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Retirement Value, LLC

Eduardo S. Espinosa, Receiver

www.klgates.com

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Eddy Espinosa

Mr. Espinosa's practice includes corporate, domestic and international business transactions, mergers & acquisitions, securities and securities enforcement. Mr. Espinosa has advised public companies on their public reporting requirements and has represented various market participants before the U.S. Securities & Exchange Commission in enforcement proceedings.

Mr. Espinosa advises clients with the benefit of his experience in the government, public and private sectors. Mr. Espinosa began his legal career as an Enforcement Attorney with the Securities and Exchange Commission, where he investigated and prosecuted violations of the federal securities laws. In private practice, Mr. Espinosa has represented clients in a multitude of commercial transactions ranging from the enterprise-wide to the operational levels. In addition, he has served as General Counsel to a multi-million dollar distribution company and Senior Transactional Counsel to a multi-national telecommunications company. Mr. Espinosa compliments his legal credentials with a Masters of Business Administration and significant accounting experience.

Retirement Value – Background

The Investment Program

- Each of the investments was structured as a loan where the investors provided funds to Retirement Value 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 based on the calculated life expectancy of an insured under a policy of life insurance to be acquired by Retirement Value.
  - In all instances, Retirement Value agreed to pay a return of 16.5% per year for the insured's calculated life expectancy.
  - For example, where the insured had a calculated life expectancy of 64 months Retirement Value would pay $18,800 on a $10,000 investment.
- The insured's date of death set the investment's maturity.

- Approximately $77 million invested
- More than 900 investors
- More than 1,000 licensees

Uses of Funds

James Settlement Services, LLC	$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

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Distribution of Funds to Defendants

Dick and Catherine Gray	
Dividends (10/6/09 to 3/5/10)	$2,139,000
2010 Tax Prepayment	599,200
Dick Gray salary (2009-10)	210,574
C Gray (2009-10)	45,833
Dick Gray, Licensee	13,400
Total	**$3,008,007**

Wendy Rogers	
Dividends (10/6/09 to 3/5/10)	$688,000
2010 Tax Prepayment	149,800
Wendy Rogers salary (2009-10)	133,693
Wendy Rogers, Licensee	12,300
Total	**$983,793**

Bruce Collins	
Honorarium as COO	$75,000
B Collins, Licensee	43,390
Collins Marketing, Licensee	469,799
Total	**$588,189**

David and Elizabeth Gray[1]	
Buyout Agreement (2010)	$231,155
Dividends (2009)	579,307
Total	**$810,462**

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

Retirement Value Receivership
Assets under Management

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Cash Seized by Receiver

Entity	RV Assets	3rd Parties	Total
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		374,619.66	374,619.66
	23,230,918.80	**2,232,853.89**	**25,463,772.69**

Insurance Policies

- 41 policies with a face value of $118,250,000 owned by Retirement Value.

- 8 policies with a face value of $30,085,000 have been assigned by James Settlement Services and are in the process of being transferred on the books of the insurers.

Completion of Purchases

At the time of the Receiver's appointment, there were 12 policies with a face value of $36,085,000 under contract with James Settlement Services.

- Retirement Value had paid $7 million toward these policies and owed an additional $1.3 million.
- Completed the purchase of 8 policies and unwound the purchase of 4 policies.
- Received a refund of $599,517.
- Avoided about $1 million in unreserved premium obligations.

Internal Code	Face Amount
LFG248-012610-HM	3,000,000
LFG311-031210-HM	5,000,000
AVL180-030510-MR	5,000,000
LFG735-030510-AS	5,000,000
AXA091-012110-PC	5,000,000
AXA35-022410-PS	3,000,000
LFG117-021710-HW	2,000,000
LBL361-021710-SW	2,085,000
Total Acquired	*30,085,000*
GLG089-012110-RF	1,000,000
AGL76L-01810-WS	3,000,000
AXA777-012310-TP	1,000,000
LBL918-02241-RW	1,000,000
Total Unwound	*6,000,000*
All twelve	**36,085,000**

Other Assets

- Building in New Braunfels
  - Value $622,000 (tax appraisal)
  - Debt Owed $325,000
- Claims against Various Parties
  - Officers/Members of Retirement Value
  - Licensees
  - Others

Receiver's Investigation

Purposes of the Investigation

- to determine the current status of Retirement Value, its assets, and the claims against them;
- to identify and gather any assets belonging to Retirement Value;
- to uncover and prosecute claims against members, officers, licensees and others who have done business with Retirement Value; and
- assist the State in its investigation.

