

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

STATE OF TEXAS,

Plaintiff,

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

**PLAINTIFF'S ORIGINAL VERIFIED PETITION AND APPLICATION  
FOR EX PARTE TEMPORARY RESTRAINING ORDER, TEMPORARY AND  
PERMANENT INJUNCTION, RESTITUTION, THE DISGORGEMENT OF ECONOMIC  
BENEFITS, RECEIVERSHIP, AND OTHER EQUITABLE RELIEF**

TO THE HONORABLE JUDGE OF SAID COURT:

**The State of Texas, Plaintiff** in the above-entitled and numbered cause (hereinafter referred to as the "**State**" or "**Plaintiff**"), acting by and through Greg Abbott, Attorney General of Texas, at the request of John Morgan, Deputy Securities Commissioner of the State of Texas (hereinafter referred to as the "Deputy Securities Commissioner"), files this Original Petition, verified upon information and belief by the Deputy Securities Commissioner, complaining of **Defendants Retirement Value, LLC, Richard H. "Dick" Gray and Bruce Collins**, and makes this application for a an *ex parte* temporary restraining order, temporary and permanent injunction, restitution, disgorgement, temporary and permanent receiver and other equitable relief.

The State also seeks immediate injunctive relief against **Kiesling, Porter, Kiesling, & Free, P.C., as Relief Defendant**, to restrain any transfer of money or other assets it holds in the name of or pursuant to any account or interest of Defendants to the extent such money or assets are derived from Defendants' operations and to restrain any alteration, destruction, concealment or transfer of any records or information related to Defendants, or the disposition of investor-derived funds, and to restrain from cancelling the Master Escrow Agreement by and between Retirement Value, LLC and Kiesling, Porter, Kiesling & Free, P.C. dated March 10, 2009 (**Exhibit**

A) without the express written consent of the Receiver requested herein or by order of the court. The State has reason to believe that the Relief Defendant holds money or other assets derived from investor funds, or records related to the Defendants' scheme. The money and assets sought to be thus protected include all money and assets on deposit with, held by, or under the control of the Relief Defendant to the extent such money or assets are subject to any claim whatsoever, whether direct or contingent. *No wrongdoing is alleged herein against the Relief Defendant.*

In support of these requests, the State would show the Court the following:

### **DISCOVERY CONTROL PLAN**

1. Pursuant to Texas Rule of Civil Procedure 190, discovery in this cause is intended to be conducted under Level 2.

### **NATURE OF THIS ACTION**

2. This action is brought in the name of the State of Texas by the Attorney General of Texas, acting within the scope of his official duties under the authority granted him under the Constitution and laws of Texas. It is brought for injunctive relief, restitution, disgorgement of economic benefits, receivership and other equitable relief at the request of the Deputy Securities Commissioner, who, in making such a request, is acting within the scope of his official duties and authority under The Securities Act, TEX. REV. CIV. STAT. ANN. Art 581-1 et seq. (Vernon 1964 & Supp. 2009) (hereinafter referred to as the "**Texas Securities Act**" or the "Securities Act"). It is also brought pursuant to the Attorney General's authority under the **Texas Deceptive Trade Practices Act**, Tex. Bus. & Com. Code § 17.41, et seq. (the "DTPA").

### **THE DEFENDANTS**

3. **RETIREMENT VALUE, LLC** (hereinafter referred to as "Defendant Retirement Value") is a Texas Limited Liability Company that maintains a business address at 707 N. Walnut, New Braunfels, Texas 78130, and a mailing address at PO Box 310635, New Braunfels, Texas 78131. It may be **served** with process through its **Registered Agent, Richard H. "Dick" Gray, at its Registered Office at 707 N. Walnut, New Braunfels, Texas 78130.**
4. **RICHARD H. "DICK" GRAY** (hereinafter referred to as "Defendant Gray") is a natural person who is licensed as a General Lines Agent with the Texas Department of Insurance, and he holds qualifications in life, accident, health and HMO. He is also the Owner, the Chief Executive Officer and a Member of Defendant Retirement Value. He may be **served** with process at his residential address **at 1945 Round Table, New Braunfels, Texas 78130, or at** his business address and the Registered Office address for Defendant Retirement Value **at 707 N. Walnut, New Braunfels, Texas 78130.**

5. **BRUCE COLLINS** (hereinafter referred to as "Defendant Collins") is a natural person who is the Chief Operations Officer of Defendant Retirement Value. He may be **served** with process at his residential address at **1510 Legendary Court, Grand Prairie, Texas 75050**, or at his business address and the Registered Office address for Defendant Retirement Value at **707 N. Walnut, New Braunfels, Texas 78130**.

