 million for its portfolio of insurance policies. The market value of a life insurance policy is largely determined by the insured's life expectancy. Because the Midwest Medical life expectancy certificates relied on by Retirement Value underestimated the life expectancy of the insureds to a significant degree, Retirement Value likely overpaid for these policies. Further, the life settlement market has a limited number of

players, most of which are hoping to acquire the policies from a distressed seller, at a discount. Thus, any liquidation of the portfolio at this point in time would likely be for significantly less than Retirement Value paid for the policies. Though the portfolio does face certain long and short term challenges, there are several alternatives available to a fire-sale liquidation of the policies, all of which are being assessed and some of which may prove attractive.

2. Insufficient Premium Reserves.

This problem arises in large part because the premium reserves were based on the median life expectancies calculated by Midwest Medical. As discussed previously, these calculations are far too short, leading Retirement Value to make insufficient reserves for premiums. In addition, Retirement Value's mishandling of funds has led to premium shortfalls in specific accounts. The use of funds set aside for one policy to fund expenses related to a different policy depleted the fund available for the first policy. While Retirement Value doubtless intended to use funds from future investments to replenish these accounts, this source of replenishment ended with the TSSB's cease and desist order in March 2010. Further, Retirement Value routinely would disburse funds to pay James Settlement Services for policies before completely satisfying the premium reserve. As a result, Retirement Value purchased policies without having fully funded the premium reserves.

The following table¹⁸ shows the portfolio's shortfalls based on the life expectancy calculations available to the Receiver.

¹⁸ The underlying data is shown on Exhibit T.

	<u>Actual Reserve</u>	<u>Midwest Medical</u>	<u>21st</u>	<u>AVS</u>
Observations		53	40	52
Calculated reserves		\$25,246,794	\$33,830,592	\$44,550,785
Avg Per Policy		\$476,355	\$845,765	\$856,746
Premiums For LE(50) for 53 Policies	\$24,345,935	\$25,246,794	\$44,825,354	\$45,407,531
Shortfall	-	\$900,858	\$20,479,598	\$21,061,595

Please note that this chart actually underestimates the problem because it based on the assumption that premiums needed to maintain the policies will remain level. As previously discussed, the cost of insurance and hence the premiums will increase over time. Because the exact amount of the increase is not known at this time, the Receiver has provided this chart for illustrative purposes.

3. The portfolio structure

The portfolio's structure issue further exacerbates the inadequacy of premium reserves. Retirement Value's Re-Sale Program was designed as a series of individual investments associated with individual policies. In other words, when an insured dies the corresponding loan matures and Retirement Value is supposed to use 100% of the insurance proceeds to satisfy its debt, but only as to those investors who facilitated Retirement Value's purchase of that particular policy. Accordingly, any early maturities would not generate any of the funds that are needed to support the premium payment on policies that are slower to mature. This structure epitomizes an inherent inequity in the estate. If adhered to, certain investors would receive a distribution from Retirement Value's assets to the detriment of Retirement Values remaining investors.

We anticipate that the vast majority of the policies will mature significantly after the LE+24 calculated by Midwest Medical and Retirement Value. By collapsing the portfolio's segregated structure into a unified portfolio, we may be able to overcome some of the shortfalls in its premium reserves and maximize the return to the investor-victims based on sound actuarial

and management principles. With ASG's and L&E's assistance, we are analyzing this opportunity in order to establish a plan pursuant to maximize the value of the portfolio. When a plan is finalized, it will be submitted to the Court for approval.

V. Conclusions

The Receiver has been put in place to preserve Retirement Values assets for the benefit of the investors. The Receiver has already identified over \$2.2 million that were outside of Retirement Value's pool of investor funds and recovered in excess of \$1.5 million of that.

Retirement Value misrepresented material characteristics of its Re-Sale Life Insurance Program, including, among other things: the investors' interest in the underlying policies; the segregation, safety and control of the investors' funds; the investments' anticipated maturity; by downplaying the significant probability of premium beyond LE+24, the investor's reasonably expected cost; the investments' anticipated rate of return; the uncertainty associated with Retirement Value's ability to legally market, and by failing to undertake any due diligence or otherwise adhere to the processes established in its own marketing materials, the value of the underlying policies.

The Receiver has assembled a team of professionals, accountants, actuaries, lawyers and portfolio managers to administer Retirement Value's estate in the most efficient manner possible. This team of professionals is dedicated to maximizing the portfolio's return, by using their respective skills to execute the portfolio's and the estate's administrative functions in the most efficient and cost-effective manner.

Contrary to widespread rumors, the Receiver is not liquidating the portfolio. The portfolio itself is being preserved and maintained. Policy premiums are being paid as they come due. The Receiver's professional advisors are assessing the portfolio at the individual policy basis and at the portfolio level. Once their assessments have been completed, we will proceed to

formulate a plan of operation that will maximize the Receiver's ability to make restitution to the investors. The details of such a plan will be submitted to the Court for approval, prior to implementation.

The Receiver is periodically mailing updates to the investors. However, in order to minimize the cost and effort associated with frequent mailings, the Receiver has also established a website at "www.rvllcreceivership.com" to post information regarding this matter, such as: recently issued Court orders, frequently asked questions, and copies of the correspondence with the investors. In addition, the Receiver is will host a internet-based call to discuss the status of this case and his investigation. Investors who do not have internet access will be able to dial in and listen to the presentation. The details of this call will be distributed separately.

Respectfully submitted,



Eduardo S. Espinosa,
Receiver for Retirement Value, LLC

Exhibit B

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 Intervenor¹ have also asserted similar claims against the Grays and Rogers.

The Receiver, the State and the Intervenor^s (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 Intervenor^s 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 Intervenor^s 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 Bejeck 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.

	<u>Midwest Medical</u>		<u>21st</u>	<u>AVS</u>	<u>ISC</u>
	<u>(50%)</u>	<u>(85%)</u>	<u>(50%)</u>	<u>(50%)</u>	<u>(50%)</u>
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 policies⁷, 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 months⁹ 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 policies 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 policies, 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

	Liquidation	<u>Realistic Hold Scenarios</u>	
		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

6:07 PM
05/05/11**Exhibit A****RETIREMENT VALUE, LLC, RECEIVER****Balance Sheet**

As of April 30, 2011

	<u>Apr 30, 11</u>		<u>Apr 30, 11</u>
ASSETS		LIABILITIES & EQUITY	
Current Assets		Liabilities	
Checking/Savings		Current Liabilities	
Checking/Savings	10,779,572.05	Other Current Liabilities	
Policy Bank Accounts	15,310,016.17	3rd Party Assets	202,145.69
WELLS FARGO BASE - 8459	3,197,916.42	Total Other Current Liabilities	202,145.69
Total Checking/Savings	<u>29,287,504.64</u>	Total Current Liabilities	<u>202,145.69</u>
Other Current Assets		Long Term Liabilities	
Security Deposits	120.00	Payable to Investors	77,590,217.73
Total Other Current Assets	<u>120.00</u>	Interest Promised to Investors	47,172,631.62
Total Current Assets	<u>29,287,624.64</u>	N/P - First Commercial Bank	399,074.89
Fixed Assets		Total Long Term Liabilities	<u>125,161,924.24</u>
Building - 707 N Walnut ¹	334,500.00	Total Liabilities	<u>125,364,069.93</u>
Land	85,500.00		
Total Fixed Assets	<u>420,000.00</u>	Equity	
Other Assets		Retained Earnings	-1,275,984.21
Policies ²	55,667,732.71	Deficit	-38,712,728.37
Total Other Assets	<u>55,667,732.71</u>	Total Equity	<u>-39,988,712.58</u>
TOTAL ASSETS	<u><u>85,375,357.35</u></u>	TOTAL LIABILITIES & EQUITY	<u><u>85,375,357.35</u></u>

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 Policies 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 acquisition 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.
Actuarial & Consultants

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

K&L Gates – Retirement Value Receivership

POLICY, PORTFOLIO, & STOCHASTIC ANALYSIS

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K&L Gates – Retirement Value Receivership

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.

K&L Gates – Retirement Value Receivership

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, 2011 valuation 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.

K&L Gates – Retirement Value Receivership

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.

K&L Gates – Retirement Value Receivership

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

K&L Gates – Retirement Value Receivership

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

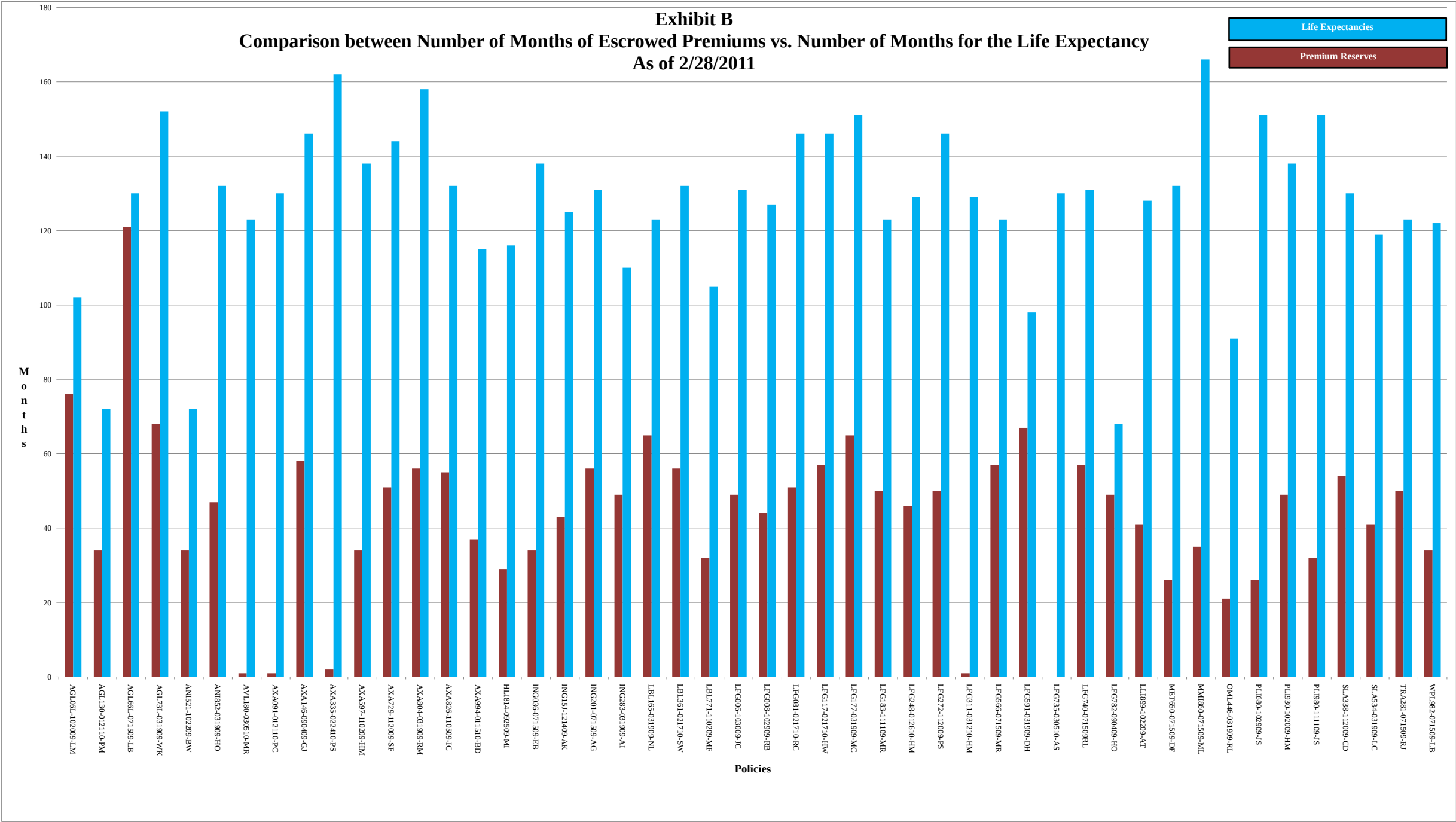
Each policy has an escrow account that holds funds that will be used to pay future premiums and are referred to as “Premium Reserves.” Exhibit B, which is on the page following Exhibit A, compares the number of months of premium reserves available to the number of months of the life expectancy for each 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.

K&L Gates - Retirement Value Receivership**Exhibit A - Net Present Values*****Probabilistic Basis******As of 2/28/2011***

Policy*	Purchaser's Perspective**		
	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)
ING151-121409-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



K&L Gates – Retirement Value Receivership

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.

K&L Gates – Retirement Value Receivership

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.
tP_x	The probability of a person age x surviving t years.
tQ_x	The probability of a person age x dying within t years.
$t Q_x$	The probability of a person age x surviving t years then dying in the next year.
E_x	The life expectancy in years of a person age x. This is the sum of tP_x for $t=1$ to w minus x.
Mult	The mortality scalar multiplier applied to the Base mortality table such that E_x 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 $t Q_x$. 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 tP_x .
i	The policy applicable discount rate as defined above.
$NPV_y(tEDB)$	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.
$NPV_y(tEMP)$	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 NPV_0EDB minus NPV_0EMP .
NAV_y	The net asset value of the policy at the end of year t. This equals (the sum of $NPV_y(tEDB)$ minus $NPV_y(tEMP)$ divided by tP_x .

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.

K&L Gates – Retirement Value Receivership

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.

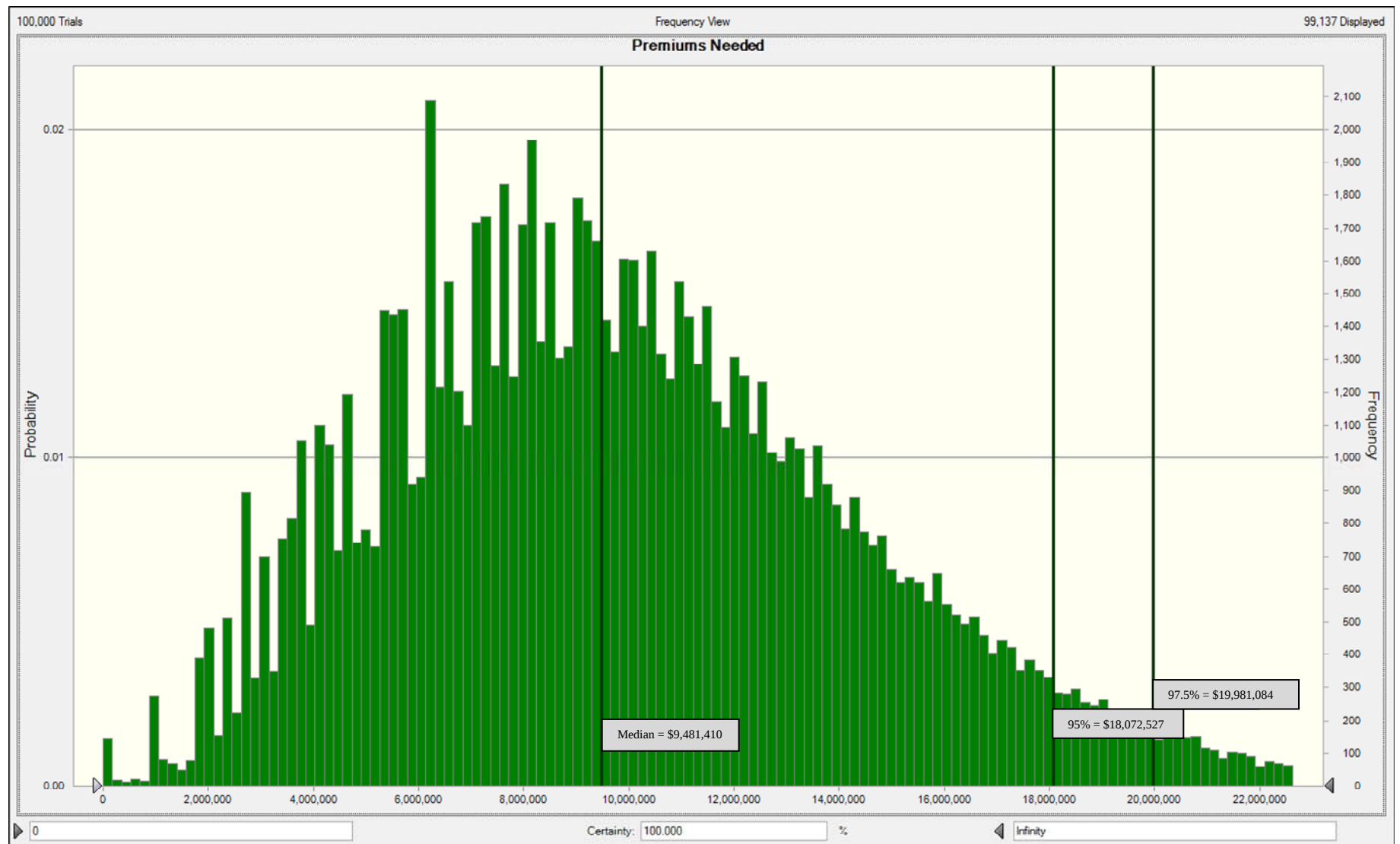
L&E used a Monte Carlo simulation to randomly generate the LE’s by policy based on each individual’s survival curve that was developed during the valuation analysis from the underwriter’s LE’s. The simulation ran 100,000 iterations. The base case is defined as the scenario where the LE’s are equal to 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.