Status of the Investigation

- Interviewed key employees of Retirement Value
  - Dick Gray, President
  - Wendy Rogers, CEO
  - Bruce Collins, COO
  - Jeremy Gray, VP, Product Development and Policy Administration
  - Marissa Kane, Manager, Policy Administration
  - Katie Hensley
  - Frank Frye, bookkeeper
  - Others

- Reviewed accounting and banking records from Retirement Value and Kiesling Porter
- Searched offices and safe deposit boxes belonging to Retirement Value and Dick Gray
- Seized and reviewed records from the offices of Retirement Value, including policy information, licensee data, investor files and internal correspondence

- Recovered 236 gigabytes of data (of which 36 gigabytes is e-mail) from Retirement Value's computers
  - 12 million pages or 4,700 bankers boxes
  - Review of this data is underway
  - Relying on advanced software tools to identify potentially relevant documents in order to reduce human review and to control cost
- Reviewed documents and other records obtained by TDI and TSSB in their investigations

- Interviewed Kiesling Porter
- Spoken with and reviewed records from each insurance carrier
- Interviewed and reviewed records from Pacific Northwest Title – the escrow agent for Retirement Value's purchases from JSS
- Spoken with Ron James, James Settlement Services

Preliminary Results

- Discovered evidence of significant fraud by Retirement Value and its licensees
  - Misrepresented protections available to investors
  - Misrepresented risks and returns
  - Omitted or misstated key facts about the principals

Misrepresentations – Protections for Investors

- Investors were not irrevocable co-beneficiaries as represented
  - Kiesling Porter was the only named beneficiary
  - Kiesling Porter had no contractual duty to investors
  - Even Kiesling Porter was a revocable beneficiary
  - Investors have no contractual interest in or lien on the proceeds of the policies
  - Retirement Value had no contractual obligation to maintain the policies, particularly beyond the calculated life expectancy plus 24 month

- Retirement Value represented that investor funds would be deposited in “escrow accounts” that would be managed by Keisling Porter in its role as an “independent escrow agent”
  - Kiesling Porter’s role described as “your Third Party Fiduciary”
  - Dick Gray described Kiesling Porter’s role as “representing the money, protecting the money, protecting you from us in a sense.” (7/2009 video)
  - Brent Free (of KPKF), “Our job is to safeguard the money and as the anti-drug campaign said "Just say NO." . . . [We] make sure the money is safe.”

Escrow: a three-party agreement – the two parties to a transaction and the escrow agent – under which the depositor makes an irrevocable deposit with the escrow agent and cedes 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.

Agreement between KPKF and Retirement Value is not an escrow agreement

- Only two parties – KPKF and RV
- KPKF's only duties ran to RV ("to "disburse funds as directed by [RV]" and that its liability was limited to transferring funds into sub-accounts "as directed by [RV];" paying premiums "upon written instruction by [RV];" and "disbursement of re-sale life insurance proceeds upon death of insured in accordance with written instruction from [RV].")

KPKF acted as Retirement Value's agent; not as an independent "Third Party Fiduciary" protecting 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).

Investor funds were to be placed in sub-accounts dedicated to specific policies

- Significant commingling of funds between sub-accounts – on 50 separate occasions (from November 2009 through March 2010), Retirement Value directed that funds be taken from a sub-account dedicated to one policy and used to pay expenses related to a different policy. KPKF obeyed these instructions without comment.

Example of Commingling

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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DATE: March 29 2010

PLEASE DELIVER 1 PAGES (including this cover letter)

MAR 29 2010

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

FROM: Kiesling, Porter, Kiesling & Free, P.C. – Kristen Porter/Brently 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
$ 136,045.00	AVL180-6554971157	Avivia 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	JHL633-6554971165	John Hancock Life
Total $ 552,384.00		

If you need additional information, please call our office.

cc: Retirement Value, LLC
830-609-6002 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 TRANSMISION WAS NOT RECEIVED PROPERLY.

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

Misrepresentations – Risks and Rewards

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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 Exectancy = 52.25% 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 38 months - plus pro-rata premium refunds / minus pro-rata premium payments

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

At the end of Year 1	At the end of Year 2	At the end of Year 3	LE Report Maturity Month 38	At the end of Year 4	At the end of Year 5	Month 62 = 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
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% 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 "acquistion" costs

	35.76% $17,152										
		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

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.