#### **THE RELIEF DEFENDANT**

6. **Kiesling, Porter, Kiesling, & Free, P.C.** (hereinafter referred to as "Relief Defendant Kiesling Porter") may be **served** with process **through its Registered Agent, Bob Kiesling, at 348 E. San Antonio Street, New Braunfels, Texas 78130** or through its attorney, Spencer C. Barasch, Esq., at Andrews Kurth, L.L.P., 1717 Main Street, Suite 3700, Dallas, Texas 75201.

#### **JURISDICTION**

7. The Court has jurisdiction over this action under Sections 25-1 and 32 of the Texas Securities Act and Sections 17.41 et seq. of the DTPA.

#### **VENUE**

8. Venue is proper in Travis County, Texas under Sections 25-1.B and 32.A of the Texas Securities Act. Venue is also proper in Travis County, Texas under Section 17.47(b) of the DTPA because one or more of the subject transactions occurred in Austin, Travis County, Texas.

#### **NOTICE BEFORE SUIT**

9. Pursuant to §17.47(a) of the DTPA, the Consumer Protection Division of the Office of the Attorney General has not made contact with the Defendants herein to inform them of the unlawful conduct alleged herein, for the reason that the undersigned is of the opinion that there is good cause to believe that such an emergency exists that immediate and irreparable injury, loss or damage would occur as a result of such delay in obtaining a temporary restraining order, and that Defendants might evade service of process, destroy relevant records and secrete assets if prior notice of this suit were given.

#### **SUMMARY**

10. Defendant Gray is a recidivist who has repeatedly engaged in illegal sales of securities through fraudulent investment schemes. He has established a definite

*modus operandi*: reap lucrative profits from fraudulent schemes involving the sale of securities until regulators either intervene or shut down the underlying brokerage. Once the underlying brokerage is unable to continue its operations, Defendant Gray returns to selling illegal securities on behalf of a new or different firm.

11. Defendant Gray most recently organized Defendant Retirement Value to fraudulently sell securities to the investing public. From in or about April 2009, through February 28, 2010, Defendants have already collectively raised approximately \$65 million from over 800 investors through the sale of fraudulent investments in the death benefits of life insurance policies.
12. Investors were told that their funds would be used to purchase life insurance policies and that investors would receive a return on the investment payable from the proceeds of the insurance policies upon the death of the insured.
13. Defendants, either directly or through a network of numerous unregistered salespersons, told investors that a third party or third parties had performed analyses of the medical histories of the insureds. These analyses reportedly determined the estimated longevity of the insureds and thereby allowed the Defendants to estimate the date that the insureds would die.
14. The analyses determined the anticipated maturity of the investment because investors are not entitled to receive a return on their investment until or unless the insureds die. Defendant Retirement Value, moreover, purportedly only reserved funds to pay for premiums for the life insurance policies through a term equal to the estimated life expectancy of the insureds plus twenty-four (24) months. If the insureds live past this term, investors will need to pay for the ongoing premium payments for the life insurance policies until the insured dies or they will lose their entire investment.
15. Defendants made a number of representations to investors regarding the accuracy in the determination of the life expectancy of the insureds. They represented, for example, that in excess of 90% of insureds die within their estimated life expectancy and that 98.5% of insureds die within their estimated life expectancy plus a term of twelve (12) months. These representations are important because as discussed elsewhere within, the estimated life expectancies of the insureds are the critical factors used to determine the anticipated maturity of the investments and assess whether investors will need to pay additional funds to satisfy ongoing premium obligations.
16. Defendants made these statements in connection with a scheme to misrepresent the reliability of the life expectancies to investors in the Re-Sale Life Insurance Policy Program. They also did not tell investors that the life expectancies are obtained through a company controlled by a convicted felon who has provided similar life expectancies in other schemes that were eventually subject to regulatory action.