K&L Gates – Retirement Value Receivership

Exhibit C



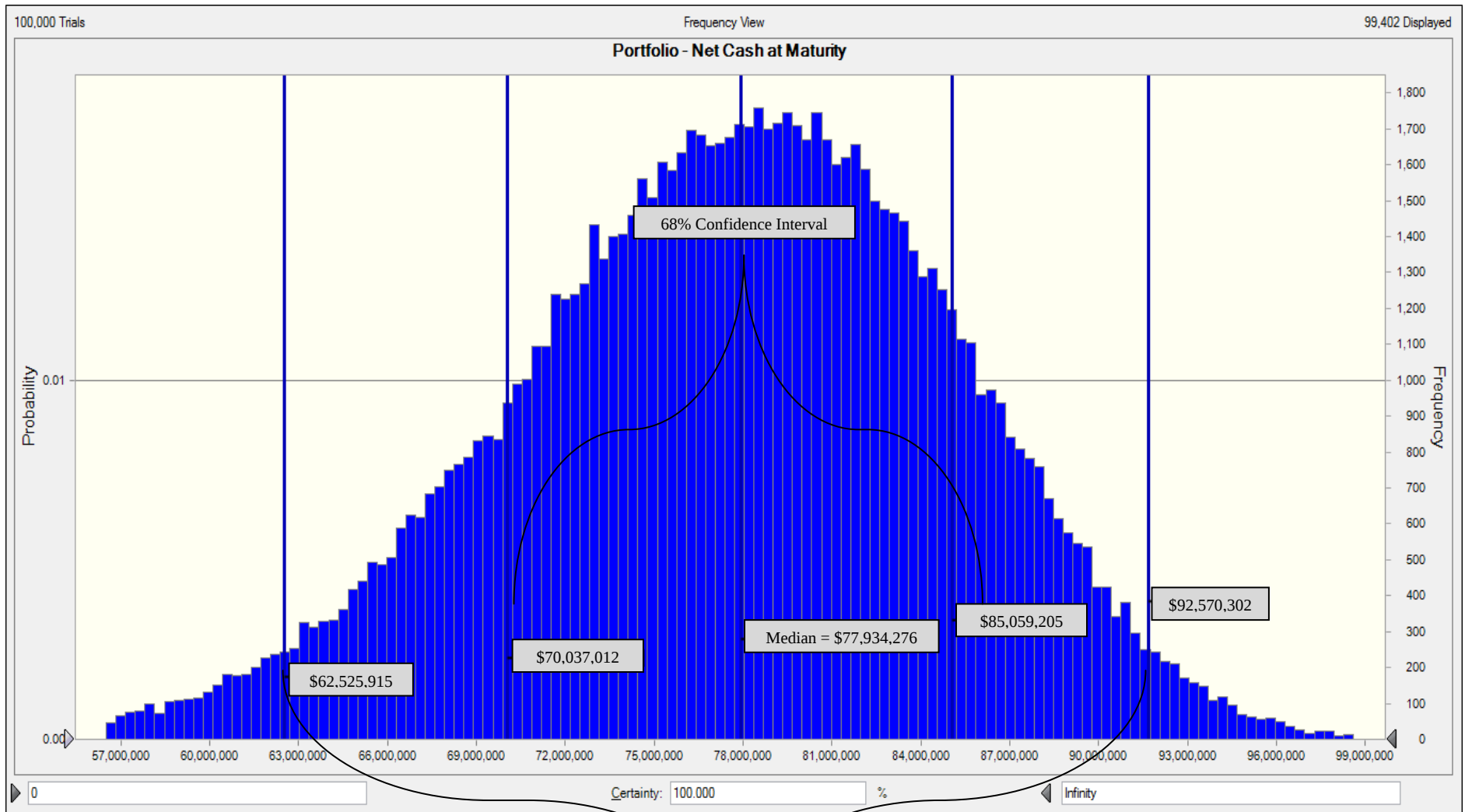
K&L Gates – Retirement Value Receivership

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.

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Exhibit D



95% Confidence Interval

K&L Gates – Retirement Value Receivership

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.
 - o Premiums Needed: The Receiver wanted to know how much cash they need to pay all future premiums and see all policies to maturity.
 - o 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

Life Expectancy in Months		
Internal Code	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
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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

Exhibit C

K&L GATES LLP

Retirement Value

POLICY, PORTFOLIO, & STOCHASTIC ANALYSIS-REVISED

June 27, 2011



Lewis & Ellis, Inc.
Actuarial & Consultants

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

K&L Gates – Retirement Value Receivership

POLICY, PORTFOLIO, & STOCHASTIC ANALYSIS

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K&L Gates – Retirement Value Receivership

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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.

K&L Gates – Retirement Value Receivership

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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, 2011 valuation 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.

K&L Gates – Retirement Value Receivership

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.

K&L Gates – Retirement Value Receivership

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 \$5,700,917 using the 18% discount rate. A value summary of policies held by the

K&L Gates – Retirement Value Receivership

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.

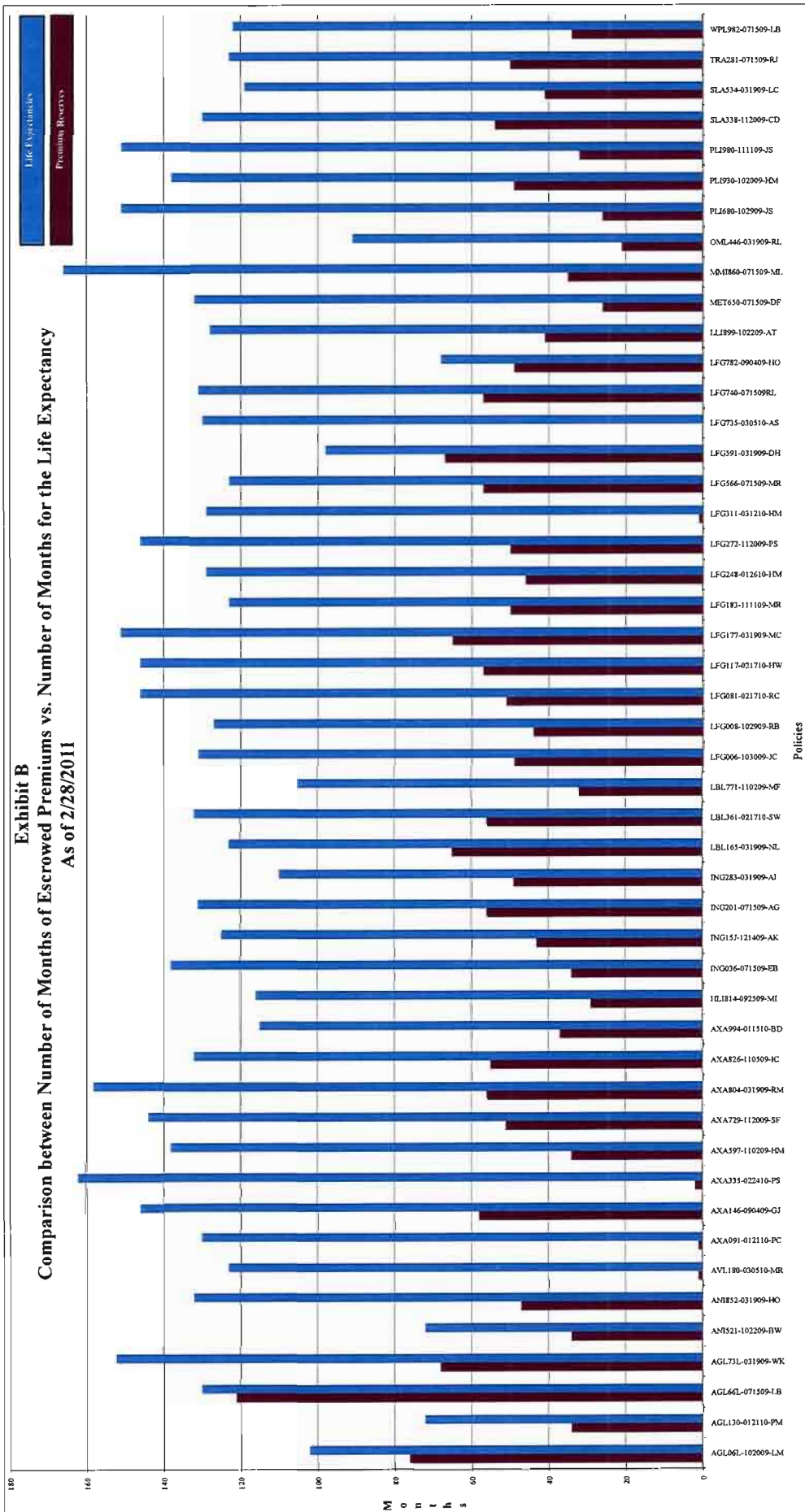
K&L Gates - Retirement Value Receivership

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

Policy*	Purchaser's Perspective**		
	16%	18%	20%
AGL06L-102009-LM	430,848.67	383,494.19	342,423.11
AGL130-012110-PM	238,743.88	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	(12,309.29)	(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	24,828.76	24,828.76	4,325.22
AXA804-031909-RM	(208,052.03)	(239,268.19)	(262,592.30)
AXA826-110509-IC	(7,258.07)	(7,258.07)	(20,919.07)
AXA994-011510-BD	198,237.45	156,145.06	121,214.96
HLI814-092509-MI	101,993.08	101,993.08	81,324.89
ING036-071509-EB	(140,372.55)	(140,372.55)	(160,074.80)
ING15J-121409-AK	(59,469.45)	(59,469.45)	(63,612.77)
ING201-071509-AG	(4,519.96)	(41,979.86)	(70,733.67)
ING283-031909-AJ	18,818.30	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	(26,973.98)	(26,973.98)	(38,949.70)
OML446-031909-RL	210,247.28	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	7,095,792	5,700,917	4,363,962

*Excludes PLI140-111109-DM

**Do not include any no-lapse guarantees



K&L Gates – Retirement Value Receivership

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.

K&L Gates – Retirement Value Receivership

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.
tP_x	The probability of a person age x surviving t years.
tQ_x	The probability of a person age x dying within t years.
$t Q_x$	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 tP_x 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 $t Q_x$. 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 tP_x .
i	The policy applicable discount rate as defined above.
$NPV_y(tEDB)$	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.
$NPV_y(tEMP)$	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 NPV_0EDB minus NPV_0EMP .
NAV_y	The net asset value of the policy at the end of year t. This equals (the sum of $NPV_y(tEDB)$ minus $NPV_y(tEMP)$ divided by tP_x .

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.

K&L Gates – Retirement Value Receivership

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.

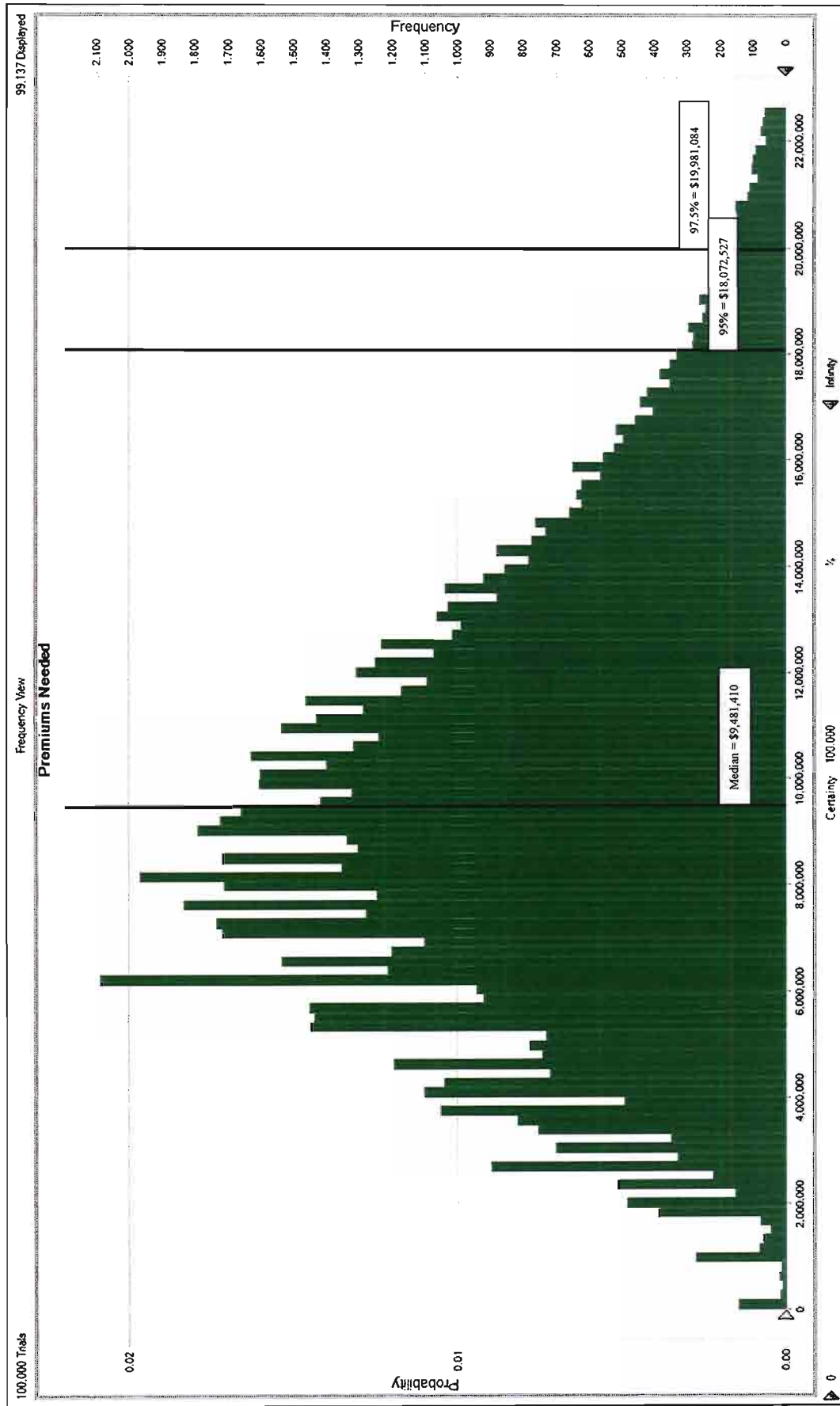
L&E used a Monte Carlo simulation to randomly generate the LE's by policy based on each individual's survival curve that was developed during the valuation analysis from the underwriter's LE's. The simulation ran 100,000 iterations. The base case is defined as the scenario where the LE's are equal to 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.

