ANNUAL REPORT

OF

EDUARDO S. ESPINOSA,
RECEIVER

FOR

RETIREMENT VALUE, LLC

As of
June 30, 2015

State of Texas v. Retirement Value, LLC, et al.
Cause Number D-1-GV-10-000454
126th Judicial District Court of Travis County, Texas,

This report updates the investors, the Court and the public as to the Receivership's status as of the end of June 2015, the fifth full year of the Receivership. This report supplements the Receiver's reports of July 28, 2010, April 30, 2011, December 31, 2011, May 31, 2013 and May 31, 2014 as well as his quarterly reports for the first and second quarters of 2015 and should be read in conjunction with those reports.

I. Introduction

The litigation surrounding Retirement Value and its affiliates largely ended with the entry of judgments against the last remaining licensees in May of last year. While collection efforts are ongoing and will be for some time, the Receivership has moved into a quieter phase. Other than ongoing collection efforts, the Receiver's primary concerns are assisting the investors and managing the estate's assets.

This is not to say that nothing is happening. Since the last annual report (May 2014), there have been two maturities in the portfolio resulting in an additional $7.5 million in death benefits paid to the estate. The State has indicted Dick Gray, Wendy Rogers, Michael McDermott, Ron James and Don James on multiple felony counts arising out of their involvement with Retirement Value. As a result of the indictments, Rogers and McDermott have asserted claims against the Receiver, which must be defended.

II. Assets of the estate

The estate's assets consist generally of three things: (a) the insurance policies owned by Retirement Value and Hill Country Funding; (b) the cash reserves held by the Receiver; and (c) the Receiver's claims against various persons, all of which have been either settled or reduced to judgment. The Receiver is currently engaged in managing the policies and the cash and in collecting on the settlements and judgments in his favor.

A. Insurance policies

The life insurance policies owned by Retirement Value and Hill Country Funding constitute one of the estate's primary assets. At the time of the receivership, Retirement Value owned 49 policies insuring the lives of 44 individuals with an aggregate face value of $134.8 million. Hill Country Funding owned five policies insuring the lives of two individuals with an aggregate face value of $6.75 million. The combined portfolio consisted of 54 policies insuring 46 lives for $141.6 million.

Since the inception of the receivership, four of the insureds have died causing five policies to mature and generating $20 million in death benefits plus associated interest paid by the insurers. The portfolio currently consists of 49 policies insuring 42 lives for $121.6 million.

Insurance Portfolio Profile

	# of Policies	# of Lives	Face Value
As of May 5, 2010	54	46	$141,585,000
Maturities (prior periods)	5	4	20,000,000
As of June 30, 2015	**49**	**42**	**$121,585,000**

The portfolio is worth roughly $13.5 million, based on a valuation performed by Lewis & Ellis in January 2015. A list of the policies in the portfolio (both matured and active) is attached as Exhibit A.

B. Cash

Another significant asset of the estate is the cash held to pay premiums on the policies. In May of 2010, the Receiver started with approximately $23 million in premium reserves. Since that time, the Receiver has added $12.3 million in recoveries through litigation and other means. In addition, the portfolio has generated $20 million in death benefits. As a result, the Receiver has been able to distribute $8.5 million to investors and expects to distribute more in the future. The chart below summarizes the Receiver's sources and uses of cash from the beginning of the receivership through June 30, 2015.[1]

	5/5/10 thru 6/30/15
Beginning Balance	**$23,150,192.47**
Plus	
Death Benefits	20,161,496.52
Asset Sale/Recovery	3,011,816.55
Cash from Defendants[2]	9,323,611.85
Interest Rec'd	265,415.24
Interest accrued	20,350.75
Sub total	*32,782,690.91*
Less	
Premiums Paid	(21,995,755.76)
RV Mortgage (P&I)	(45,487.56)
Taxes	(841,340.49)
Fees and Expenses	(9,790,093.13)
3rd Party Payments	(950,928.89)
Distributions	(8,402,782.16)
Sub total	*(42,026,387.99)*
Ending Balance	**$13,906,495.39**

As shown on the chart above, policy premiums are the estate's largest expense. The Receiver has spent $22 million on premiums to date. The portfolio's premiums currently cost the estate about $4.4 million per year. As policies mature, the premium obligations associated with the maturing policy cease. However, the premiums associated with the remaining policies

[1] This chart differs slightly from the cash accounting reported in the quarterly report for the second quarter of 2015. We renamed the "Litigation" category to "Cash from Defendants" to more accurately reflect the accounting of funds recovered from the defendants. In addition, we re-categorized approximately $388,000 from "Cash from Defendants" to "Asset Sales/Recoveries." The total cash received and expended by the estate was not affected by these changes.