17. Defendants also misrepresented or failed to disclose material facts about their business repute and qualifications and the safety and security of the investments. Investors tendered nearly \$70 million to Defendants based upon these fraudulent representations and nondisclosures.
18. Information related to Defendants' fraudulent investment scheme and the use of investor funds is described further in this verified original petition, and in the sworn affidavits of Rani Sabban and Letha Sparks attached herein, respectively, as **Exhibit B** and **Exhibit C**.

**DEFENDANT GRAY'S SALES OF ILLEGAL SECURITIES  
ISSUED BY SECURE INVESTMENT SERVICES, INC.**

19. Beginning as early as 2005 and continuing through as late as August 2007, Defendant Gray sold investments in bonded life settlements contracts issued by Secure Investment Services, Inc. (hereinafter referred to as "SIS"). Investors were allegedly told that their funds would be used to purchase interests in insurance policies that insured the lives of others and that they would receive a return on their investments payable from the proceeds of the insurance policies upon the deaths of the insured.
20. Investors were also allegedly told that a third party had provided an estimate of the life expectancy of the insured. Bonding companies, such as International Fidelity & Surety Ltd., Provident Capital and Indemnity Ltd., BALGI, and Sino Reinsurance, had also purportedly issued a bond that secured the investment.
21. Defendant Gray sold approximately ninety-two of these investments in bonded life settlements as an agent of SIS. Investors tendered approximately \$3 million of funds for the purchase of the investment and Defendant Gray received in excess of \$400,000.00 in commissions for these sales.
22. On or about August 23, 2007, the United States Securities and Exchange Commission filed a complaint against SIS and others in Cause No. 2:07-cv-01724-LEW/CMK, in the United States District Court for the Eastern District of California, Sacramento Division. The complaint alleged, among other things, that SIS orchestrated a Ponzi scheme and misled investors by providing them life expectancy estimates certified by a physician from Amscot Medical Labs, Inc. (hereinafter referred to as "Amscot Medical") and Midwest Medical Review, LLC (hereinafter referred to as "Midwest Medical").
23. On or about August 24, 2007, the United States District Court, the Honorable Judge Ronald S.W. Lew presiding, entered an Order Appointing Receiver, Temporary Restraining Order, and Order to Show Cause and appointed Michael J. Quilling as Temporary Receiver for SIS and other named defendants. On or about October 31, 2007, the United States District Court, the Honorable Judge

Ronald S.W. Lew presiding, entered an Order Appointing Receiver that converted the Temporary Receiver to a Permanent Receiver.

24. On or about June 25, 2009, the Texas Department of Insurance filed a Notice of Hearing with the State Office of Administrative Hearings in Docket No. 454-09-4867C. The Notice of Hearing named Defendant Gray and sought the revocation of his insurance license based in part upon his conduct as an agent of SIS. It specifically alleged that Defendant Gray committed fraudulent or dishonest acts or practices and issued bonds without holding the required General Property and Casualty License.

**DEFENDANT GRAY'S SALES OF SECURITIES  
ISSUED BY AMERICAN SETTLEMENT ASSOCIATES, LLC**

25. During and about 2008, Defendant Gray served as the Managing Member of Hill Country Funding, LLC (hereinafter referred to as "Hill Country Funding"). Defendant Gray, acting in this capacity, offered for sale and sold investments in bonded life settlement contracts purportedly issued by American Settlement Associates, LLC (hereinafter referred to as "ASA"). These bonded life settlement contracts were also purportedly secured by a bond issued by Provident Capital Indemnity, Ltd.
26. At the time that Defendant Gray, Hill Country Funding, and ASA offered for sale and sold the bonded life settlement contracts, the Texas Department of Insurance and the Texas State Securities Board had already taken actions against the bonding company, to wit:
- A. On or around November 6, 2006, the Insurance Commissioner of Texas entered Emergency Cease and Desist Order No. 06-1154. The Insurance Commissioner found therein that Provident Capital Indemnity, Ltd., was engaging in the unauthorized business of insurance in Texas, the conduct was fraudulent, illegal, hazardous, and created an immediate danger to public safety, and that such conduct was designed to evade the insurance laws of the State of Texas.
- B. On or about January 17, 2008, the Securities Commissioner entered Emergency Cease and Desist Order No. ENF-08-CDO-1647, styled In the Matter of Provident Capital Indemnity, LTD, et al. The Securities Commissioner found, inter alia, that:
- i. The bonded life settlement contract and bonds were "securities" as that term is defined in Section 4 of the Securities Act,
- ii. Provident Capital Indemnity, Ltd., made offers containing statements that were materially misleading or otherwise likely to deceive the public and engaged in securities fraud, and