K&L Gates – Retirement Value Receivership

Exhibit C



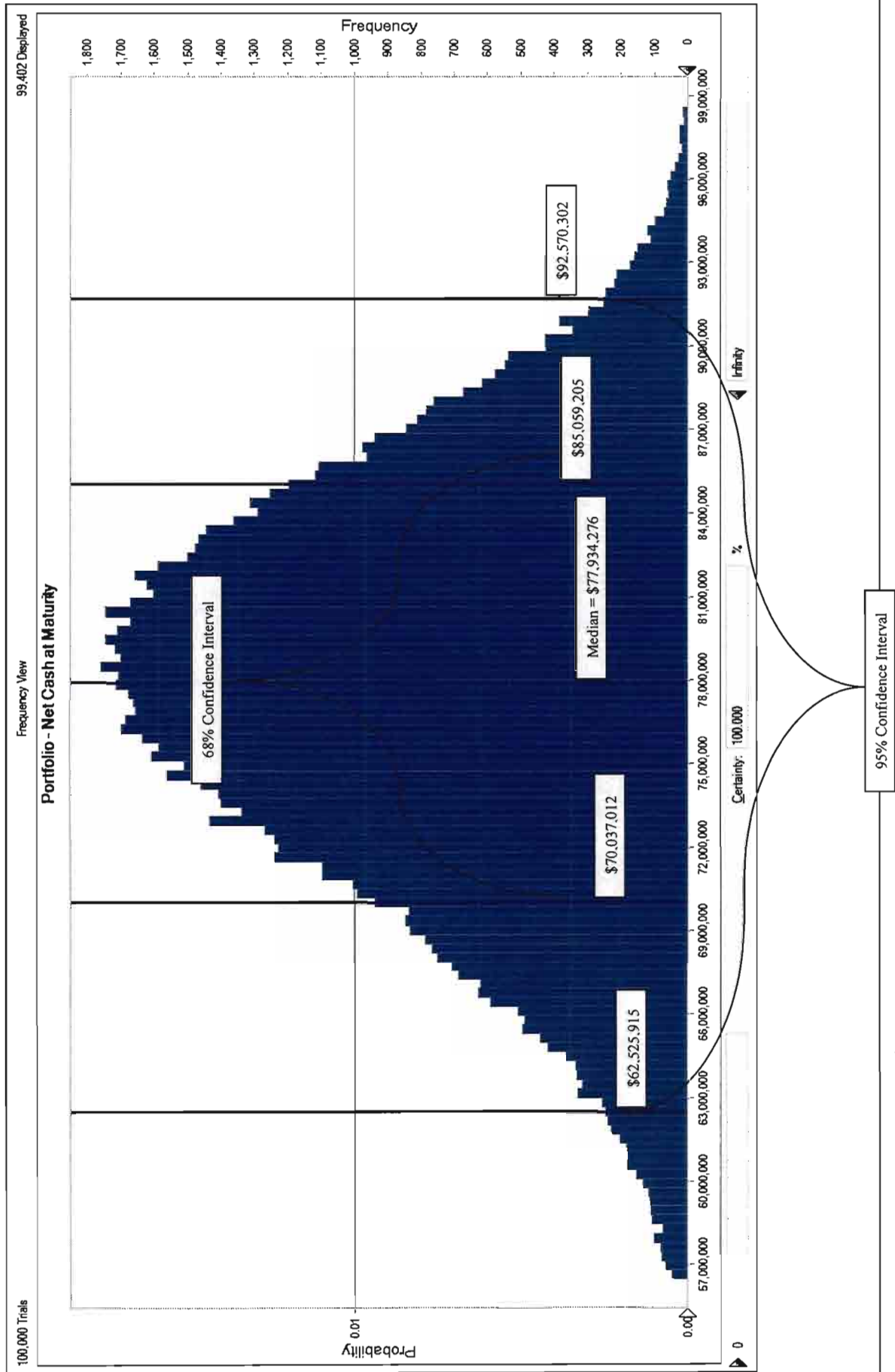
K&L Gates – Retirement Value Receivership

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.

K&L Gates – Retirement Value Receivership

Exhibit D



K&L Gates – Retirement Value Receivership

IV. Summary

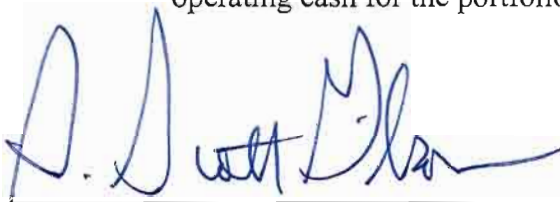
Eduardo S. Espinosa is the court-appointed receiver for Retirement Value, LLC. The Receiver engaged Lewis & Ellis, Inc. to perform the independent valuation of the RV policies and portfolio. L&E was also asked to perform a stochastic analysis on the portfolio.

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 \$5,700,917 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.
June 27, 2011



Jacqueline B. Lee, FSA, MAAA
Vice President & Consulting Actuary
Lewis & Ellis, Inc.
June 27, 2011

Exhibit D

WIRE TRANSFER INSTRUCTIONS TO JAMES SETTLEMENT SERV.

AMOUNT: \$ 552,384

TO (INSURED NAME): [REDACTED] ← [AVL180-030510-MR]

TO (Escrow Account #): 1104230B

FROM (Sub-Account #): \$ 61,878 [REDACTED] (AXA091-012110-PC) ✓

\$ 54,235 [REDACTED] (AXA335-022410-PS) ✓

\$ 136,045 [REDACTED] (AVL180-030510-MR) ✓

\$ 53,300 [REDACTED] (LFG735-030510-AS) ✓

\$ 96,450 [REDACTED] (LFG311-031210-HM) ✓

\$ 26,817 [REDACTED] (AXA036-031610-PC) ✓

\$ 123,659 [REDACTED] (JHL633-031210-CT) ✓

DATE: 03-25-2010

[Redacted -- Insureds' Names Removed and Replaced w/ Codes]

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SA Metro
(830) 609-7531Fax
(830) 625-1771

www.kieslinglaw.com

DATE: March 29 2010

PLEASE DELIVER 1 PAGES (including this cover letter)

TO: Jan Mann
COMPANY: Pacific Northwest Title of Oregon, Inc.
FAX: 503-226-7399

MAR 29 2010

FROM: Kiesling, Porter, Kiesling & Free, P.C. - Kriston Porter/Brantly Free

MATTER: Retirement Value

OUR LF: 6781-10,000

MESSAGE: Dear Ms. Mann,

AVL180-030510-MR

Our office has sent a wire transfer on March 29, 2010 in the amount of \$552,384.00 on
Escrow Account No. 1104230B - [REDACTED] on behalf of Retirement Value, LLC. We
have listed below the Internal Policy checking accounts from which they have been deducted:

DETAILS:	Internal Details for KPKF, PC:		
	Amount	Internal Account No.	Carrier
	\$ 61,878.00	AXA091-6554971207	AXA Equitable
	\$ 54,235.00	AXA335-6554971082	AXA Equitable
	\$ 136,043.00	AVL180-6554971157	Aviva Life
	\$ 53,300.00	LFG735-6554971140	Lincoln Financial
	\$ 96,450.00	LFG311-6554971132	Lincoln Financial
	\$ 26,817.00	AXA036-6554971173	AXA Equitable
	\$ 123,659.00	JFH1.633-6554971165	John Hancock Life
Total	\$ 552,384.00		

If you need additional information, please call our office.

cc: Retirement Value, LLC
830-609-5002 and 830-609-6202

This transaction contains confidential Attorney-Client privileged information and is intended for the sole use of the person or entity named above. Any disclosure, copying, dissemination, or distribution of, or acting in any manner upon, the contents of this transmission other than as intended, is strictly prohibited. If you have received this transmission in error, please contact us immediately and return these documents to us by way of the U. S. Postal Service, at our expense. PLEASE NOTIFY US IMMEDIATELY IF THIS TRANSMISSION WAS NOT RECEIVED PROPERLY.

Redacted - Insured's Name Removed and Replaced w/ Code

Exhibit E

Funds Used for PLI140-111109-DM				
Source Account	Date	Amount	Account SubTotals	
LFG008-102909-RB	12/22/09	\$139,000		
LFG008-102909-RB	1/4/10	\$67,669	\$206,669	4.82%
AXA091-012110-PC	2/2/10	\$59,904	\$59,904	1.40%
SLA338-112009-CD	12/22/09	\$55,000		
SLA338-112009-CD	1/4/10	\$115,801		
SLA338-112009-CD	1/7/10	\$17,468	\$188,269	4.39%
AXA994-011510-BD	2/2/10	\$61,342	\$61,342	1.43%
GFG089-012110-RF	2/2/10	\$36,173	\$36,173	0.84%
AXA729-112009-SF	12/22/09	\$79,000		
AXA729-112009-SF	1/4/10	\$119,291		
AXA729-112009-SF	1/7/10	\$93,928	\$292,219	6.81%
ING15J-121409-AK	1/7/10	\$63,064	\$63,064	1.47%
LFG248-012610-HM	2/2/10	\$48,616	\$48,616	1.13%
PLI140-111109-DM	12/22/10	\$220,000		
PLI140-111109-DM	1/4/10	\$154,755		
PLI140-111109-DM	1/7/10	\$267,613		
PLI140-111109-DM	2/2/10	\$53,690		
PLI140-111109-DM	2/16/10	\$83,909	\$779,967	18.18%
AXA346-112009-GR	12/22/09	\$52,000		
MMI025-112009-GR	1/4/10	\$119,398		
MMI025-112009-GR	1/7/10	\$138,989	\$310,387	7.24%
LFG183-111109-MR	12/22/09	\$99,000		
LFG183-111109-MR	1/4/10	\$122,603		
LFG183-111109-MR	1/7/10	\$130,062		
LFG183-111109-MR	2/2/10	\$51,823	\$403,488	9.41%
PLI980-111109-JS	12/22/09	\$124,000		
PLI980-111109-JS	1/4/10	\$130,620		
PLI980-111109-JS	1/7/10	\$148,118	\$402,738	9.39%
LFG272-112009-PS	12/22/09	\$60,000		
LFG272-112009-PS	1/4/10	\$68,446	\$128,446	2.99%
LLI899-102209-AT	12/22/09	\$102,000		
LLI899-102209-AT	1/4/10	\$135,230		
LLI899-102209-AT	1/7/10	\$71,488	\$308,718	7.20%
RV Operating		\$1,000,000	\$1,000,000	23.31%
TOTAL		\$4,290,000	\$4,290,000	

Expenditures from PLI140-111109-DM Reserve Account			
Policy Purchased	Date	Amount	Account SubTotals
AXA091-012110-PC	1/26/10	\$148,820	
AXA091-012110-PC	2/16/10	\$10,140	\$158,960
LFG081-021710-RC	2/12/10	\$22,305	\$22,305
AXA994-011510-BD	1/22/10	\$1,502	\$1,502
GFG089-012110-RF	2/5/10	\$102,219	\$102,219
LBL771-110209-MF	12/17/09	\$312,768	\$312,768
AXA729-112009-SF	12/17/09	\$137,565	\$137,565
ING15J-121409-AK	1/22/10	\$18,809	\$18,809
PLI140-111109-DM	12/22/10	\$220,000	
PLI140-111109-DM	1/4/10	\$154,755	
PLI140-111109-DM	1/7/10	\$267,613	
PLI140-111109-DM	2/2/10	\$53,690	
PLI140-111109-DM	2/16/10	\$83,909	\$779,967
AGL130-012110-PM	1/29/10	\$97,823	\$97,823
MMI025-112009-GR	1/19/10	\$149,675	\$149,675
LFG183-111109-MR	1/15/10	\$189,547	
LFG183-111109-MR	1/22/10	\$24,340	\$213,887
ANI521-102209-BW	2/19/10	\$111,591	\$111,591
LFG117-021710-HW	2/23/10	\$98,436	\$98,436
TOTAL		\$2,205,507	\$2,205,507

Summary of Reserve Disbursements

Funds Used for Policy AXA0910012110-PL(Wire Transfer Instructions)				
Source Account	Date	Amount	Account SubTotals	
AXA091-012110-PC	2/5/10	\$96,118		
AXA091-012110-PC	2/9/10	\$61,696		
AXA091-012110-PC	2/16/10	\$64,287	\$222,101	17.08%
AXA994-011510-BD	1/26/10	\$90,743		
AXA994-011510-BD	2/9/10	\$20,879		
AXA994-011510-BD	2/16/10	\$27,105	\$138,727	10.67%
GFG089-012110-RF	1/26/10	\$25,270		
GFG089-012110-RF	2/5/10	\$79,784		
GFG089-012110-RF	2/9/10	\$34,937		
GFG089-012110-RF	2/12/10	\$20,814	\$160,805	12.37%
LFG248-012610-HM	2/5/10	\$8,657		
LFG248-012610-HM	2/9/10	\$34,508		
LFG248-012610-HM	2/16/10	\$24,263	\$67,428	5.19%
PLI140-111109-DM	1/26/10	\$148,820		
PLI140-111109-DM	2/16/10	\$10,140	\$158,960	12.23%
AGL130-012110-PM	2/5/10	\$64,691		
AGL130-012110-PM	2/9/10	\$34,552		
AGL130-012110-PM	2/12/10	\$52,301	\$151,544	11.66%
ANI065-011510-NR	1/26/10	\$88,844	\$88,844	6.83%
MMI025-112009-GR	1/26/10	\$90,584	\$90,584	6.97%
LFG183-111109-MR	1/26/10	\$128,745		
LFG183-111109-MR	2/9/10	\$66,921		
LFG183-111109-MR	2/16/10	\$25,341	\$221,007	17.00%
TOTAL		\$1,300,000	\$1,300,000	

Summary of Reserve Disbursements

Expenditures from AXA091-012110-PL Reserve				
Policy Purchased	Date	Amount	Account SubTotals	
AXA091-012110-PC	2/5/10	\$96,118		
AXA091-012110-PC	2/9/10	\$61,696		
AXA091-012110-PC	2/16/10	\$64,287	\$222,101	16.33%
LFG081-021710-RC	2/12/10	\$64,603	\$64,603	4.75%
LFG248-012610-HM	3/2/10	\$125,235		
LFG248-012610-HM	3/9/10	\$23,496		
LFG248-012610-HM	3/12/10	\$148,050		
LFG248-012610-HM	3/16/10	\$53,645	\$350,426	25.77%
PLI140-111109-DM	2/2/10	\$59,904	\$59,904	4.41%
AGL130-012110-PM	1/29/10	\$5,227	\$5,227	0.38%
AVL180-030510-MR	3/23/10	\$23,096		
AVL180-030510-MR	3/25/10	\$61,878	\$84,974	6.25%
LFG735-030510-AS	3/19/10	\$181,536	\$181,536	13.35%
AXA335-022410-PS	3/5/10	\$102,270		
AXA335-022410-PS	3/12/10	\$34,442	\$136,712	10.05%
AGL76L-012810-WS	2/19/10	\$2,401	\$2,401	0.18%
AGL130-012110-PM	2/19/20	\$40,557	\$40,557	2.98%
LFG117-021710-HW	2/23/10	\$81,259	\$81,259	5.98%
LBL361-021710-SW	2/26/10	\$85,529	\$85,529	6.29%
LBL918-022410-RW	2/19/10	\$44,675	\$44,675	3.29%
TOTAL		\$1,359,904	\$1,359,904	

Summary of Reserve Disbursements

Funds Used for Policy LFG740-71509-RL				
Source Account	Date	Amount	Account Sub-Totals	
AGL66L-071509-LB	8/21/2009	36,000		
AGL66L-071509-LB	8/28/2009	40,000	76,000	6.08%
AGL73L-031909-WK	8/21/2009	20,000		
AGL73L-031909-WK	8/25/2009	10,000		
AGL73L-031909-WK	8/28/2009	30,000	60,000	4.80%
ANI852-031909-HO	8/21/2009	50,000		
ANI852-031909-HO	8/28/2009	90,000		
ANI852-031909-HO	8/25/2009	20,000	160,000	12.80%
AXA804-031909-RM	8/21/2009	55,000		
AXA804-031909-RM	8/28/2009	60,000		
AZA804-031909-RM	8/25/2009	20,000	135,000	10.80%
ING201-071509-AG	8/21/2009	45,000		
ING201-071509-AG	8/25/2009	20,000		
ING201-071509-AG	8/28/2009	40,000	105,000	8.40%
ING283-031909-AI	8/21/2009	76,000		
ING283-031909-AI	8/28/2009	80,000	156,000	12.48%
LBL165-031909-NL	8/21/2009	3,000		
LBL165-031909-NL	8/28/2009	20,000	23,000	1.84%
LFG566-71509-MR	8/21/2009	8,000		
LFG566-71509-MR	8/25/2009	5,000	13,000	1.04%
LFG032-031909-GM*	8/21/2009	17,000		
LFG032-031909-GM*	8/28/2009	30,000	47,000	3.76%
LGL177-0319-09ML	8/21/2009	23,000		
LGL177-0319-09ML	8/25/2009	10,000		
LGL177-0319-09ML	8/28/2009	20,000	53,000	4.24%
LFG591-031909-DH	8/28/2009	30,000		
LFG591-031909-DH	8/21/2009	20,000	50,000	4.00%
LFG740-71509-RL	8/25/2009	10,000	10,000	0.80%
MMI860-071509-ML	8/21/2009	66,000		
MMI860-071509-ML	8/25/2009	10,000		
MMI860-071509-ML	8/28/2009	20,000	96,000	7.68%
OML446-031909-RL	8/21/2009	71,000		
OML446-031909-RL	8/28/2009	100,000	171,000	13.68%
SLA534-031909-LC	8/21/2009	5,000	5,000	5.56%
TRA281-071509-RJ	8/25/2009	20,000		
TRA281-071509-RJ	8/28/2009	40,000		
TRA281-071509-RJ	8/21/2009	30,000	90,000	7.20%
TOTAL		\$1,250,000	\$1,250,000	

*Retirement Value was not able to acquire this policy and the participants in LFG032 were assigned to other policies. However, none were assigned to LFG740

Summary of Reserve Disbursements

Expenditures from LFG740-071509-RL Account Reserve				
Policy Purchased	Date	Amount	Account Sub-Totals	
HLI814-092509-MI	10/29/2009	\$2,000	\$2,000	0.52%
LFG740-071509-RL	8/25/2009	\$10,000	\$10,000	2.58%
LFG782-090409-HO	9/17/2009	\$75,000		
LFG782-090409-HO	9/24/2009	\$100,000		
LFG782-090409-HO	10/20/2009	\$100,000	\$275,000	71.06%
LFG566-071509-MR	9/11/2009	\$27,000		
LFG566-071509-MR	9/14/2009	\$10,000		
LFG566-071509-MR	10/29/2009	\$63,000	\$100,000	25.84%
TOTAL		\$387,000	\$387,000	

Exhibit F

[illegible]

Exhibit G

From: Dick Gray <rgray@retirementvalue.com>
Sent: Saturday, November 21, 2009 6:35 AM
To: 'Jeremy Gray' <jgray@retirementvalue.com>; 'Terry Taylor' <terry.taylor5669@sbcglobal.net>; bwfree@sbcglobal.net; 'Kristen Quinney Porter' <kdq@sbcglobal.net>
Cc: 'Marisa Kane' <mkane@retirementvalue.com>; 'Wendy Rogers' <wrogers@retirementvalue.com>; 'Katie Hensley' <khensley@retirementvalue.com>; JISERVCS@aol.com; don.james1@comcast.net; jeffa@ssacpa.com; scottrbaker@sbcglobal.net
Subject: RE: Wire Transfer 11-20-2009

If my assumption is correct - that this is our **1st-ever** "draw the line in the sand" e-mail for policy payment disbursements - then this is a wonderful step forward for RV and for our relationship with KPKF, PC as Escrow Agent. We also must note the several positive visits with Ron James during the past few days and his acceptance of where we are right now; his awareness of our determination to "stop the bleeding" and properly fill all the premium buckets, which required his understanding and agreement.