[2] "Cash from Defendants" includes all cash recovered from the individual defendants, including Dick Gray, Wendy Rogers and the Licensees. It does not include non-cash recoveries from litigation such as real estate, life settlement investments and reductions of claims. The value of the non-cash assets is shown in the "asset sale/recovery" category.

continue to increase over time. Thus, we are generally paying more in premiums each year.[3] The table below summarizes the premiums paid by the estate to date.

Time Period	**Premium Expense**
05/05/2010 – 12/31/2010	$3,285,402.16
01/01/2011 - 12/31/2011	3,949,753.98
01/01/2012 – 12/31/2012	4,088,867.02
01/01/2013- 12/31/2013	3,975,058.96
01/01/2014 – 12/31/2014	4,691,907.61
01/01/2015 – 12/31/2015 (proj) [4]	$4,350,000.00

The safety of the estate's cash reserves is of paramount importance. To date, the Receiver has paid more than $20 million in premiums which have been offset by the $20 million in death benefits received. Maintaining the policies currently costs more than $4 million a year. Other than the anticipated death benefits from the insurance policies, the estate has no income and little ability to obtain credit on beneficial terms. The existing reserves are the only source of money to pay premiums until the next policy matures. As a result, the estate cannot enter into any investment that puts the estate's principal at risk.

Except for an account for current needs, the Receiver has placed the estate's cash in certificates of deposit and savings accounts at various banks. Before depositing money in each bank, the Receiver investigated each bank's financial wherewithal to confirm that it was well-capitalized and not in danger of failure. In addition, he has been able to negotiate interest rates that are slightly better than what the banks would normally pay. Nevertheless, due to current economic conditions, interest rates remain at historic lows.

[3] Premium expenses have declined in the immediate short term because certain of the policies had cash value at the time they were purchased that has recently become available to pay premiums.

[4] Actual premium expenses for January 1, 2014 through June 30, 2015 were $2,004,741. Premium expenses for July 1, 2015 through December 31, 2015 are projected to be $2,350,000.

Over the past several years, the Receiver has asked numerous financial advisors to propose investment strategies that would increase the estate's return without significantly increasing its risk. With the help of these advisors, he has investigated a variety of strategies including investing in corporate and government bonds, purchasing short term corporate notes and purchasing other more exotic financial instruments. Unless the Receiver were willing to speculate in junk bonds,[5] none of these strategies would pay as much as the bank accounts that the Receiver currently holds.

The Receiver has also determined that investing in the stock market is too risky. Just because it has been trending generally upward, there is no guarantee that the stock market will continue to do so. Moreover, the stock market is very volatile. Even if the market continues to trend upward, it moves up and down rapidly. There is a substantial risk that the Receiver will need to withdraw money to pay premiums at a time when the market is on a downturn and sustain a loss.

III. Litigation and other recoveries

The litigation surrounding Retirement Value, Hill Country Funding and their securities offerings, which has been ongoing for four years, is largely complete. The Receiver generally prevailed in his efforts to obtain the return of money wrongfully taken from Retirement Value by its principals, its sales agents and others.

The Receiver has entered into settlement agreements with numerous persons. Pursuant to settlement agreements approved by the Court, the settling defendants are obligated to pay $9.52 million dollars to the estate, of which $9.34 million has been collected. Most of the outstanding

[5] Junk bonds are bonds issued by companies or governments that are considered to be poor credit risks. In terms of credit ratings, junk bonds are rated below Baa3 by Moody's and below BBB- by S&P. Junk bonds are considered to be a speculative investment.

$180,000 is secured by judgments against the individual defendants in amounts that greatly exceed the amounts owed by each under their settlement agreements.

In addition, the Receiver has recovered approximately $6 million in judgments against licensees. Two of these judgments (involving James Poe and Salvatore Magaraci) totaling $1.3 million are on appeal. To date, the Receiver has collected $312,000 on the judgments. The chart below summarizes the Receiver's litigation and non-litigation recoveries.