- iii. Harold Maridon, a control person of Provident Capital Indemnity, Ltd., was previously convicted of conspiracy to commit mail and wire fraud in United States of America v. Harold Maridon, Cause No. 8:97CR-149-1, in the United States District Court, District of Nebraska.
27. The Enforcement Division of the Texas State Securities Board conducted an investigation of Defendant Gray and Hill Country Funding. On or about September 8, 2008, Defendant Gray, both individually and in his capacity as Managing Member of Hill Country Funding, LLC, filed an Undertaking with the Securities Commissioner wherein he:
- A. Agreed to notify all persons who made loans or any forms of investment with Hill Country Funding, LLC, that related to any form of bond or reinsurance to be procured from Provident Capital Indemnity, Ltd., and advise them of the existence of the Emergency Cease and Desist Orders entered by the Texas Department of Insurance and the Texas State Securities Board.
  - B. Agreed to offer to rescind any transactions with persons who made loans or any form of investment with Hill Country Funding, LLC, that related to any form of bond or reinsurance to be procured from Provident Capital Indemnity, Ltd., and
  - C. Agreed to comply with all provisions of the Texas Securities Act and to cooperate with any future inquiries by the Texas State Securities Board.
28. On or about March 19, 2010, the United States District Court for the Southern District of Texas, Houston Division, granted the United States Securities and Exchange Commission's request in Case No. 4:10-cv-00912 to freeze the assets of ASA and to appoint a Receiver for ASA and others. The SEC complaint alleged, inter alia, that principals of ASA failed to use investor funds to pay future premium payments for the policies causing them to lapse, and instead, used said funds to support other business and personal expenses.

**DEFENDANTS' SALES OF ILLEGAL SECURITIES**  
**ISSUED BY DEFENDANT RETIREMENT VALUE, LLC**

29. Beginning in or about April 2009, and continuing through March 30, 2010, Defendants offered for sale and sold investments in the death benefits of life insurance policies. Defendants marketed and referred to the investments as Defendant Retirement Value's Re-Sale Life Insurance Policy Program
30. Defendants told investors that their purchase of an investment in the Re-Sale Life Insurance Policy Program will entitle them to "base-line expected income" at an annual rate of 16.5% that will be payable upon maturity of the investment.

Individuals who invest \$100,000 in the Re-Sale Life Insurance Policy Program will therefore expect to receive "base-line expected interest" in the amount of approximately \$74,800 upon maturity. Investors should therefore expect to receive \$174,800, representing the "base line expected interest" and the original principal contribution, upon the maturity of the investment.

31. Defendants told investors that they could realize the "base-line expected interest" by using investor funds to purchase interests in re-sale life insurance policies. They described the structure of the transactions as follows:
- A. Investors were provided with a "portfolio" of re-sale life insurance policies selected by Retirement Value.
  - B. The "portfolio" of re-sale life insurance policies identified certain aspects of each individual policy, including the anticipated life expectancy of the person insured by each policy.
  - C. Investors chose to participate in one or more of the re-sale life insurance policies identified within this portfolio.
  - D. Principal tendered by investors was deposited into escrow accounts maintained by Wells Fargo.
  - E. These funds were managed by Relief Defendant Kiesling Porter in its capacity as the Escrow Agent. Defendants told investors that the use of Kiesling Porter "assured the total safeguarding and preserving of [the] basis and targeted income." These were described as "essential components" of the Re-Sale Life Insurance Policy Program.
  - F. These funds were used to purchase the re-sale life insurance policies identified on the aforesaid portfolio from a "policy aggregator."
  - G. Defendant Retirement Value became the owner of the re-sale life insurance policies.
  - H. Relief Defendant Kiesling Porter became the beneficiary of the re-sale life insurance policies. As the beneficiary, Relief Defendant Kiesling Porter will receive the death benefits of the re-sale life insurance policies upon the death of the insured.
  - I. Investors became "irrevocable co-beneficiaries." Even though they are identified as "irrevocable co-beneficiaries," investors are not entitled to receive the death benefits of the re-sale life insurance policies from the issuing insurance carrier when the insured dies. Instead, Relief Defendant Kiesling Porter is required to pay investors, as "irrevocable co-beneficiaries," a pro-rata distribution of the death benefit of selected policies upon the maturity of the policy due to the death of the insured.