* 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. Ist year total return is then 77.61% shown rather than 52.25%.

Misrepresentations Re: Charts

- Falsely represented the likely maturity of the investment
  - "90% of policies mature at or before projected LE" and that "95% of policies mature at or before LE plus 12 months."
  - Midwest Medical was "accurate 95% of the time to LE" and had "98.5% accuracy within 12 months after expected LE."
  - 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.
- Misrepresented the future premium cost if the insured lived beyond LE+24
- Failed to disclose risk of non-payment by other investors

Misrepresentations Re: Maturity

- All LE's by Midwest Medical
  - Provided by the seller, James Settlement
  - No separate LE by Retirement Value – contrary to standard practice in industry

- Did not obtain three LE's as represented

Use of Median Life Expectancy

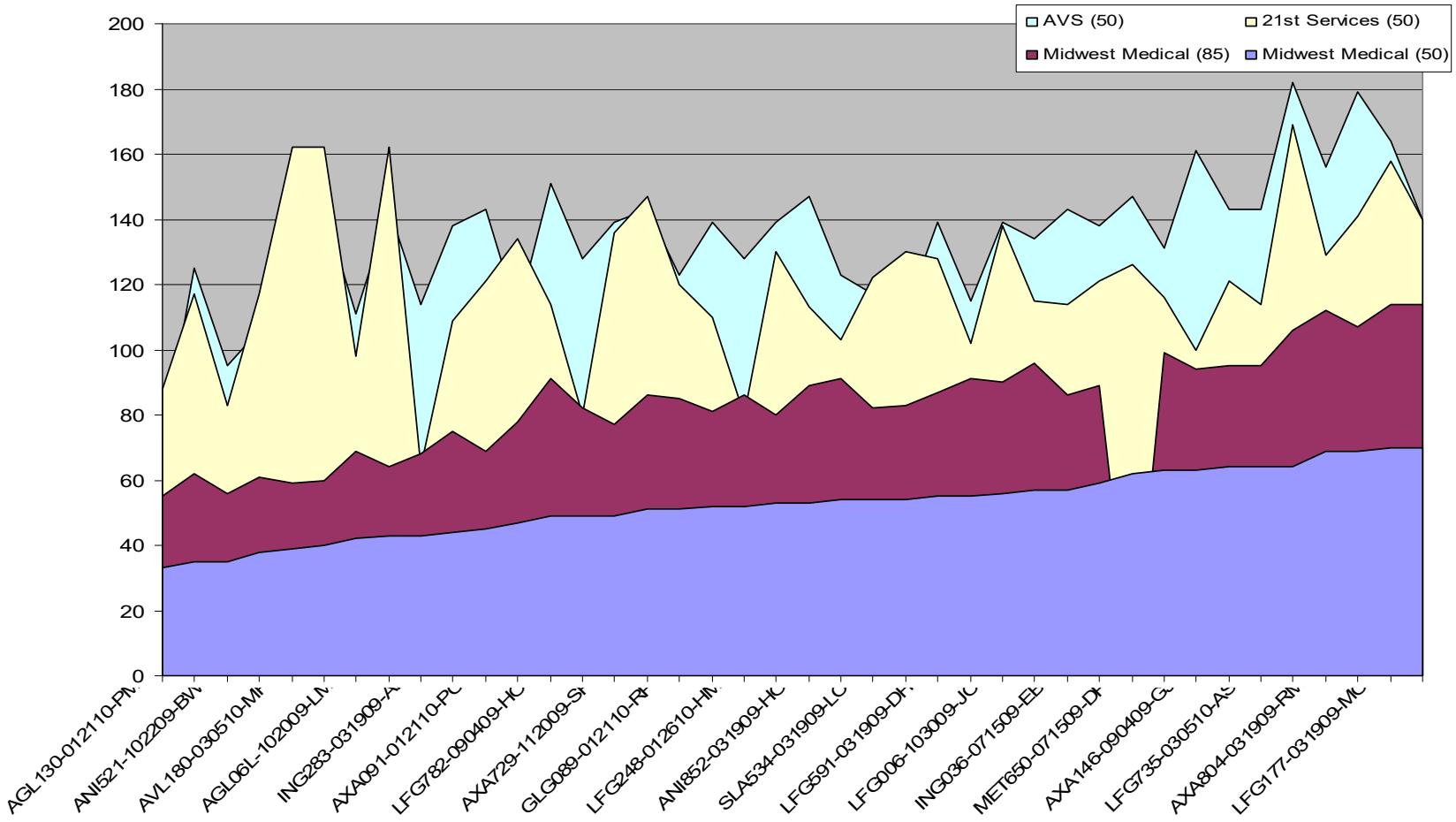
- The LE's used by Retirement Value were the median LE – the point at which 50% of people statistically similar to the insured are expected to die
- Midwest also provided an 85% LE – usually more than 24 months beyond median LE