To re-cap, if what I believe has happened actually has happened...

Ron James asked for \$1,042,000 in the wire set for Friday the 20th. We at RV agreed we would send **ONLY** (1) funds actually in-house / in-hand and (2) only to the extent or percent we had funds that ought to be legitimately devoted **ONLY** to policy purchase dollars (as a specific percent of face, translated into a specific percent of each client dollar in-hand).

If that is what we have done, then we finally have stabilized the entire disbursement process and now can play planned catch-up. Naturally, all of this depends of Ron's flexibility and agreement to have more frequent smaller wires as we accumulate such funds - and to advance even more into the front-money loan on his end (already over \$8 million!!) - which Ron has agreed to do.

Now what RV will do is: (1) get a final fixed number for the premium need (which we estimated Friday is about \$1.9 million); (2) re-capitalize from current profits to meet that short-fall; (3) move close to half the net short-fall to Kiesling immediately; (4) propose a fixed schedule for meeting the balance of the need well before the close of the fiscal year 04-30-2010.

Dick Gray
President / CEO
Retirement Value, LLC
457 Landa Street, Suite B, New Braunfels, TX 78130
P.O. Box 310635, New Braunfels, TX 78131-0635
(830) 624-8858 ofc (866) 498-4644 fax (210) 392-3550 mobile
rgray@retirementvalue.com

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From: Jeremy Gray [mailto:jgray@retirementvalue.com]
Sent: Friday, November 20, 2009 1:45 PM
To: 'Terry Taylor'; bwfree@sbcglobal.net
Cc: 'Marisa Kane'; 'Dick Gray'; 'Wendy Rogers'
Subject: Wire Transfer 11-20-2009

Terry,
Here are the details regarding today's wire transfer-

TOTAL AMOUNT: \$627,254

\$550,000 TO ALMA TURNER (Escrow #: 1097802A)

\$ 77,254 TO LAURA MURPHY (Escrow #: 1079486A)

Here is the list of the accounts and amounts from which I would like the funds to be taken:

LBL771 - 7528808624	\$ 125,531
AGL062 - 7528808558	\$ 129,975
LNL782 - 1456460946	\$ 78,740
PLI680 - 7528808608	\$ 60,863
JPI062 - 7528808590	\$ 88,237
LNL26A - 9200168756	\$ 70,796
LLI899 - 7528808541	\$ 37,734
PLI140 - 7528808632	\$ 35,378

Total	\$627,254
-------	-----------

Please let me know if you need anything else from me. Thanks Terry!

Jeremy Gray

Director Of Product Development & Policy Administration

Retirement Value, LLC

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Exhibit H

Retirement Value, LLC (RV)

Benefits and Advantages To Clients

Fast application of funds.

Participants funds can be assigned immediately to any of ten life insurance policies that are owned by RV, over a desirable range of life expectancies(LE's), rather than languishing in a non-interest-bearing account, waiting weeks or months for policies to "become available."

Extraordinary Safety in the U S Legal Reserve System

All policies offered are issued by US Legal Reserve life insurance companies with an A M Best rating of "A" or higher, are past contestability periods, and have passed a rigorous twenty-one point inspection process before receiving consideration for purchase. No STOLI policies are offered.

Proven Track Record

An independent, objective firm predicts LE's for all policies purchased by RV. Historically, less than 2% of cases mature more than one year beyond predicted LE'(s), based on a documented audit of 5,000 randomly selected cases.

Generous Income

RV's policies are priced to deliver 16.5% simple interest per year over the LE of the insureds.

Bonus Income

Early maturities pay higher returns because the full measure of LE income is paid no matter when death occurs, and pro-rata unearned escrowed premiums are paid, too.

Increased Safety

Policy premiums are placed into escrow with Wells Fargo Bank to pay for premiums for LE plus an additional **two years**. The escrow agent, Kiesling Porter Kiesling & Free is a forty-year-old Texas law firm.

Increased Opportunity

Participants complete a suitability form rather than having to declare that they are "Accredited Investors," and can participate with an amount as low as \$25,000, and \$5,000 per policy, to achieve maximum spread of risk.

Greater Client Satisfaction

The only investment alternative that guarantees both the clients' principal and their gains – totally free from any direct stock market risk, as long as premiums are paid.

10-Day Free Look

Clients enjoy a ten-day free look period after purchase.

For additional information, please contact:

Michael McDermott, Master Licensee

www.retirementvalue.com

(469) 688-1168

sendmegoodnews@yahoo.com

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Exhibit I

From: bcollins@retirementvalue.com
Sent: Wednesday, February 17, 2010 8:43 AM
To: Dick Gray <rgray@retirementvalue.com>; Wendy Rogers <wrogers@retirementvalue.com>
Subject: RE: Hess report- what does it really say?

A 50% median LE would be a significant deviation from MMR's printed material.
Rather than being a selling point it would cause significant head wind.
Hess has a 1000 policy sample
HOW MANY passed away sooner than LE?
HOW MANY LE plus two years?
HOW MANY over LE plus two years?

If MMR is to have any credibility (something MB and JSS should want to know) their numbers should be close to MMR's material.

Bruce Collins
Chief Operating Officer
Retirement Value, LLC
457 Landa St. Suite B
New Braunfels, TX 78130
Office 830-624-8858
FAX 830-609-5002

214-732-5422* Use Cell Phone

As iron sharpens iron, man sharpens man. It is accepting the possibility of hearing the word "no" which creates the opportunity to hear the word "yes." See 3-5 prospects this week.

----- Original Message -----

Subject: Hess report- what does it really say?
From: Michael Beste <mbeste@msn.com>
Date: Wed, February 17, 2010 8:07 am
To: Dick Gray <rgray@retirementvalue.com>, Ron James <jiservcs@aol.com>
Cc: Don James <don.james1@comcast.net>, <bcollins@retirementvalue.com>, Wendy Rogers <wrogers@retirementvalue.com>, <jgray@retirementvalue.com>

Dick,
First, 1000 cases is critical mass without doubt.
Indicates trend strongly.
When you get a 50% median LE std. it means that half will die before half after.
It is a target to buy off of.
It does not mean you have a 50/50 coin toss idea of what the LE is.
Ron and I talked this over yesterday and I'm sure he can walk you through it effectively so that the "lay man" can make some sense of this and you and Bruce can guide licensees with authority.
Why Hess is looking at projections is beyond me.
Maybe I didn't tell you anything you didn't already know!
Mike

Michael T. Beste
Vertical Capital Holdings LLC

460 St. Michaels Drive
Suite 703
Santa Fe, NM 87505

(817) 329-9292 Direct
(214) 725-4240 Cell

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From: rgray@retirementvalue.com
To: JISERVCS@aol.com
CC: don.james1@comcast.net; mbeste@msn.com; bcollins@retirementvalue.com;
wrogers@retirementvalue.com; jgray@retirementvalue.com
Subject: RE: FW: [FWD: Re: [FWD: Breaking News]]
Date: Wed, 17 Feb 2010 06:51:58 -0600

As of Wednesday morning the same question remains on the table: what can / should / will we say Thursday at our meeting? These people (including myself) are not going to understand all of the 46% - 92% stuff.

What exactly is it we know and can share safely? "1,000 deaths were confirmed and cross-referenced with the Social Security Administration data base – and the correlation of "actuals" to "expecteds" was: 92% of the deaths were within LE + ____ months for these 1,000 cases."

??????

We cannot have another meeting (or should not have another meeting) at which we say "Princeton Report data still to come."

Dick Gray

President / CEO

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From: JISERVCS@aol.com [<mailto:JISERVCS@aol.com>]
Sent: Sunday, February 14, 2010 10:28 AM
To: rgray@retirementvalue.com
Cc: don.james1@comcast.net; mbeste@msn.com
Subject: Re: FW: [FWD: Re: [FWD: Breaking News]]

Dick,

I talked with Jim Hess Friday about the soon to be released report and he told me the following-

There are basically two sets of numbers, the first being the Actual LE's on Deaths Reported versus the Expected LE's on Deaths Reported.

On this set of numbers the ACCURACY RATE is around 92% of the expected median LE. In other words, if you had 100 lives with the same LE of 60 months, over a period of ten years until the last person died the median LE would be 72 months (66 being 92% of 72). This group of numbers is based on approximately

RVR019819

1000 people who have died. The actual number of deaths reported was 1300 but they were only able to match about 1000 of them though the Social Security Administration.

Because an LE is a Median at 50% up to the LE, and not an average, the Hess Group refers to 92% as 46% (92% is an Accuracy Rate, 46% is 92% of the Median of 50%).

The second set of numbers involves Projecting forward on LE's where the people are still alive. This group is projected at 42%, or 84% accuracy. I don't put much credence in projections in particular because the bulk of the LE's underwritten by Midwest have been done in the past four or five years, and the vast majority of them range from 72 to 144 months (not the type you order).

Statisticians are nerdy, difficult people to understand and their reports, verbal or written, are convoluted and kind of read like the IRS Tax Code.

The only numbers that matter to me are the Actual Deaths reported to the SS Administration.

Ron James

Exhibit J

RETIREMENT VALUE, LLC - CLIENT PARTICIPATION EXAMPLE AND BASE-LINE TARGETED INCOME DURING TEN YEARS

Case: LLI899-102209-AT (age **75**) @ **64**-month Life Expectancy w/ **\$7,000,000** face amount and annual premiums of **\$204,944** collected through month **88**

Client income: 16.5% simple annual income during the **64** month Life Expectancy = **88.00%** base-line targeted income -extended and adjusted for a period of ten years

Basis: Client base-line targeted income = simple annual income @ 16.5% x a Life Expectancy of 64 months - plus pro-rata premium refunds / minus pro-rata premium payment

Assumptions: **\$10,000** participation x **1.8800** = **\$18,800** total return at maturity = **0.2686%** share of the face amount = **\$550.42** annual pro-rata premium share > **88** months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	At the end of Year 5	LE Report Maturity Month 64	At the end of Year 6	At the end of Year 7	Month 88 = the escrowed premiums @ 0	At the end of Year 8	At the end of Year 9	At the end of Year 10
122.86% \$22,286	117.36% \$21,736	111.85% \$21,185	106.35% \$20,635	100.84% \$20,084	99.01% \$19,901	95.34% \$19,534	89.83% \$18,983	88.00% \$18,800	83.41% \$18,433	79.27% \$17,883	75.53% \$17,332
Client income is higher than the "base-line targeted income" of 16.5% all the way through year seven because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.						Premiums were collected for an extra 24 months > LE as part of "acquisition" costs			Premiums held in escrow for this policy will last 88 months. If the insured lives longer than 88 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 89 your estimated annual pro-rata premium share would be \$550.42. Changes in interest rates or cost-of-insurance could increase or decrease your estimated pro-rata premium payment.		
	58.68% \$21,736										
		37.28% \$21,185									
			26.59% \$20,635								
				20.17% \$20,084	18.56% \$19,901	15.89% \$19,534	12.83% \$18,983	12.00% \$18,800	10.43% \$18,433	8.81% \$17,883	7.55% \$17,332

* Percentages or dollars through year seven reflect a required pro-rata refund of unused premiums. All percentages or dollars after month **89** reflect a pro-rata payment of a share of premiums by this client.
Example: In this example, maturity at the end of year #1 would result in \$3,486.00 extra for this client as a refund of unused premiums. 1st year total return is then 122.86% shown rather than 88.00%.

RETIREMENT VALUE, LLC - CLIENT PARTICIPATION EXAMPLE AND BASE-LINE TARGETED INCOME DURING TEN YEARS

Case: LFG081-021710-RC (age **80**) @ **64**-month Life Expectancy w/ **\$1,250,000** face amount and annual premiums of **\$19,730** collected through month **88**

Client income: 16.5% simple annual income during the **64** month Life Expectancy = **88.00%** base-line targeted income -extended and adjusted for a period of ten years

Basis: Client base-line targeted income = simple annual income @ 16.5% x a Life Expectancy of 64 months - plus pro-rata premium refunds / minus pro-rata premium payment

Assumptions: **\$10,000** participation x **1.8800** = **\$18,800** total return at maturity = **1.5040%** share of the face amount = **\$296.74** annual pro-rata premium share > **88** months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	At the end of Year 5	LE Report Maturity Month 64	At the end of Year 6	At the end of Year 7	Month 88 = the escrowed premiums @ 0	At the end of Year 8	At the end of Year 9	At the end of Year 10
106.79% \$20,679	103.83% \$20,383	100.86% \$20,086	97.89% \$19,789	94.92% \$19,492	93.93% \$19,393	91.96% \$19,196	88.99% \$18,899	88.00% \$18,800	85.46% \$18,602	83.07% \$18,305	80.81% \$18,009
Client income is higher than the "base-line targeted income" of 16.5% all the way through year seven because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.					Premiums were collected for an extra 24 months > LE as part of "acquisition" costs			Premiums held in escrow for this policy will last 88 months. If the insured lives longer than 88 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 89 your estimated annual pro-rata premium share would be \$296.74 Changes in interest rates or cost-of-insurance could increase or decrease your estimated pro-rata premium payment.			
	51.91% \$20,383										
		33.62% \$20,086									
			24.47% \$19,789								
				18.98% \$19,492	17.61% \$19,393	15.33% \$19,196	12.71% \$18,899	12.00% \$18,800	10.68% \$18,602	9.23% \$18,305	8.08% \$18,009

* Percentages or dollars through year seven reflect a required pro-rata refund of unused premiums. All percentages or dollars after month **89** reflect a pro-rata payment of a share of premiums by this client.
Example: In this example, maturity at the end of year #1 would result in \$1,879.00 extra for this client as a refund of unused premiums. 1st year total return is then 106.79% shown rather than 88.00%.