Litigation Recoveries[6]		
Settlements		
Collins, Bruce		$322,078.97
Gray, Richard H		623,099.56
James Settlement Services, et al		5,500,000.00
Kiesling Porter Kiesling & Free		710,000.00
Licensees (see Page 2)		2,183,887.13
Rogers, Wendy		182,963.63
Total Settlements		9,522,029.29
(To Be Funded)		(179,361.54)
Collected		**9,342,667.75**
Judgments		6,086,239.49
Collected		**311,814.42**
Total Litigation Recoveries		**9,654,482.17**
Non-Litigation Recoveries		
James Settlement Services	Disputed Assets	1,659,304.12
Pacific Life	Disputed policy	10,117,534.00
Special Acquisition	Hidden Assets	1,231,925.00
State of Texas	Franchise Tax	34,564.00
Total Non-Litigation Recoveries		**13,043,327.12**
Total Recoveries		**$22,697,809.29**

[6] "Litigation recoveries" are all value received as a result of settlements with or judgments against defendants, including non-cash items such as real estate. It does not include cash seized from individual bank accounts as part of estate operations.

IV. The Plan of Distribution

The estate is operating under the Plan of Distribution approved by the Court in July of 2012. The Plan calls for the Receiver to hold the insurance policies until they mature using the proceeds of earlier maturing policies to fund the payment of premiums. As funds in excess of the required premium reserves become available, the Receiver will make interim distributions to the investors. The Receiver and his actuaries will periodically re-evaluate the portfolio to determine the reserve levels that need to be maintained and whether there is excess cash available for distribution.

The portfolio is performing roughly as expected. In calendar year 2014 and calendar year 2015 (so far), the estate received $10 million in death benefits. The most recent actuarial analysis (performed in October 2013) anticipated that portfolio would generate roughly that much in death benefits over that time period. Premium costs are also in line with expectations.

Due to the costs involved and the lack of a meaningful deviation from expected performance, the Receiver did not ask his actuaries, Lewis & Ellis, to prepare another actuarial analysis. He does not anticipate requesting another actuarial analysis until 2016, unless the portfolio's performance deviates significantly from expectations. The most recent actuarial analysis, performed in October 2013, is discussed in the 2014 Annual Report and is attached to the Receiver's Motion to Authorize a Supplemental Distribution, dated December 10, 2013 – both of which are available on the Receiver's website.

Because the portfolio did not generate sufficient excess cash, the Receiver could not make a distribution this year. When another distribution will be made and how much it may be, depends largely upon the maturities that occur in the portfolio. Each maturity will not necessarily result in a distribution. Distributions can be made only when the cash held by the

Receiver exceeds the amount he is required to keep in reserve to pay premiums and other expenses.

The most readily apparent proxy for the current value of investor claims should be their estimated participation in an immediate liquidation of the estate's assets. The table below reflects the potential recovery from liquidation per dollar of claim: (i) as to the investors' total claim, taking into account the $8.5 million in prior distributions; and (ii) as to remaining assets and remaining claim balances.

Liquidation Analysis

	Total Investor Claims	**Outstanding Investor Claims**
Assets	*Comb. Estates*	*Comb. Estates*
Policies	$13,539,406.47	$13,539,406.47
Claims Pending Collection	0	0
Cash On Hand	13,906,495.39	13,906,495.39
Prior Distributions	8,485,790.89	0
Est. Liquidation Value	35,931,692.75	27,445,901.86
Investor Claims	$80,361,992.34	$71,876,201.45
Recovery/$ if liquidated	**$0.45**	**$0.38**

V. New Litigation

The State of Texas indicted Dick Gray, Wendy Rogers, Michael McDermott, Ron James and Don James for crimes arising out of their roles in Retirement Value. Each has been accused of money laundering, conspiracy, fraud in connection with the sale of a security and theft by fraud, all of which are felonies under state law. The indictments were handed down by a grand jury in Collin County. The Receiver has no role in the criminal case pending in Collin County; except that he may be called as a witness or be required to respond to subpoenas issued by the State or the defendants.

Wendy Rogers and Michael McDermott have asserted claims against the State and the Receiver arising out of their indictments. Both McDermott and Rogers have filed motions in the receivership case, ostensibly to enforce their settlement agreements. Their motions, in fact, have little to do with the settlement agreements and relate largely to the propriety of the criminal charges and to the issue of whether the Collin County District Attorney can legally deputize lawyers employed by the State Securities Board as Special Assistant District Attorneys. They also seek money from the estate – Rogers seeks the return of her settlement payment and McDermott seeks indemnification. While the estate has no stake in the criminal case, the Receiver must defend against claims for money from the estate.