Midwest Medical LE's Inaccurate

- Report by HMH Consulting
  - Showed Midwest Medical's Actual to Expected Performance to be 42%
  - 1,395 observed deaths vs. 3,319 actuarially expected deaths
- Comparison to Recognized Providers

	Midwest Medical (50%)	Midwest Medical (85%)	21st (50%)	AVS (50%)
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%

Comparison of LE's



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Effect of Longer LE Calculation

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

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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	30.95% $13,095	28.92% $12,892	24.36% $12,436	22.84% $12,284	-4.04% $9,596
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 "acquistion" costs						
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		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	3.50% $13,095	3.21% $12,892	2.50% $12,436	2.28% $12,284	-0.28% $9,596

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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. Ist year total return is then 77.61% shown rather than 52.25%.

Misrepresentations Re: Future Premiums

- Charts stated that future premium calls would be equal to a pro-rata share of the premiums paid initially
  - Untrue – in universal life policies, the cost of maintaining the insurance in force increases dramatically year over year
  - Retirement Value knew this
    - Estimates from JSS showed increasing costs over time
    - Retirement Value was actively calculating current and future policy costs

Omission Re: Non-Payment by Others

- Under the investment documents, the investor is entitled to payment so long as he or she pays his or her pro rata share of future premiums due

- Ultimately relying on Retirement Value to repay loan but limited sources of repayment
  - Proceeds of policies – but Retirement Value must fund share of premiums not paid by existing investors
  - Retained earnings – there were none
  - Investments by future investors

Managing the Portfolio

Current Status

- All 49 Policies owned (or being acquired) by Retirement Value are in force with premiums being paid as scheduled.

Asset Servicing Group

ILMA Institutional Life Markets Association

LISA LIFE INSURANCE SETTLEMENT ASSOCIATION

- Retained ASG to act as portfolio manager and life settlement advisor
  - Policy Administration
  - Death Tracking
  - Claims Processing
  - Verification of Policies
  - Premium Optimization
  - Policy Valuation

Tom Moran – President, ASG

- 30+ years experience with insurance, last 12 years exclusively in life settlement
- 8+ years experience successfully managing viatical and life settlement companies in Conservatorship or Receivership
- Acted as receiver or conservator for several court actions in the life settlement industry
- Extensive experience in dealing with thousands of investors and thousands of life insurance policies
- Current licenses include: life, health, property, casualty, and life and viatical and life settlement broker

Lewis & Ellis

In process of retaining Scott Gibson, FSA, MAAA of Lewis & Ellis as actuarial consultant