RETIREMENT VALUE, LLC - CLIENT PARTICIPATION EXAMPLE AND BASE-LINE TARGETED INCOME DURING TEN YEARS

Case: LBL361-021710-SW (age 77) @ 60-month Life Expectancy w/ **\$2,085,000** face amount and annual premiums of **\$49,003** collected through month **84**

Client income: 16.5% simple annual income during the **60** month Life Expectancy = **82.50%** base-line targeted income -extended and adjusted for a period of ten years

Basis: Client base-line targeted income = simple annual income @ 16.5% x a Life Expectancy of 60 months - plus pro-rata premium refunds / minus pro-rata premium payment

Assumptions: **\$10,000** participation x **1.8250** = **\$18,250** total return at maturity = **0.8753%** share of the face amount = **\$428.92** annual pro-rata premium share > **84** months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	At the end of Year 5	LE Report Maturity Month 60	At the end of Year 6	At the end of Year 7	Month 84 = the escrowed premiums @ 0	At the end of Year 8	At the end of Year 9	At the end of Year 10
108.24% \$20,824	103.95% \$20,395	99.66% \$19,966	95.37% \$19,537	91.08% \$19,108	90.72% \$19,072	86.79% \$18,679	82.50% \$18,250	82.50% \$18,250	79.11% \$17,821	75.98% \$17,392	73.09% \$16,963
Client income is higher than the "base-line targeted income" of 16.5% all the way through year seven because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.						Premiums were collected for an extra 24 months > LE as part of "acquisition" costs		Premiums held in escrow for this policy will last 84 months. If the insured lives longer than 84 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 85 your estimated annual pro-rata premium share would be \$428.92 Changes in interest rates or cost-of-insurance could increase or decrease your estimated annual pro-rata premium payment.			
	51.97% \$20,395	33.22% \$19,966	23.84% \$19,537	18.22% \$19,108	18.14% \$19,072	14.46% \$18,679	11.79% \$18,250	11.79% \$18,250	9.89% \$17,821	8.44% \$17,392	7.31% \$16,963

* Percentages or dollars through year seven reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 85 reflect a pro-rata payment of a share of premiums by this client.
Example: In this example, maturity at the end of year #1 would result in \$2,574.00 extra for this client as a refund of unused premiums. 1st year total return is then 108.24% shown rather than 82.50%

RETIREMENT VALUE, LLC - CLIENT PARTICIPATION EXAMPLE AND BASE-LINE TARGETED INCOME DURING TEN YEARS

Case: LFG117-021710-HW (age 77 @ 52-month Life Expectancy w/ \$2,000,000 face amount and annual premiums of \$52,034 collected through month 76)

Client income: 16.5% simple annual income during the 52 month Life Expectancy : 71.50% base-line targeted income -extended and adjusted for a period of ten years

Basis: Client base-line targeted income = simple annual income @ 16.5% x a Life Expectancy of 52 months - plus pro-rata premium refunds / minus pro-rata premium payment

Assumptions: \$10,000 participation x 1.7150 = \$17,150 total return at maturity = 0.8575% share of the face amount \$446.19 annual pro-rata premium share > 76 months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	LE Report Maturity Month 52	At the end of Year 5	At the end of Year 6	Month 76 = the escrowed premiums @ 0	At the end of Year 7	At the end of Year 8	At the end of Year 9	At the end of Year 10
95.30% \$19,530	90.83% \$19,083	86.37% \$18,637	81.91% \$18,191	80.42% \$18,042	77.45% \$17,745	72.99% \$17,299	71.50% \$17,150	68.45% \$16,853	65.64% \$16,406	63.06% \$15,960	60.67% \$15,514
Client income is higher than the "base-line targeted income" of 16.5% all the way through year six because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.				Premiums were collected for an extra 24 months > LE as part of "acquisition" costs				Premiums held in escrow for this policy will last 76 months. If the insured lives longer than 76 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 77 your estimated annual pro-rata premium share would be \$297.46 Changes in interest rates or cost-of-insurance could increase or decrease your estimated annual pro-rata premium payment.			
	45.42% \$19,083	28.79% \$18,637	20.48% \$18,191	18.56% \$18,042	15.49% \$17,745	12.16% \$17,299	11.29% \$17,150	9.78% \$16,853	8.21% \$16,704	7.01% \$15,960	6.07% \$15,514

* Percentages or dollars through year six reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 76 reflect a pro-rata payment of a share of premiums by this client.
Example: In this example, maturity at the end of year #1 would result in \$2,380.00 extra for this client as a refund of unused premiums. 1st year total return is then 95.3% shown rather than 71.50%.

RETIREMENT VALUE, LLC - CLIENT PARTICIPATION EXAMPLE AND BASE-LINE TARGETED INCOME DURING TEN YEARS

Case: LFG248-012610-HM (age 76 @ 52-month Life Expectancy w/ \$3,000,000 face amount and annual premiums of \$53,847 collected through month 76)

Client income: 16.5% simple annual income during the 52 month Life Expectancy : 71.50% base-line targeted income -extended and adjusted for a period of ten years

Basis: Client base-line targeted income = simple annual income @ 16.5% x a Life Expectancy of 52 months - plus pro-rata premium refunds / minus pro-rata premium payment

Assumptions: \$10,000 participation x 1.7150 = \$17,150 total return at maturity = 0.5717% share of the face amount \$307.83 annual pro-rata premium share > 76 months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	LE Report Maturity Month 52	At the end of Year 5	At the end of Year 6	Month 76 = the escrowed premiums @ 0	At the end of Year 7	At the end of Year 8	At the end of Year 9	At the end of Year 10
87.92% \$18,792	84.84% \$18,484	81.76% \$18,176	78.68% \$17,868	77.66% \$17,766	75.60% \$17,560	72.53% \$17,253	71.50% \$17,150	69.36% \$16,945	67.35% \$16,637	65.46% \$16,329	63.66% \$16,021
Client income is higher than the "base-line targeted income" of 16.5% all the way through year six because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.				Premiums were collected for an extra 24 months > LE as part of "acquisition" costs				Premiums held in escrow for this policy will last 76 months. If the insured lives longer than 76 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 77 your estimated annual pro-rata premium share would be \$307.83 Changes in interest rates or cost-of-insurance could increase or decrease your estimated annual pro-rata premium payment.			
	42.42% \$18,484										
		27.25% \$18,176									
			19.67% \$17,868								
				17.92% \$17,766	15.12% \$17,560	12.09% \$17,253	11.29% \$17,150	9.91% \$16,945	8.42% \$16,842	7.27% \$16,329	6.37% \$16,021

* Percentages or dollars through year six reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 76 reflect a pro-rata payment of a share of premiums by this client.
Example: In this example, maturity at the end of year #1 would result in \$1,642.00 extra for this client as a refund of unused premiums. 1st year total return is then 87.92% shown rather than 71.50%.

RETIREMENT VALUE, LLC - CLIENT PARTICIPATION EXAMPLE AND BASE-LINE TARGETED INCOME DURING TEN YEARS

Case: AXA994-011510-BD (age 77 @ 51-month Life Expectancy w/ \$2,100,000 face amount and annual premiums of \$62,634 collected through month 75)

Client income: 16.5% simple annual income during the 51 month Life Expectancy : 70.13% base-line targeted income -extended and adjusted for a period of ten years

Basis: Client base-line targeted income = simple annual income @ 16.5% x a Life Expectancy of 51 months - plus pro-rata premium refunds / minus pro-rata premium payment

Assumptions: \$10,000 participation x 1.7013 = \$17,013 total return at maturity = 0.8101% share of the face amount \$507.42 annual pro-rata premium share > 75 months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	LE Report Maturity Month 51	At the end of Year 5	At the end of Year 6	Month 75 = the escrowed premiums @ 0	At the end of Year 7	At the end of Year 8	At the end of Year 9	At the end of Year 10
96.77% \$19,677	91.70% \$19,170	86.62% \$18,662	81.55% \$18,155	80.28% \$18,028	76.47% \$17,647	71.40% \$17,140	70.13% \$17,013	66.74% \$16,632	63.67% \$16,125	60.86% \$15,618	58.30% \$15,110
Client income is higher than the "base-line targeted income" of 16.5% <u>all the way through year six because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.</u>				<u>Premiums were collected for an extra 24 months > LE as part of "acquisition" costs</u>				<u>Premiums held in escrow for this policy will last 75 months. If the insured lives longer than 75 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 76 your estimated annual pro-rata premium share would be \$507.42 Changes in interest rates or cost-of-insurance could increase or decrease your estimated annual pro-rata premium payment.</u>			
45.85% \$19,170											
28.87% \$18,662											
20.39% \$18,155											
18.89% \$18,028				15.29% \$17,647				11.22% \$17,140			
								11.22% \$17,013			
								9.53% \$16,632			
								7.96% \$16,506			
								6.76% \$15,618			
								5.83% \$15,110			

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: AXA091-012110-PC (age **81**) @ **45**-month Life Expectancy w/ **\$5,000,000** face amount and annual premiums of **\$133,863** collected through month **69**

Client income: 16.5% simple annual income during the **45**-month Life Expectancy = **61.88%** base-line expected income - extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of **45** months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions **\$10,000** participation x **1.6188** = **\$16,188** total return at maturity = **0.3238%** share of the face amount = **\$433.39** annual pro-rata premium share > **69** months

<u>At the end of Year 1</u>	<u>At the end of Year 2</u>	<u>At the end of Year 3</u>	<u>LE Report Maturity Month 45</u>	<u>At the end of Year 4</u>	<u>At the end of Year 5</u>	<u>Month 69 = the escrowed premiums @ 0</u>	<u>At the end of Year 6</u>	<u>At the end of Year 7</u>	<u>At the end of Year 8</u>	<u>At the end of Year 9</u>	<u>At the end of Year 10</u>
82.47% \$18,247	78.13% \$17,813	73.80% \$17,380	70.55% \$17,055	69.46% \$16,946	65.13% \$16,513	61.88% \$16,188	60.80% \$16,080	56.46% \$15,646	52.13% \$15,213	47.79% \$14,779	43.46% \$14,346
<u>Client income is higher than the "base-line expected income" of 16.5% all the way through year five because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.</u>						<u>Premiums were collected for an extra 24 months > LE as part of "acquisition" costs</u>					
39.07% \$17,813						Premiums held in escrow for this policy will last 69 months. If the insured lives longer than 69 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 70 your estimated annual pro-rata premium share would be \$433.39. Changes in interest rates or cost-of-insurance could increase or decrease your estimated annual pro-rata premium payment.					
24.60% \$17,380											
20.16% \$17,055											
17.37% \$16,946											
13.03% \$16,513											
11.25% \$16,188											
						10.13% \$16,080					
						8.07% \$15,646					
						6.52% \$15,213					
						5.31% \$14,779					
						4.35% \$14,346					

RETIREMENT VALUE, LLC - CLIENT PARTICIPATION EXAMPLE AND BASE-LINE TARGETED INCOME DURING TEN YEARS

Case: JPI183-111109-MR (age **82**) @ **40-month** Life Expectancy w/ **\$5,000,000** face amount and annual premiums of **\$90,019** collected through month **64**

Client income: **16.5% simple annual income during the 40-month Life Expectancy = 55.00% base-line targeted income - extended and adjusted for a period of ten year**

Basis: **Client base-line targeted income = simple annual income @ 16.5% x a Life Expectancy of 40 months - plus pro-rata premium refunds / minus pro-rata premium payment**

Assumptions **\$10,000** participation x **1.5500** = **\$15,500** total return at maturity = **0.3100%** share of the face amount = **\$279.06** annual pro-rata premium share > **64 months**

At the end of Year 1	At the end of Year 2	At the end of Year 3	LE Report Maturity Month 40	At the end of Year 4	At the end of Year 5	Month 64 = the escrowed premiums @ 0	At the end of Year 6	At the end of Year 7	At the end of Year 8	At the end of Year 9	At the end of Year 10
67.09% \$16,709	64.30% \$16,430	61.51% \$16,151	60.58% \$16,058	58.72% \$15,872	55.93% \$15,593	55.00% \$15,500	53.14% \$15,314	50.35% \$15,035	47.56% \$14,756	44.77% \$14,477	41.98% \$14,198
Client income is higher than the "base-line targeted income" of 16.5% all the way through year five because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.							Premiums were collected for an extra 24 months > LE as part of "acquisition" costs Premiums held in escrow for this policy will last 64 months. If the insured lives longer than 64 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 65 your estimated annual pro-rata premium share would be \$279.06. Changes in interest rates or cost-of-insurance could increase or decrease your estimated pro-rata premium payment.				
32.15% \$16,430							8.86% \$15,314	7.19% \$15,035	5.94% \$14,756	4.97% \$14,477	4.20% \$14,198
20.50% \$16,151			17.31% \$16,058	14.68% \$15,872	11.19% \$15,593	10.00% \$15,500					

* Percentages or dollars through year five reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 64 reflect a pro-rata payment of a share of premiums by this client.

Example: In this example, maturity at the end of year #1 would result in \$1,209.00 extra for this client as a refund of unused premiums. 1st year total return is then 67.09% shown rather than 55.00%.

RETIREMENT VALUE, LLC - CLIENT PARTICIPATION EXAMPLE AND BASE-LINE TARGETED INCOME DURING TEN YEARS

Case: PLI140-111109-DM (age 83) @ 38-month Life Expectancy w/ \$10,000,000 face amount and annual premiums of \$399,702 collected through month 62

Client income: 16.5% simple annual income during the 38-month Life Expectancy = 52.25% base-line targeted income - extended and adjusted for a period of ten year

Basis: Client base-line targeted income = simple annual income @ 16.5% x a Life Expectancy of 38 months - plus pro-rata premium refunds / minus pro-rata premium payment

Assumptions \$10,000 participation x 1.5225 = \$15,225 total return at maturity = 0.1523% share of the face amount = \$608.55 annual pro-rata premium share > 62 months

<u>At the end of Year 1</u>	<u>At the end of Year 2</u>	<u>At the end of Year 3</u>	<u>LE Report Maturity Month 38</u>	<u>At the end of Year 4</u>	<u>At the end of Year 5</u>	<u>Month 62 = the escrowed premiums @ 0</u>	<u>At the end of Year 6</u>	<u>At the end of Year 7</u>	<u>At the end of Year 8</u>	<u>At the end of Year 9</u>	<u>At the end of Year 10</u>	
77.61% \$17,761	71.52% \$17,152	65.44% \$16,544	64.42% \$16,442	59.35% \$15,935	53.26% \$15,326	52.25% \$15,225	47.18% \$14,718	41.09% \$14,109	35.01% \$13,501	28.92% \$12,892	22.84% \$12,284	
Client income is higher than the "base-line targeted income" of 16.5% <u>all the way through year five because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.</u>							<u>Premiums were collected for an extra 24 months > LE as part of "acquisition" costs</u>					
35.76% \$17,152							<u>Premiums held in escrow for this policy will last 62 months. If the insured lives longer than 62 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 63 your estimated annual pro-rata premium share would be \$608.55. Changes in interest rates or cost-of-insurance could increase or decrease your estimated pro-rata premium payment.</u>					
			21.81% \$16,544	18.41% \$16,442	14.84% \$15,935	10.65% \$15,326	9.50% \$15,225	7.86% \$14,718	5.87% \$14,109	4.38% \$13,501	3.21% \$12,892	2.28% \$12,284

* Percentages or dollars through year five reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 62 reflect a pro-rata payment of a share of premiums by this client.

Example: In this example, maturity at the end of year #1 would result in \$2,536.00 extra for this client as a refund of unused premiums. 1st year total return is then 77.61% shown rather than 52.25%.

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: AGL130-012110-PM (age **88**) @ **33**-month Life Expectancy w/ **\$2,000,000** face amount and annual premiums of **\$120,629** collected through month **57**

Client income: 16.5% simple annual income during the **33**-month Life Expectancy = **45.38%** base-line expected income - extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of **33** months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions **\$10,000** participation x **1.4538** = **\$14,538** total return at maturity = **0.7269%** share of the face amount = **\$876.85** annual pro-rata premium share > **57 months**

<u>At the end of Year 1</u>	<u>At the end of Year 2</u>	<u>LE Report Maturity Month 33</u>	<u>At the end of Year 3</u>	<u>At the end of Year 4</u>	<u>Month 57 = the escrowed premiums @ 0</u>	<u>At the end of Year 5</u>	<u>At the end of Year 6</u>	<u>At the end of Year 7</u>	<u>At the end of Year 8</u>	<u>At the end of Year 9</u>	<u>At the end of Year 10</u>
78.26% \$17,826	69.49% \$16,949	62.92% \$16,292	60.72% \$16,072	51.96% \$15,196	45.38% \$14,538	43.19% \$14,319	34.42% \$13,442	25.65% \$12,565	16.88% \$11,688	8.11% \$10,811	-0.65% \$9,935
Client income is higher than the "base-line expected income" of 16.5% all the way through year four because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.						Premiums were collected for an extra 24 months > LE as part of "acquisition" costs					
34.75% \$16,949						Premiums held in escrow for this policy will last 57 months. If the insured lives longer than 57 months you will participate on a pro-rata basis in paying premiums until this policy matures. Based on data currently available, starting in month 58 your estimated annual pro-rata premium share would be \$876.85. Changes in interest rates or cost-of-insurance could increase or decrease your estimated pro-rata premium payment.					
20.97% \$16,292											
17.35% \$16,072											
12.99% \$15,196											
9.08% \$14,538											
						7.85% \$14,319	5.74% \$13,442	3.66% \$12,565	2.11% \$11,688	0.90% \$10,811	-0.07% \$9,935

* Percentages or dollars through year four reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 57 reflect a pro-rata payment of a share of premiums by this client.

Example: In this example, maturity at the end of year #1 would result in \$3,288.00 extra for this client as a refund of unused premiums. 1st year total return is then 78.26% shown rather than 45.38%.