McDermott has also filed a separate suit against the Receiver and the State on many of the same grounds. In addition to indemnity, McDermott also seeks an injunction that would prohibit the Receiver from sharing information with any third party for any purpose. The parties have agreed to abate this suit pending a hearing on motions in the criminal case raising similar issues. Once the criminal court has ruled, the Receiver will answer and defend the suit.

VI. Going Forward

Except for the recent litigation filed by Michael McDermott and Wendy Rogers, the active phase of the Receivership has ended. The Receiver will concentrate on the following tasks:

- Monitoring the portfolio of life insurance policies:
- Paying premiums and other expenses;
- Making and prosecuting claims for benefits under insurance policies as needed;
- Analyzing the portfolio and the cash reserves to determine when a distribution may be made;

- Collecting on judgments and settlements (including responding to appeals of judgments in his favor);
- Communicating with investors and other creditors indirectly via the website and reports and directly on an individual basis as needed; and
- Reporting to the Court as required.

Issues, which will require the Receiver's attention, will no doubt arise in the future. Depending upon their nature, new issues may require a more active role for the Receiver and his counsel.

The Receiver has also changed the manner in which he reports to the investors. Instead of an annual report dated as of May 31 of each year, the Receiver is switching to quarterly financial reports with an annual report at the end of the calendar year. Rather than wait a full eighteen months between annual reports, the Receiver has prepared this report. The next annual report will be prepared in approximately six months to correspond with the end of calendar year 2015.

VII. Conclusion

The estate is being administered in accordance with the Plan of Distribution. The actuarial model supporting the Plan forecasts that he portfolio should yield distributable net cash flow roughly equal to 100% of investor-victims' initial investment, plus or minus 20%. It will take 20 or so years for the portfolio to be fully matured. However, because anticipated premium and tax expenses exceed $70 million dollars and the estate currently has just $13.9 million on hand, investors should not anticipate distributions whenever a mortality occurs. Death benefits from the earlier maturing policies are being used to maintain the premium reserves. Upon the occurrence of one or more mortalities in any calendar year, the Receiver will revisit the actuarial model and reassess the adequacy of the estates' cash reserves. When the estate's cash on hand substantially exceeds its reserve requirements, the Receiver will make additional interim distributions.

In the meantime, the Receiver will continue to maintain the portfolio of policies and collect on the settlements and judgments that he has recovered on behalf of the estate.

Policies owend by the Combined Estates of Retirement Value & Hill Country Funding