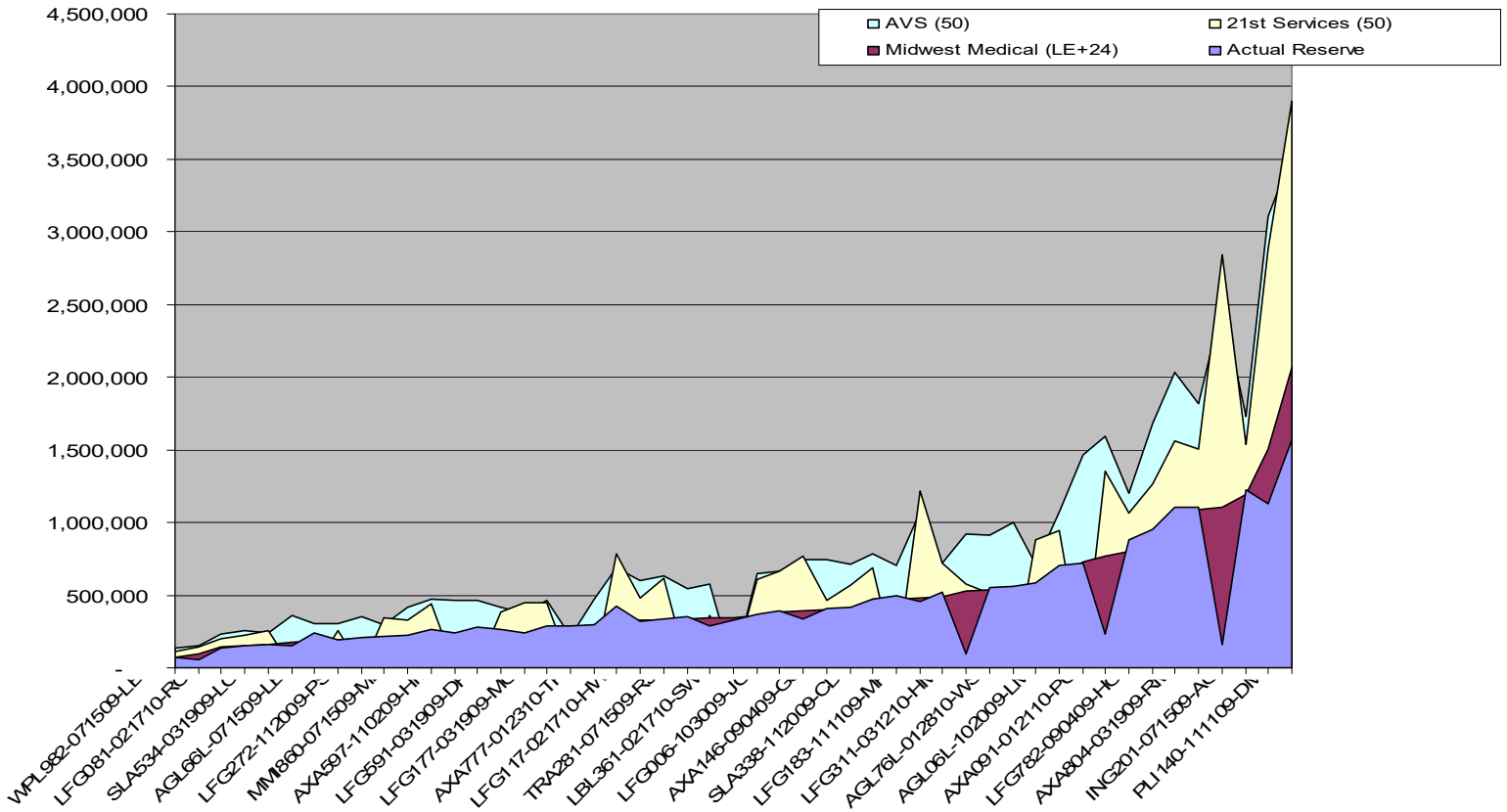
- Evaluation of expected premium and maturity cash flows
- Portfolio modeling

Mr. Lewis is a former member of the board of directors of the Life Insurance Settlement Association.

Challenges

- Insufficient Funds
- Structure of the Portfolio
  - The investment is structured as a series of investments into discreet insurance policies.
  - Early maturity of one or more policies will not generate funds to support cost of maintaining remaining policies

Estimated Premium Requirements



Required Reserves (all policies offered)*

	Actual Reserve	Midwest Medical	21st	AVS
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**

*Understated because assumes premiums will remain static and disregards anticipated escalation.

Cash on Hand

Wells Fargo	$22,161,701
Chase*	$ 1,309,881
Refund from JSS	$599,517
Total**	**$24,071,098.81**

* Includes recovery from Special Acquisitions, Bruce Collins

**Does not include Receivership Assets titled in the name of individual Defendants which may ultimately become available.

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Where Are We

		MM(50)+24	21st (50)	AVS (50)
# of observations		49	38	48
Requisite Premium Reserves (Est.)*		$20,787,184	$30,120,117	$38,466,760
Average per policy		$424,228	$792,635	$801,391
For 49 policies		$20,787,184	$38,839,098	$39,268,151
Cash on hand		$24,071,099	$24,071,099	$24,071,099
Surplus/(Deficit)**		**$3,283,915**	**($14,768,000)**	**($15,197,052)**

*Understated because assumes premiums will remain static and disregards anticipated escalation.

**MM(50)+24 “surplus” is attributable to (i) reduction of premium obligations for the policies not acquired; (ii) reallocation of proceeds from investor loans made to purchase those 8 policies; and (iii) moneys recovered by the Receiver.