Exhibit K

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: LNL177-031909-MC (age 77) @ 70-month Life Expectancy w/ \$1,500,000 face amount and annual premiums of \$34,000 collected through month 94

Client income: 16.5% simple annual income during the 70 month Life Expectancy = 96.25% base-line expected income -extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of 70 months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions: \$10,000 participation x 1.9625 = \$19,625 total return at maturity = 1.3083% share of the face amount = \$444.83 annual pro-rata premium share > 94 months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	At the end of Year 5	LE Report Maturity Month 70	At the end of Year 6	At the end of Year 7	Month 94 = the escrowed premiums @ 0	At the end of Year 8	At the end of Year 9	At the end of Year 10
126.65%	122.20%	117.75%	113.30%	108.85%	105.15%	104.41%	99.96%	96.25%	92.15%		
\$22,665	\$22,220	\$21,775	\$21,330	\$20,885	\$20,515	\$20,441	\$19,996	\$19,625	\$19,551	88.39%	
Client income is higher than the "base-line expected income" of 16.5% all the way through year seven because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.					Premiums were collected for an extra 24 months > LE as part of "acquisition" costs			Starting in month 95 the pro-rata premium share for this client is \$444.83 annually which begins to reduce total net income - but even after 10 years income averages 8.49%			
	61.10%										
	\$22,220										
		39.25%									
		\$21,775									
			28.33%								
			\$21,330								
				21.77%							
				\$20,885							
					18.03%						
					\$20,515						
						17.40%					
						\$20,441					
							14.28%				
							\$19,996				
								12.29%			
								\$19,625			
									11.52%		
									\$19,551		
										9.82%	
										\$19,106	
											8.49%
											\$18,661

* Percentages or dollars through year seven reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 94 reflect a pro-rata payment of a share of premiums by this client. Example: In this example, maturity at the end of year #1 would result in \$3,040.00 extra for this client as a refund of unused premiums. 1st year total return is then 126.65% shown rather than 96.25%.

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: AGL73L-031909-WK (age **77**) @ **70**-month Life Expectancy w/ **\$3,000,000** face amount and annual premiums of **\$62,000** collected through month **94**

Client income: 16.5% simple annual income during the **70** month Life Expectancy = **96.25%** base-line expected income -extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of **70** months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions: **\$10,000** participation x **1.9625** = **\$19,625** total return at maturity = **0.6542%** share of the face amount = **\$405.58** annual pro-rata premium share > **94** months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	At the end of Year 5	LE Report Maturity Month 70	At the end of Year 6	At the end of Year 7	Month 94 = the escrowed premiums @ 0	At the end of Year 8	At the end of Year 9	At the end of Year 10
123.96% \$22,396	119.91% \$21,991	115.85% \$21,585	111.80% \$21,180	107.74% \$20,774	104.36% \$20,436	103.69% \$20,369	99.63% \$19,963	96.25% \$19,625	92.50% \$19,557	89.03% \$19,152	85.81% \$18,746
Client income is higher than the "base-line expected income" of 16.5% all the way through year seven because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.					Premiums were collected for an extra 24 months > LE as part of "acquisition" costs			Starting in month 95 the pro-rata premium share for this client is \$405.58 annually which begins to reduce total net income - but even after 10 years income averages 8.58%			
	59.95% \$21,991										
		38.62% \$21,585									
			27.95% \$21,180								
				21.55% \$20,774	17.89% \$20,436	17.28% \$20,369	14.23% \$19,963	12.29% \$19,625	11.56% \$19,557	9.89% \$19,152	8.58% \$18,746

* Percentages or dollars through year seven reflect a required pro-rata refund of unused premiums. All percentages or dollars after month **94** reflect a pro-rata payment of a share of premiums by this client.
Example: In this example, maturity at the end of year #1 would result in \$2,771.00 extra for this client as a refund of unused premiums. 1st year total return is then 123.96% shown rather than 96.25%.

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: AXA804-031909-RM (age **77**) @ **69**-month Life Expectancy w/ **\$4,500,000** face amount and annual premiums of **\$140,000** collected through month **93**

Client income: 16.5% simple annual income during the **69** month Life Expectancy = **94.88%** base-line expected income -extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of **69** months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions: **\$10,000** participation x **1.9488** = **\$19,488** total return at maturity = **0.4331%** share of the face amount = **\$606.29** annual pro-rata premium share > **93** months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	At the end of Year 5	LE Report Maturity Month 69	At the end of Year 6	At the end of Year 7	Month 93 = the escrowed premiums @ 0	At the end of Year 8	At the end of Year 9	At the end of Year 10
135.80%	129.74%	123.68%	117.62%	111.55%	107.01%	105.49%	99.43%	94.88%	89.46%		
\$23,580	\$22,974	\$22,368	\$21,762	\$21,155	\$20,701	\$20,549	\$19,943	\$19,488	\$19,336	84.62%	
Client income is higher than the "base-line expected income" of 16.5% all the way through year seven because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.					Premiums were collected for an extra 24 months > LE as part of "acquisition" costs				Starting in month 94 the pro-rata premium share for this client is \$606.29 annually which begins to reduce total net income - but even after 10 years income averages 8.03%		
	64.87%										
	\$22,974										
		41.23%									
		\$22,368									
			29.40%								
			\$21,762								
				22.31%							
				\$21,155							
					18.61%						
					\$20,701						
						17.58%					
						\$20,549					
							14.20%				
							\$19,943				
								12.24%			
								\$19,488			
									11.18%		
									\$19,336		
										9.40%	
										\$18,730	
											8.03%
											\$18,124

* Percentages or dollars through year seven reflect a required pro-rata refund of unused premiums. All percentages or dollars after month **93** reflect a pro-rata payment of a share of premiums by this client. Example: In this example, maturity at the end of year #1 would result in \$4,092.00 extra for this client as a refund of unused premiums. 1st year total return is then 135.8% shown rather than 94.88%.

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: MAM860-071509-ML (age **78**) @ **69**-month Life Expectancy w/ **\$1,500,000** face amount and annual premiums of **\$28,000** collected through month **93**

Client income: 16.5% simple annual income during the **69** month Life Expectancy = **94.88%** base-line expected income -extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of **69** months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions: **\$10,000** participation x **1.9488** = **\$19,488** total return at maturity = **1.2992%** share of the face amount = **\$363.78** annual pro-rata premium share > **93** months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	At the end of Year 5	LE Report Maturity Month 69	At the end of Year 6	At the end of Year 7	Month 93 = the escrowed premiums @ 0	At the end of Year 8	At the end of Year 9	At the end of Year 10
119.43%	115.80%	112.16%	108.52%	104.88%	102.16%	101.25%	97.61%	94.88%	91.55%	88.45%	
\$21,943	\$21,580	\$21,216	\$20,852	\$20,488	\$20,216	\$20,125	\$19,761	\$19,488	\$19,397	\$19,033	\$18,670
Client income is higher than the "base-line expected income" of 16.5% all the way through year seven because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.					Premiums were collected for an extra 24 months > LE as part of "acquisition" costs						
57.90%								Starting in month 94 the pro-rata premium share for this client is \$363.78 annually which begins to reduce total net income - but even after 10 years income averages 8.55%			
\$21,580											

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: LNL740-071509-RL (age **80**) @ **63**-month Life Expectancy w/ **\$5,000,000** face amount and annual premiums of **\$110,089** collected through month **87**

Client income: 16.5% simple annual income during the **63** month Life Expectancy = **86.63%** base-line expected income -extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of **64** months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions: **\$10,000** participation x **1.8663** = **\$18,663** total return at maturity = **0.3733%** share of the face amount = **\$410.92** annual pro-rata premium share > **87** months

At the end of Year 1	At the end of Year 2	At the end of Year 3	At the end of Year 4	At the end of Year 5	LE Report Maturity Month 63	At the end of Year 6	At the end of Year 7	Month 87 = the escrowed premiums @ 0	At the end of Year 8	At the end of Year 9	At the end of Year 10
112.31% \$21,231	108.20% \$20,820	104.09% \$20,409	99.98% \$19,998	95.88% \$19,588	94.85% \$19,485	91.77% \$19,177	87.66% \$18,766	86.63% \$18,663	83.21% \$18,355	80.05% \$17,944	77.12% \$17,533
Client income is higher than the "base-line expected income" of 16.5% all the way through year seven because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.					Premiums were collected for an extra 24 months > LE as part of "acquisition" costs			Starting in month 88 the pro-rata premium share for this client is \$410.92 annually which begins to reduce total net income - but even after 10 years income averages 7.71%			
	54.10% \$20,820		34.70% \$20,409	25.00% \$19,998		18.07% \$19,485	15.29% \$19,177	11.95% \$18,663	10.40% \$18,355	8.89% \$17,944	7.71% \$17,533
			25.00% \$19,998	19.18% \$19,588			12.52% \$18,766				

* Percentages or dollars through year seven reflect a required pro-rata refund of unused premiums. All percentages or dollars after month **88** reflect a pro-rata payment of a share of premiums by this client. Example: In this example, maturity at the end of year #1 would result in \$2,568.00 extra for this client as a refund of unused premiums. 1st year total return is then 112.31% shown rather than 86.63%.

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: TRA281-071509-RJ (age 82) @ 56-month Life Expectancy w/ \$1,500,000 face amount and annual premiums of \$50,160 collected through month 80

Client income: 16.5% simple annual income during the 56 month Life Expectancy : 77.00% base-line expected income -extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of 56 months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions: \$10,000 participation x 1.7700 = \$17,700 total return at maturity = 1.1800% share of the face amount \$591.89 annual pro-rata premium share > 80 months

<u>At the end of Year 1</u>	<u>At the end of Year 2</u>	<u>At the end of Year 3</u>	<u>At the end of Year 4</u>	<u>LE Report Maturity Month 56</u>	<u>At the end of Year 5</u>	<u>At the end of Year 6</u>	<u>Month 80 = the escrowed premiums @ 0</u>	<u>At the end of Year 7</u>	<u>At the end of Year 8</u>	<u>At the end of Year 9</u>	<u>At the end of Year 10</u>
110.54% \$21,054	104.62% \$20,462	98.70% \$19,870	92.78% \$19,278	88.84% \$18,884	86.86% \$18,686	80.95% \$18,095	77.00% \$17,700	72.70% \$17,503	68.85% \$17,108	65.39% \$16,516	62.26% \$15,924
Client income is higher than the "base-line expected income" of 16.5% all the way through year six because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.					Premiums were collected for an extra 24 months > LE as part of "acquisition" costs			Starting in month 81 the pro-rata premium share for this client is \$591.89 annually which begins to reduce total net income - but even after 10 years income averages 6.23%			
	52.31% \$20,462										
		32.90% \$19,870									
			23.20% \$19,278								
				19.04% \$18,884	17.37% \$18,686	13.49% \$18,095	11.55% \$17,700	10.39% \$17,503	8.61% \$17,108	7.27% \$16,516	6.23% \$15,924

* Percentages or dollars through year six reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 80 reflect a pro-rata payment of a share of premiums by this client. Example: In this example, maturity at the end of year #1 would result in \$3,354.00 extra for this client as a refund of unused premiums. 1st year total return is then 110.54% shown rather than 77.00%.

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: ING201-071509-AG (age 79) @ 55-month Life Expectancy w/ \$5,000,000 face amount and annual premiums of \$180,766 collected through month 79

Client income: 16.5% simple annual income during the 55 month Life Expectancy : 75.63% base-line expected income -extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of 55 months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions: \$10,000 participation x 1.7563 = \$17,563 total return at maturity = 0.3513% share of the face amount \$634.96 annual pro-rata premium share > 79 months

<u>At the end of Year 1</u>	<u>At the end of Year 2</u>	<u>At the end of Year 3</u>	<u>At the end of Year 4</u>	<u>LE Report Maturity Month 55</u>	<u>At the end of Year 5</u>	<u>At the end of Year 6</u>	<u>Month 79 = the escrowed premiums @ 0</u>	<u>At the end of Year 7</u>	<u>At the end of Year 8</u>	<u>At the end of Year 9</u>	<u>At the end of Year 10</u>
111.08% \$21,108	104.73% \$20,473	98.38% \$19,838	92.03% \$19,203	88.33% \$18,833	85.68% \$18,568	79.33% \$17,933	75.63% \$17,563	71.11% \$17,298	67.11% \$16,928	63.53% \$16,293	60.31% \$15,658
Client income is higher than the "base-line expected income" of 16.5% all the way through year six because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.				Premiums were collected for an extra 24 months > LE as part of "acquisition" costs				Starting in month 80 the pro-rata premium share for this client is \$634.96 annually which begins to reduce total net income - but even after 10 years income averages 6.03%			
	52.37% \$20,473	32.79% \$19,838	23.01% \$19,203	19.27% \$18,833	17.14% \$18,568	13.22% \$17,933	11.49% \$17,563	10.16% \$17,298	8.39% \$16,928	7.06% \$16,293	6.03% \$15,658

* Percentages or dollars through year six reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 79 reflect a pro-rata payment of a share of premiums by this client.
Example: In this example, maturity at the end of year #1 would result in \$3,545.00 extra for this client as a refund of unused premiums. 1st year total return is then 111.08% shown rather than 75.63%.

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: ANI852-031909-HO (age 78 @ 53-month Life Expectancy w/ \$5,000,000 face amount and annual premiums of \$166,229 collected through month 77

Client income: 16.5% simple annual income during the 53 month Life Expectancy : 72.88% base-line expected income -extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of 53 months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions: \$10,000 participation x 1.7288 = \$17,288 total return at maturity = 0.3458% share of the face amount \$574.75 annual pro-rata premium share > 77 months

<u>At the end of Year 1</u>	<u>At the end of Year 2</u>	<u>At the end of Year 3</u>	<u>At the end of Year 4</u>	<u>LE Report Maturity Month 53</u>	<u>At the end of Year 5</u>	<u>At the end of Year 6</u>	<u>Month 77 = the escrowed premiums @ 0</u>	<u>At the end of Year 7</u>	<u>At the end of Year 8</u>	<u>At the end of Year 9</u>	<u>At the end of Year 10</u>
104.01% \$20,401	98.26% \$19,826	92.52% \$19,252	86.77% \$18,677	84.38% \$18,438	81.02% \$18,102	75.27% \$17,527	72.88% \$17,288	68.92% \$16,953	65.37% \$16,713	62.16% \$16,138	59.26% \$15,564
Client income is higher than the "base-line expected income" of 16.5% all the way through year six because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.				Premiums were collected for an extra 24 months > LE as part of "acquisition" costs				Starting in month 78 the pro-rata premium share for this client is \$574.75 annually which begins to reduce total net income - but even after 10 years income averages 5.93%			
	49.13% \$19,826										
		30.84% \$19,252									
			21.69% \$18,677								
				19.10% \$18,438	16.20% \$18,102	12.55% \$17,527	11.36% \$17,288	9.85% \$16,953	8.17% \$16,713	6.91% \$16,138	5.93% \$15,564

* Percentages or dollars through year six reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 77 reflect a pro-rata payment of a share of premiums by this client. Example: In this example, maturity at the end of year #1 would result in \$3,113.00 extra for this client as a refund of unused premiums. 1st year total return is then 104.01% shown rather than 72.88%.

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: ING283-031909-AI (age 81) @ 43-month Life Expectancy w/ \$2,000,000 face amount and annual premiums of \$96,000 collected through month 67

Client income: 16.5% simple annual income during the 43-month Life Expectancy = 59.13% base-line expected income - extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of 43 months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions \$10,000 participation x 1.5775 = \$15,775 total return at maturity = 0.7888% share of the face amount = \$757.20 annual pro-rata premium share > 67 months

<u>At the end of Year 1</u>	<u>At the end of Year 2</u>	<u>At the end of Year 3</u>	<u>LE Report Maturity Month 43</u>	<u>At the end of Year 4</u>	<u>At the end of Year 5</u>	<u>Month 67 = the escrowed premiums @ 0</u>	<u>At the end of Year 6</u>	<u>At the end of Year 7</u>	<u>At the end of Year 8</u>	<u>At the end of Year 9</u>	<u>At the end of Year 10</u>
92.46% \$19,246	84.88% \$18,488	77.31% \$17,731	72.89% \$17,289	69.74% \$16,974	62.17% \$16,217	57.75% \$15,775	54.59% \$15,460	47.02% \$14,702	39.45% \$13,945	31.88% \$13,188	24.31% \$12,431
<u>Client income is higher than the "base-line expected income" of 16.5% all the way through year five because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.</u>								<u>Premiums were collected for an extra 24 months > LE as part of "acquisition" costs</u>		<u>Starting in month 68 the pro-rata premium share for this client is \$757.20 annually which begins to reduce total net income - but even after 10 years income averages 2.43%</u>	
	42.44% \$18,488										
		25.77% \$17,731									
			20.83% \$17,289	17.43% \$16,974	12.43% \$16,217	10.50% \$15,775	9.10% \$15,460	6.72% \$14,702	4.93% \$13,945	3.54% \$13,188	2.43% \$12,431

* Percentages or dollars through year five reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 67 reflect a pro-rata payment of a share of premiums by this client.