Internal Code	Carrier	Face Amount	Midwest Medical LE 50%	Date of MWM LE Certificate	MWM Life Expectancy Date (50%)	Deceased
HCF- JHL305-LS	John Hancock	$750,000	39	1/16/2008	4/16/2011	
HCF-SLF652-LS	Sun Life Financial	$500,000	39	1/16/2008	4/16/2011	
HCF-JHL442-LS	John Hancock	$1,500,000	36	7/9/2008	7/9/2011	
HCF-SLF495-LS	Sun Life Financial	$1,500,000	36	7/9/2008	7/9/2011	
ANI521-102209-BW	American National	$1,000,000	35	9/11/2009	8/10/2012	
OML446-031909-RL	Old Mutual Life/Fidelity & Guaranty LIC	$2,000,000	40	4/17/2009	8/15/2012	
LBL771-110209-MF	Lincoln Benefit Life	$2,000,000	35	11/2/2009	10/1/2012	
AGL130-012110-PM	American General Life & Accident Ins. Co.	$2,000,000	33	1/11/2010	10/10/2012	
ING283-031909-AI	ING	$2,000,000	43	5/28/2009	12/25/2012	
PLI140-111109-DM	Pacific Life	$10,000,000	38	11/11/2009	1/9/2013	Yes
LFG183-111109-MR	Lincoln Financial	$5,000,000	40	10/30/2009	2/27/2013	
LFG566-071509-MR	Lincoln Financial	$4,700,000	43	8/13/2009	3/12/2013	
AGL06L-102009-LM	American General	$2,500,000	42	9/14/2009	3/14/2013	Yes
WPL982-071509-LB	William Penn Life	$500,000	44	8/10/2009	4/9/2013	
AVL180-030510-MR	AVIVA Life & Annuity	$5,000,000	39	2/25/2010	5/26/2013	
HCF-AXA058-PF	AXA Equitable	$2,500,000	48	5/29/2009	5/28/2013	
AXA597-110209-HM	AXA Equitable	$1,250,000	46	10/6/2009	8/5/2013	Yes
PLI930-102009-HM	Pacific Life	$1,250,000	46	10/6/2009	8/5/2013	Yes
LBL165-031909-NL	Lincoln Benefit Life	$750,000	54	3/19/2009	9/16/2013	
AXA091-012110-PC	AXA Equitable	$5,000,000	45	12/18/2009	9/16/2013	
LFG782-090409-HO	Lincoln Financial	$5,000,000	49	8/26/2009	9/24/2013	
SLA534-031909-LC	Sun Life Assurance	$650,000	54	3/30/2009	9/27/2013	
LFG591-031909-DH	Lincoln Financial	$1,000,000	55	3/6/2009	10/3/2013	
ING15J-121409-AK	ING	$1,000,000	47	12/9/2009	11/7/2013	
ANI852-031909-HO	American National	$5,000,000	53	6/22/2009	11/20/2013	
LFG272-112009-PS	Lincoln Financial	$1,300,000	48	11/24/2009	11/23/2013	
PLI980-111109-JS	Pacific Life	$4,000,000	49	10/26/2009	11/24/2013	
PLI680-102909-JS	Pacific Life	$1,000,000	49	10/26/2009	11/24/2013	
AXA729-112009-SF	AXA Equitable	$2,000,000	49	11/18/2009	12/17/2013	
ING201-071509-AG	ING	$5,000,000	55	7/8/2009	2/4/2014	
HLI814-092509-MI	Hartford Life	$1,500,000	54	9/3/2009	3/3/2014	
TRA281-071509-RJ	Transamerica	$1,500,000	56	7/15/2009	3/14/2014	
LFG008-102909-RB	Lincoln Financial	$3,000,000	53	10/15/2009	3/15/2014	
LFG311-031210-HM	Lincoln Financial	$5,000,000	49	2/18/2010	3/19/2014	
AXA994-011510-BD	AXA Equitable	$2,100,000	51	12/31/2009	3/31/2014	
ING036-071509-EB	ING	$3,000,000	57	8/4/2009	5/3/2014	
LFG006-103009-JC	Lincoln Financial	$2,000,000	56	9/18/2009	5/18/2014	
LFG117-021710-HW	Lincoln Financial	$2,000,000	52	1/19/2010	5/19/2014	
LFG248-012610-HM	Lincoln Financial	$3,000,000	52	1/20/2010	5/20/2014	
SLA338-112009-CD	Sun Life Assurance	$2,000,000	59	10/29/2009	9/27/2014	
MET650-071509-DF	Met Life	$1,000,000	62	8/7/2009	10/5/2014	
LFG740-071509RL	Lincoln Financial	$5,000,000	63	7/15/2009	10/13/2014	
AXA826-110509-IC	AXA Equitable	$1,250,000	60	10/23/2009	10/22/2014	
AGL73L-031909-WK	American General	$3,000,000	70	1/12/2009	11/11/2014	
AGL66L-071509-LB	American General	$750,000	64	7/15/2009	11/12/2014	
AXA335-022410-PS	AXA Equitable	$3,000,000	57	2/18/2010	11/17/2014	
AXA146-090409-GJ	AXA Equitable	$2,000,000	63	9/1/2009	11/30/2014	
LFG177-031909-MC	Lincoln Financial	$1,500,000	70	2/19/2009	12/19/2014	
AXA804-031909-RM	AXA Equitable	$4,500,000	69	3/24/2009	12/21/2014	
LBL361-021710-SW	Lincoln Benefit Life	$2,085,000	60	1/27/2010	1/26/2015	
LLI899-102209-AT	Lafayette Life	$7,000,000	64	9/29/2009	1/27/2015	
MMI860-071509-ML	Mass Mutual	$1,500,000	69	7/8/2009	4/6/2015	
LFG081-021710-RC	Lincoln Financial	$1,250,000	64	12/23/2009	4/22/2015	
LFG735-030510-AS	Lincoln Financial	$5,000,000	64	2/10/2010	6/10/2015	yes