Example: In this example, maturity at the end of year #1 would result in \$3,471.00 extra for this client as a refund of unused premiums. 1st year total return is then 92.46% shown rather than 59.13%.

RETIREMENT VALUE, LLC - Client participation example and base-line expected income during ten years

Case: OML446-031909-RL (age 79) @ 40-month Life Expectancy w/ \$2,000,000 face amount and annual premiums of \$89,000 collected through month 64

Client income: 16.5% simple annual income during the 40-month Life Expectancy = 55.00% base-line expected income - extended and adjusted for a period of ten years

Basis: Client base-line expected income = simple annual income @ 16.5% x a Life Expectancy of 40 months - plus pro-rata premium refunds / minus pro-rata premium payments

Assumptions \$10,000 participation x 1.5500 = \$15,500 total return at maturity = 0.7750% share of the face amount = \$689.75 annual pro-rata premium share > 64 months

At the end of Year 1	At the end of Year 2	At the end of Year 3	LE Report Maturity Month 40	At the end of Year 4	At the end of Year 5	Month 64 = the escrowed premiums @ 0	At the end of Year 6	At the end of Year 7	At the end of Year 8	At the end of Year 9	At the end of Year 10
84.89% \$18,489	77.99% \$17,799	71.09% \$17,109	68.80% \$16,880	64.20% \$16,420	57.30% \$15,730	55.00% \$15,500	50.40% \$15,040	43.50% \$14,350	36.61% \$13,661	29.71% \$12,971	22.81% \$12,281
Client income is higher than the "base-line expected income" of 16.5% all the way through year five because of the pro-rata re-distribution of the un-used premiums in the escrow account when the insured dies.							Premiums were collected for an extra 24 months > LE as part of "acquisition" costs			Starting in month 65 the pro-rata premium share for this client is \$689.75 annually which begins to reduce total net income - but even after 10 years income averages 2.28%	
	39.00% \$17,799										
		23.70% \$17,109									
			19.66% \$16,880	16.05% \$16,420	11.46% \$15,730	10.00% \$15,500	8.40% \$15,040	6.21% \$14,350	4.58% \$13,661	3.30% \$12,971	2.28% \$12,281

* Percentages or dollars through year five reflect a required pro-rata refund of unused premiums. All percentages or dollars after month 64 reflect a pro-rata payment of a share of premiums by this client.

Example: In this example, maturity at the end of year #1 would result in \$2,989.00 extra for this client as a refund of unused premiums. 1st year total return is then 84.89% shown rather than 55.00%.

CAUSE NO. D-1-GV-10-000454

STATE OF TEXAS,

Plaintiff,

V.

**RETIREMENT VALUE, LLC,
RICHARD H. “DICK” GRAY, HILL
COUNTRY FUNDING, LLC, a
Texas Limited Liability Company,
HILL COUNTRY FUNDING, a Nevada
Limited Liability Company, and
WENDY ROGERS,**

Defendants,

AND

**KIESLING, PORTER, KIESLING, &
FREE, P.C.,**

Relief Defendant.

IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

126th JUDICIAL DISTRICT

[PROPOSED] PLAN OF DISTRIBUTION

After considering the Receiver's Motion to Approve a Plan of Distribution, along with the evidence presented, the arguments of counsel and applicable Texas law, the Court finds that the Motion should be granted and the following plan of distribution adopted:

I. DEFINITIONS

Capitalized terms shall have the meanings set forth below. Any term that is not otherwise defined herein, but that is used in the Texas Securities Act or Texas Rules of Civil Procedure, will have the meaning given that term in the Securities Act or Rules, and in that order.

A. Defined Terms

1. “**Administrative Claim**” means a Claim for costs and expenses of administration of the Receivership including without limitation, fees incurred by the Receiver or his counsel and taxes owed to state and federal authorities.

2. “**Agreed TI**” means the Agreed Temporary Injunction Order against Defendants Retirement Value, LLC and Richard H. “Dick” Gray and the Relief Defendant and Order Appointing Receiver entered in the Case on May 28, 2010.

3. “**Allowed Claim**” means a Claim that

(a) has been listed on the Receiver’s Schedule as other than disputed, contingent, or unliquidated and is not otherwise a Contested Claim;

(b) any Administrative Claim for which a request for payment has been timely filed under applicable law and which is not otherwise a Contested Claim; or

(c) is allowed: (i) in any stipulation of amount and nature of claim executed by the Receiver and a Claimant on or after the Effective Date; (ii) in any contract, instrument, or other agreement entered into in connection with the Plan and, if prior to the Effective Date, approved by the Court; (iii) in a Final Order; or (iv) pursuant to the terms of the Plan

4. “**Allowed Interest**” means all authorized membership interests of Retirement Value issued and outstanding as of the Effective Date.

5. “**Bar Date**” means _____, 2011.

6. “**Business Day**” means any day, other than a Saturday, Sunday or legal holiday as defined by the Commissioners Court of Travis County, Texas.

7. “**Case**” means the lawsuit entitled *State of Texas v. Retirement Value, LLC, Richard H. “Dick” Gray, Hill Country Funding, LLC, a Texas Limited Liability Company, Hill Country Funding, LLC, a Nevada Limited Liability Company, and Wendy Rogers, and Kiesling, Porter, Kiesling, & Free, P.C, Relief Defendant* pending in the 126th Judicial District Court of Travis County, Texas.

8. “**Cash**” means cash, cash equivalents, or other readily marketable securities or instruments traded on an active and nationally recognized exchange, but under all circumstance excluding life insurance policies.

9. “**Causes of Action**” means any and all causes of actions, legal and equitable claims, rights, and defenses of any person under any law or statute, including without limitation, all actions, rights, and defenses of Retirement Value.

10. “**Claim**” means

(a) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or

(b) a right to an equitable remedy for breach of performance if such breach gives rise to a Claim pursuant to subpart (a).

11. **“Claimant”** means a holder of a Claim.
12. **“Class”** means any group of substantially similar Claims or Interests as classified in Section II herein.
13. **“Contested Claim”** means any Disputed Claim, Contingent Claim, Unliquidated Claim or other Claim as to which there exists a dispute as to its validity, amount, or classification.
14. **“Contingent Claim”** or **“Unliquidated Claim”** means a Claim: (i) listed as contingent or unliquidated, respectively, in the Schedule, as such may be amended, supplemented or otherwise modified, from time to time; or (ii) otherwise filed as contingent or unliquidated, respectively, in a timely filed proof of claim.
15. **“Disputed Claim”** or **“Disputed Interest”** means a Claim or Interest, respectively: (i) scheduled on the Schedule as disputed; or (ii) as to which a proof of claim has been timely filed, has not been withdrawn and has not been settled, resolved or denied by a Final Order; or (iii) a Claim or Interest which is disputed by virtue of a pending lawsuit asserting a Cause of Action against or on behalf of Retirement Value.
16. **“Distribution Funds”** means the Cash held by the Receiver and available, after withholding reserves, for distribution to holders of Allowed Claims and Allowed Interests pursuant to this Plan.
17. **“Distribution Record Date”** as to the Initial Distribution Date or any subsequent Interim Distribution Date(s), means the Business Day that is fifteen (15) calendar days before such Initial Distribution Date or Interim Distribution Date.
18. **“Effective Date”** means the date that this Plan is adopted by the Court.
19. **“Final Order”** means an order or judgment of the Court, or other court of competent jurisdiction, as entered on the docket in the Case or the docket of any other court of competent jurisdiction, that has not been reversed, stayed, modified, or amended and as to which the time to appeal or seek certiorari or move for a new trial, reargument, or rehearing has expired and no appeal or petition for certiorari or other proceedings for a new trial, reargument, or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument, or rehearing shall have been denied or resulted in no modification of such order.
20. **“General Claim”** has the meaning given to it in Section II.C., herein.
21. **“Initial Distribution Amount”** means the amount set forth in Section VI.C.3.
22. **“Initial Distribution Date”** means a date, as determined by the Receiver, as soon as reasonably practicable following the Bar Date.
23. **“Interest”** means a membership interest in Retirement Value.

24. **“Interim Distribution Date(s)”** shall mean such date(s), if any, as may be determined by the Receiver, following the Initial Distribution Date.

25. **“Investor”** mean a Person who delivered its funds to Retirement Value, Kiesling Porter or their agents for the purpose of purchasing or attempting to purchase participations in the Retirement Value Resale Life Insurance Program.

26. **“Investor Claim”** means a Claim arising out of an Investor’s purchase or attempted purchase of participations in the Retirement Value Resale Life Insurance Program.

27. **“Kiesling Porter”** means Kiesling Porter Kiesling & Free, P.C., a Texas professional corporation.

28. **“Licensee”** means any Person who has (i) entered into a licensee agreement with Retirement Value; (ii) otherwise agreed to sell participations in the Resale Life Insurance Policy Program; (iii) sold participations in the Resale Life Insurance Policy Program; or otherwise received a commission, compensation or other consideration in connection with the sale of participations in the Resale Life Insurance Policy Program.

29. **“Participation Agreement”** means any agreement between Retirement Value and any Claimant by which such Claimant agreed to invest in the Resale Life Insurance Policy Program or otherwise to provide money to Retirement Value in exchange for Retirement Value’s promise to pay a sum of money upon the death of another Person. Participation Agreements include without limitation, all contracts entitled “Policy Participation Agreement”, “IRA Owner’s Policy Participation Agreement,” “Loan Agreement,” or “Agency Agreement.”

30. **“Person”** means any individual, corporation, general partnership, limited partnership, association, joint stock company, joint venture, estate, trust, unincorporated organization, government or any political subdivision thereof, governmental unit, or other entity.

31. **“Plan”** means this Plan of Distribution and all exhibits and schedules attached hereto or referenced herein, as the same may be amended, modified, or supplemented.

32. **“Policies”** means the life insurance policies owned by Retirement Value.

33. **“Pro Rata”** means (a) with respect to a holder of an Allowed Claim, the ratio of (i) the amount of the Allowed Claim to (ii) the aggregate amount of all Allowed Claims plus a amount estimated by the Receiver for Contested Claims in the respective Class; and (b) with respect to a holder of an Allowed Interest, the ratio of (i) the number Allowed Interests held by such holder to (ii) the total number of Allowed Interests.

34. **“Receiver”** means Eduardo S. Espinosa, in his capacity as the court appointed Receiver for Retirement Value, and any successor or supplemental receivers appointed by the Court.

35. **“Resale Life Insurance Policy Program”** means the investment program sponsored and sold by Retirement Value under which Persons provided money to Retirement

Value to purchase life insurance policies in exchange for Retirement Value's promise to repay a fixed sum of money upon the death of an insured.

36. **"Retirement Value"** means Retirement Value, LLC, a Texas limited liability company.

37. **"Schedule"** means the schedule of Claims prepared by the Receiver as required by the Plan, as amended, modified, or supplemented, from time to time.

B. Rules of Interpretation and Computation of Time

1. Rules of Interpretation

For purposes of the Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (b) any reference in the Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (c) any reference in the Plan to an existing document or exhibit filed or to be filed means such document or exhibit, as it may have been or may be amended, modified, or supplemented pursuant to the Plan or court order; (d) any reference to an entity as a holder of a Claim or Interest includes that entity's successors, assigns, and affiliates; (e) all references in the Plan to sections and exhibits are references to sections and exhibits of or to the Plan; and (f) the words "herein," "hereunder" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan;

2. Computation of Time

In computing any period of time prescribed or allowed by the Plan, the provisions of Texas Rule of Civil Procedure 4 will apply.

II. CLASSIFICATION OF CLAIMS AND INTERESTS

All Claims and Interests are placed in the following Classes. Claims are classified for making distributions hereunder, and for ease of administration. A Claim or Interest shall be deemed classified in a particular Class only to the extent that such Claim or Interest qualifies within the description of such Class and shall be deemed classified in a different Class to the extent that any remainder of the Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that the Claim or Interest is an Allowed Claim or an Allowed Interest in that Class and has not been paid, settled or otherwise resolved prior to the Effective Date.

A. Class 1 – Administrative Claims

Class 1 consists of Allowed Administrative Claims.

B. Class 2 – Investor Claims

Class 2 consists of Allowed Investor Claims; except for any Allowed Investor Claims by or on behalf of current or former Interest holders.

C. Class 3 – General Claims

Class 3 consists of all Allowed Claims against the Debtor that are not otherwise classified herein, including without limitation, any Allowed Investor Claims by or on behalf of current or former Interest holders (“**General Claims**”).

D. Class 4 – Interests

Class 4 consists of all Allowed Interests.

III. DETERMINATION OF CLAIMS AND INTERESTS

A. Generally

1. Investor Claims shall be limited to the amount paid by the Claimant for such Claim to Retirement Value or Kiesling Porter less any amounts received by the Claimant from Retirement Value or Kiesling Porter. No interest, penalties, attorneys’ fees, costs of collection or any other compensation for such Claims will be allowed on Investor Claims except as provided in this Plan.

2. General Claims shall be limited to the amount due and owing by Retirement Value as of May 5, 2010 exclusive of interest or penalties. No interest, penalties, attorneys’ fees, costs of collection or any other compensation for such Claims will be allowed on General Claims except as provided in this Plan.

3. Claims by Licensees based on, arising out of or related to the relationship between the Licensee and Retirement Value or the Licensee Agreement between any Licensee and Retirement Value, including without limitation claims for payment of commissions or for indemnification, are disallowed. Any Investor Claims held by a Licensee shall not be affected by this provision; except that any such Claims shall be reduced by any amounts paid to or on behalf of the Licensee or any affiliate of the Licensee by or on behalf of Retirement Value or Kiesling Porter.

B. Schedule of Claims

Within 15 days of the Effective Date, the Receiver shall file with the Court a Schedule setting forth all Claims known to him to have been asserted against Retirement Value. On this Schedule, the Receiver will set forth the name of the Claimant, the amount claimed by such Claimant, the Class to which such Claim belongs, any amount offset against the Claim and whether the Claim is disputed, contingent and/or unliquidated.

C. Proofs of Claim

1. Any Claimant holding a Contested Claim or who disagrees with the amount or classification of an Allowed Claim may submit a proof of claim to the Receiver in the form of Exhibit A.

2. To be valid, a proof of claim must be completely filled out, signed under oath and have documentation supporting the Claimant's position attached.

3. Proofs of claim must be submitted to the Receiver on or before the Bar Date. A proof of claim will be deemed to have been submitted on the date it is physically or electronically received by the Receiver or the date it is deposited, enclosed in a postage paid, properly addressed wrapper, in a post office or official depository under the care and custody of the United States Postal Service.

4. Unless the corresponding proof of claim is submitted to the Receiver by the Bar Date:

- (a) Contested Claims will be forever barred and will be unenforceable; and
- (b) Any dispute as to the amount or classification of an Allowed Claim will be waived.

D. Publicity

1. Website

(a) The Receiver shall post a copy of this Plan and the Schedule on his website (www.rvllcreceivership.com) along with copies of forms for proofs of claim, change of address, assignment and such other forms as the Receiver may create for purposes of administering this Plan.

(b) In addition, the Receiver shall prominently display the following notice on his website:

To All Persons Having Claims against Retirement Value

If your claim is either (a) not listed on the Schedule or (b) your claim is listed as disputed, contingent or unliquidated, you must submit a proof of claim to the Receiver by the Bar Date of [insert bar date]. Failure to do so waives your claim; and your claim will be forever barred and will not be enforceable against Retirement Value or the Receiver.

If your claim is listed on the Receiver's Schedule but you dispute either the amount or classification of your claim, you must submit a proof of claim by the Bar Date of [insert bar date]. Failure to do so waives any dispute as to the amount or classification of your claim.

2. Publication

The Receiver shall publish a notice of the adoption of this Plan and the setting of the Bar Date in newspapers of general circulation in the following Texas cities: Austin, Dallas, Fort Worth, Houston, and San Antonio. The published notice should include the notice required by Section III.D.1(b), herein, and information as to how to obtain a copy of the Schedule and any necessary forms.

3. Mail

The Receiver shall send a copy of the Schedule along with the notice required by Section III.D.1(b) herein and a copy of the proof of claim form to all known Claimants by regular US Mail at the last known address on file with the Receiver.

E. Procedures for Contested Claims

1. Authority to Contest Claims

The Receiver has the authority to file, settle, compromise, withdraw or litigate to judgment disputes as to Claims.

2. Subordination

The Receiver may also move the Court to subordinate any Claim below the Class to which such Claim would otherwise belong. Upon the filing of such a motion, the Claim shall become a Contested Claim and shall be determined in accordance with the procedures set forth herein.

3. Treatment of Contested Claims

Notwithstanding any other provisions of the Plan, no payments or distributions will be made on account of a Contested Claim until such Claim becomes an Allowed Claim.

4. Distributions on Account of Contested Claims Once Allowed

On each Interim Distribution Date, the Receiver will make distributions on account of any formerly Contested Claim which has become an Allowed Claim but only to the extent of the portion that has become an Allowed Claim since the preceding distribution. Such distributions will be made pursuant to the provisions of the Plan governing the applicable Class.

5. Determination of Contested Claims

This section shall apply to all Contested Claims or Interests. Nothing contained in the Plan or Motion to Approve the Plan shall change, waive or alter any requirement under applicable law that the holder of a Contested Claim must file a timely proof of claim by the applicable Bar Date, and the Claim of any such Claimant who is required to file a proof of claim and fails to do so shall be discharged and shall receive no distribution through the Plan. Contested Claims shall each be determined separately, except as otherwise ordered by the Court.

(a) Scheduling Order. Unless otherwise ordered by the Court, a scheduling order shall be entered as to each Contested Claim. The Receiver shall tender a proposed scheduling order and request the entry of a scheduling order. The scheduling order may include (i) discovery cut-off, (ii) deadlines to amend pleadings, (iii) deadlines for designation of and objections to experts, (iv) deadlines to exchange exhibit and witness lists and for objections to the same, and (v) such other matters as may be appropriate.

(b) Discovery. Unless otherwise ordered by the Court, discovery regarding a Contested Matter will be limited as follows:

- (i) No depositions will be allowed.
- (ii) Each side is limited to 15 interrogatories.

(c) Subject of Disputes. All disputes regarding Contested Claims shall be limited to: (i) whether the Claim is valid and payable; (ii) the amount of the Claim, including the amount of any payments to the Claimant or its affiliates by or on behalf of Retirement Value or Kiesling Porter; and (iii) the classification of the Claim. No Person may use the procedures set forth herein for determining Contested Claims to challenge any portion of this Plan, including without limitation the respective priority among Classes; the distribution of assets within a Class or whether monies received from or on behalf of Retirement Value should be offset against monies paid to or on behalf of Retirement Value to determine the amount of a Claim.

6. Pending Lawsuits

(a) If a Contested Claim is the subject of a lawsuit pending as of the Effective Date, then questions of the validity and amount of such Claim shall be resolved by that lawsuit. No amount will be distributed on account of a Contested Claim that is determined pursuant to this subsection until a Final Order is entered by the court hearing such suit.

(b) Questions as to the classification of such Claim shall be decided by this Court pursuant to the Plan using the procedures set forth herein.

(c) Claimants holding Contested Claims that are the subject of litigation pending as of the Effective Date must file a Proof of Claim by the Bar Date and the Claim of any such Claimant who is required to file a proof of claim and fails to do so shall be discharged and shall receive no distribution through the Plan.

IV. TREATMENT OF CLASSES OF CLAIMS AND INTERESTS

A. Class 1 – Administrative Claims

Administrative claims will be paid by the Receiver in accordance with the Agreed TI as modified by previous orders of the Court and may be modified from time to time.

B. Class 2 – Investor Claims

After all Claims in Class 1 have been paid in full or the Receiver has in his discretion made adequate reserves to cover such Claims, the Distribution Funds (up to the aggregate amount of Investor Claims) will be thereafter divided among holders of Allowed Investor Claims on a Pro Rata basis (based on the amount of the Claim of each holder, as of the Distribution Record Date). Once the principal amount of all Allowed Investor Claims have been paid, then Holders of Allowed Investor Claims shall be entitled to receive simple interest on the outstanding principal balance of such claims, as may be periodically reduced by any interim distributions. If interest is paid, it shall be calculated commencing the Effective Date and calculated at the then-applicable judgment rate of interest under Texas law as of the Effective Date. Interest is not due and shall not be paid until the principal amount of the Allowed Investor Claims has been paid in full. Interest payment will be distributed on a Pro Rata basis.

C. Class 3 – General Claims

After all Claims in Classes 1 and 2 have been paid in full (including interest as allowed), the remaining Distribution Funds (up to the aggregated amount of the General Claims) will be thereafter divided among holders of Allowed General Claims on a Pro Rata basis (based on the amount of the Claim of each holder, as of the Distribution Record Date). Once all of the Allowed General Claims have been fully satisfied, then Holders of Allowed General Claims shall be entitled to receive simple interest on the outstanding principal balance of such claims, as may be periodically reduced by any interim distributions. If interest is paid, it shall be calculated commencing the Effective Date and calculated at the then-applicable judgment rate of interest under Texas law as of the Effective Date. Interest is not due and shall not be paid until the principal amount of the Allowed General Claims has been paid in full. Interest payment will be distributed on a Pro Rata basis.

D. Class 4 – Interests

All Class 4 -- Interests shall be subordinated to all Claims in Classes 1, 2 and 3. Allowed Interest shall be paid only after all Claims in Classes 1, 2 and 3 (and any other senior classes) are paid the full amount of their Allowed Claims (including interest as allowed), including interest as allowed by the Court. After all senior classes are paid in full and after all expenses incurred by the Receiver in implementing and executing the Plan have been paid in full, Allowed Interests will receive a Pro Rata portion of the remaining assets, if any.

V. MEANS FOR IMPLEMENTATION AND EXECUTION OF PLAN

A. Liquidation of Assets

1. Other than the Policies, the Receiver shall liquidate Retirement Value's remaining assets. The timing and manner of liquidation shall be left to the Receiver's sole discretion. The sale of any asset worth less than \$5,000 is approved without further order of the Court.

2. The Receiver may dispose of any assets he, in his sole discretion, determines to be uneconomical to sell.

3. The Receiver may, in his sole discretion, pursue any and all Causes of Action belonging to Retirement Value or the Receiver.

B. Policies

1. Maintenance of Policies

Subject to further order of the Court, the Receiver shall maintain each of the Policies in force through maturity to the extent that he has resources available to do so. The Receiver may use any assets under his control pursuant to the Agreed TI to pay costs associated with the Policies' maintenance without regard for whether such assets were originally reserved for the support of another Policy or for some other purpose.

2. Proceeds of Policies

Any proceeds of any Policy shall be paid to the Receiver and become part of the assets under his control to be used by the Receiver in the fulfillment of this Plan and his duties as set out herein or in the Agreed TI. No Claimant has an interest in or right to receive the proceeds of any particular Policy.

3. Reserves

The Receiver shall use his best efforts to maintain adequate reserves to pay the anticipated premiums due on the Policies in the future. Reserves will be deemed adequate if they are at least equal to (a) the needed premium reserves calculated at the 97 ½ percentile in the most recent stochastic model prepared by the Receiver's actuaries plus (b) the amount calculated by the Receiver as necessary to meet anticipated future expenses. The Receiver in his sole discretion may maintain reserves at a higher level. All reserves shall be maintained in Cash at a financial institution(s) chosen by the Receiver.

VI. PROVISIONS GOVERNING DISTRIBUTIONS

A. Delivery of Distributions

Except as otherwise provided herein, distributions to holders of Allowed Claims will be made by the Receiver in currency of the United States by checks drawn on a domestic bank selected by the Receiver (a) at the addresses set forth on the respective proofs of claim filed by holders of such Claims; (b) at the addresses set forth in any written certification of address change delivered to the Receiver after the Effective Date; or (c) at the addresses reflected in the Receiver's records if no proof of claim has been filed and the Receiver has not received a written notice of a change of address after the Effective Date.

B. Distribution Record Date

1. The Receiver will have no obligation to recognize the transfer or sale of any Claims or Interests that occur after the close of business on the respective Distribution Record Date for the Initial Distribution or any Interim Distribution(s) and will be entitled for all

purposes herein to recognize and make distributions only to those who are holders of such Claims or Interests as of the close of business on any respective Distribution Record Date.

2. The Receiver will have no obligation to recognize the transfer or sale of any Claims or Interests that occur prior to the close of business on any Distribution Record Date unless the transferee or purchaser of such Claim provides written notice of transfer in a form reasonably acceptable to the Receiver. Any transferee or purchaser of a Claim prior to the Effective Date must provide notice under this section even if he or she has previously provided notice

C. Timing and Calculation of Amounts to Be Distributed

1. Generally

Prior to making an Interim Distribution to holders of Allowed Claims or Allowed Interests, the Receiver must submit to the Court a report, detailing the distributions which the Receiver intends to make, and shall serve such report on the parties on the then-applicable service list in the Case. The Receiver shall be entitled to make such distributions after obtaining approval from the Court.

2. Limit on Amount to be Distributed

Unless otherwise ordered by the Court, the Receiver may not make a distribution unless, after making such distribution, the Receiver retains adequate reserves to pay the remaining premiums due on the remaining Policies as calculated in accordance with the requirements of Section V.B.3, herein. Except as to the Initial Distribution Amount, the Receiver may not rely on a stochastic model that is more six months old. The Receiver in his sole discretion may retain more than the minimum reserves required by the Plan.

3. Initial Distribution Amount

The Initial Distribution Amount shall be \$7,700,000.00. The Receiver is hereby directed to distribute the Initial Distribution Amount to the holders of Allowed Investor Claims in accordance with this Plan on an Initial Distribution Date to be set by the Receiver.

4. Distributions to Classes

(a) Distributions to Class 1 Administrative Claims

The Receiver will pay the Class 1 Administrative Claims in accordance with the Agreed TI.

(b) Distributions to Class 2 Investor Claims

(i) Initial Distribution

The Initial Distribution Date shall occur as soon as reasonably practicable after the Bar Date. The distribution made on the Initial Distribution Date shall be in the Initial Distribution Amount as set out herein.

(ii) Interim Distributions

The Receiver may make such interim distributions on the Interim Distribution Dates in such amounts and on such terms as the Receiver may deem necessary or appropriate, subject to the limitations imposed by this Plan and as approved by the Court. The Receiver shall continue to make distributions with respect to the Class 2 Claims until each holder of an Allowed Investor Claim shall have received a Pro Rata portion of the Distribution Funds, up to the amount of its Allowed Claim, and thereafter any interest authorized hereby. The Receiver may hold back in reserve such sums as he may deem reasonably necessary, in the exercise of his sole discretion, to satisfy the expenses of the receivership and all Class 2 Contested Claims not previously resolved.

(c) Distributions to Class 3 General Claims

If all Allowed Claims in Classes 1 and 2 are paid in full, including interest, as allowed by the Court, the Receiver shall make interim distributions on the Interim Distribution Dates with respect to the Class 3 General Claims in such amounts as the and on such terms as the Receiver may deem necessary or appropriate, subject to the limitations imposed by this Plan and as approved by the Court. The Receiver shall continue to make distributions with respect to the Class 3 Claims until each holder of an Allowed General Claim shall have received a Pro Rata portion of the Distribution Funds, up to the amount of its Allowed Claim and thereafter any interest authorized hereby. The Receiver may hold back in reserve such sums as he may deem reasonably necessary, in the exercise of his sole discretion, to satisfy the expenses of the receivership and all Contested Claims, not previously resolved.

(d) Distributions to Class 4 Interests

If all Allowed Claims in Classes 1, 2 and 3 are paid in full, including interest, as allowed by the Court, the Receiver shall make interim distributions on the Interim Distribution Dates with respect to the Class 4 Interests in such amounts as the and on such terms as the Receiver may deem necessary or appropriate, subject to the limitations imposed by this Plan and as approved by the Court. The Receiver shall continue to make distributions with respect to the Class 4 Interests until each holder of an Allowed Interest shall have received its Pro Rata portion of the Distribution Funds. The Receiver may hold back in reserve such sums as he may deem reasonably necessary, in the exercise of his sole discretion, to satisfy the expenses of the receivership and all Contested Claims, not previously resolved.

5. Reservation for Contested Claims

In calculating the amount to be distributed under this Plan, the Receiver may estimate the amount that would be required to be paid if Contested Claims were to become Allowed Claims and to withhold that amount from any distribution allowed under this Plan.

6. De Minimis Distributions

No Initial Distribution or Interim Distribution will be distributed to the holder of an Allowed Claim or Interest in any Class until the amount of cash to be distributed on account of such Claim or Interest is equal to or greater than twenty-five dollars (\$25).

7. Compliance with Tax Requirements

(a) In connection with the Plan, to the extent applicable, the Receiver will comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements.

(b) Notwithstanding any other provision of the Plan, each Person receiving a distribution of cash or pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on it by any governmental unit on account of such distribution, including income, withholding, and other tax obligations.

D. Cancellation of Instruments

Any Participation Agreement, note, contract, instrument, security, or other documentation out of which an Investor Claim arises is hereby rescinded. This rescission shall be effective as of the date the Claim arising out of the Participation Agreement, note, contract, instrument, security, or other documentation becomes an Allowed Claim.

E. Undeliverable Distributions

1. Holding of Undeliverable Distributions

If any distribution to a holder of an Allowed Claim or Interest is returned to the Receiver as undeliverable, no further distributions will be made to such holder unless and until the Receiver is notified by written certification of such holder's then-current address.

2. Failure to Claim Undeliverable Distributions

Any holder of an Allowed Claim or Allowed Interest that does not assert a Claim or Interest pursuant to the Plan for an undeliverable distribution to be made by the Receiver within one year after the later of (i) the Effective Date and (ii) the last date on which a distribution was deliverable to such holder will have its Claim or Interest for such undeliverable distribution discharged and will be forever barred from asserting any such Claim or Interest. Unclaimed cash will become property of the estate, free of any restrictions thereon. Nothing contained in the

Plan will require the Receiver to attempt to locate any holder of an Allowed Claim or Allowed Interest.

VII. DISCHARGE AND INJUNCTION

A. Discharge of Claims

1. Except as provided in the Plan, the rights afforded under the Plan and the treatment of Claims under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims arising on or before the Effective Date, including any interest accrued on Claims

2. In accordance with the foregoing, except as provided herein, the entry of this Plan and the resolution of any disputes concerning any Contested Claim will be a judicial determination of a discharge of all Claims and other debts and liabilities against Retirement Value, and such discharge will satisfy any judgment obtained against Retirement Value at any time, to the extent that such judgment relates to a discharged Claim, except for any Order entered by this Court.

B. Injunctions

1. Except as otherwise provided in the Plan, as of the Effective Date, all Persons that have held, currently hold, or may hold a Claim or other debt or liability that is discharged by this Plan will be permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts, or liabilities (a) commencing or continuing in any manner any action or other proceeding against Retirement Value, the Receiver, or their respective property, other than to enforce any right pursuant to the Plan to a distribution; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree or order against Retirement Value or its property other than as permitted herein; (c) creating, perfecting, or enforcing any lien or encumbrance against Retirement Value, the Receiver, their respective property, or the Assets; (d) asserting a setoff, right of subrogation, or recoupment of any kind against any debt, liability, or obligation due to Retirement Value or the Receiver; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

2. By accepting distributions pursuant to the Plan, each holder of an Allowed Claim or Allowed Interest receiving distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth herein.

VIII. RETENTION OF JURISDICTION

Notwithstanding the entry of an order or judgment disposing of all claims against the defendants in this Case, the Court will retain jurisdiction over the Case as is legally permissible, including jurisdiction to:

1. Allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim, the resolution of any objections to the allowance, priority, or classification of Claims or Interests, and the estimation of any Disputed Claim;
2. Grant or deny any applications for allowance of compensation or reimbursement of expenses of professionals;
3. Ensure that distributions to holders of Allowed Claims and Allowed Interests are accomplished pursuant to the provisions of the Plan;
4. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents entered into or delivered in connection with the Plan;
5. Resolve any cases, controversies, suits, or disputes that may arise in connection with or the consummation, interpretation, or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is entered into or delivered pursuant to the Plan or any Person's rights arising from or obligations incurred in connection with the Plan or such documents, including, but not limited to Causes of Actions;
6. Modify the Plan; or remedy any defect or omission or reconcile any inconsistency in any Court order, the Plan, or any contract, instrument, release, or other agreement or document entered into, delivered, or created in connection with the Plan, in such manner as may be necessary or appropriate to consummate the Plan;
7. Issue injunctions, enforce the injunctions contained in the Plan, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation, implementation, or enforcement of the Plan;
8. Determine any other matters that may arise in connection with or relate to the Plan, or any contract, instrument, release, or other agreement or document entered into or delivered in connection with the Plan; and

IX. AGREED TI

Except as specifically stated herein, the Agreed TI is not modified by this Plan and remains in full force and effect.

SO ORDERED.

DATED: _____, 2011.

THE HONORABLE GISELA TRIANA-DOYAL