- J. Funds are maintained in escrow to cover all premium payments for the life insurance policies that will come due and owing on the life insurance policies for a term equal to the life expectancy of the insured plus twenty-four (24) months. Investors are entitled to a pro-rata return of all unused premiums that remain in escrow upon the death of the insured. Relief Defendant Kiesling Porter, in its capacity as escrow agent, is responsible for processing all premium payments.
- K. Investors will be required to advance additional funds to cover a pro-rata portion of future premiums if the insured lives past his or her projected date of death plus a term of twenty-four (24) months. Investors who are unable to advance these funds under these circumstances will forfeit their interests and lose their expected returns.
32. Defendants touted the business repute and qualifications of Defendant Gray and Relief Defendant Kiesling Porter. For example:
- A. Defendants promoted Defendant Gray as being credible and qualified by representing that:
- [Defendant Gray] has helped clients make wise money decisions in hard financial times for the past 35 years and has been a licensed insurance agent for over 18 years. Personal participation in the re-sale life insurance policies for his own retirement planning reinforces his credibility when assisting numerous clients in doing the same. After earning an A.B. [sic] degree in political science and a Master of Divinity degree - and prior to the start of his business career - [Defendant Gray] proudly completed four years of U.S. Army active duty as a Chaplain, which included 13 months of decorated field duty in Viet Nam [sic].
- B. Defendants represented Relief Defendant Kiesling Porter serves as an independent Escrow Agent and "assure[d] total safeguarding and preserving of [the] basis and targeted income." Defendants further represented that investor funds were not handled by Defendant Retirement Value and that, instead, Relief Defendant Kiesling Porter acted as an independent Escrow Agent. In its capacity as Escrow Agent, Relief Defendant Kiesling Porter received investor funds and ensured that the necessary premiums were paid, thereby reducing the risk of insurance policies lapsing.
33. Defendants also touted the business repute, qualifications and reliability of the third party or third parties that provide the medical reviews and estimate the life expectancies of the insureds. For example:

- A. Defendants represented that Defendant Retirement Value procured estimates provided by a third party or third parties to predict the date that the insured will die. Respondents told investors that the “fundamental data” for these estimates is “thoroughly underwritten by and provided... by as many as three (3) independent and totally objective... sources.” Defendants purported to only use the longest available life expectancy from these sources to determine the life expectancy of the individuals insured by the insurance policies that are part of the Re-Sale Life Insurance Policy Program.
- B. Defendants represented that all policies are accompanied with a life expectancy certificate. However, Defendants failed to disclose that these life expectancy certificates are received by Defendants from James Insurance and not directly from Midwest Medical. Midwest Medical issues a disclaimer for any certificates not received directly from Midwest Medical and will not guarantee certificates received otherwise as authentic.
- C. Defendants touted the accuracy of the life expectancy estimates. For example, Defendants told investors that 95% of insureds die at or before their estimated date of death. Defendants also told investors that 98.5% of insured die within twelve months of their estimated date of death.

**THE LIFE EXPECTANCY REPORTS USED BY DEFENDANT  
RETIREMENT VALUE TO ESTIMATE THE DATE THAT THE INSURED WILL DIE**

34. Although Defendants represented to investors that Defendant Retirement Value receives three life expectancy evaluations and always selects the longest, in truth and in fact Defendants relied upon life expectancy reports that were provided solely by Midwest Medical.
35. Midwest Medical is controlled by George Kindness. In or around November 2003, George Kindness was indicted for twenty-one counts involving conspiracy and fraud in the introduction of misbranded and adulterated drugs into commerce in United States of America v. George Kindness et al., CR. No. 03-20433BV, in the United States District Court for the Western District of Tennessee, Western Division. The indictment also alleged that George Kindness falsely represented himself to be a medical doctor. He later pleaded to one count of the indictment and is a convicted felon.
36. Midwest Medical and George Kindness have been previously accused of providing inaccurate life expectancies that incorrectly and falsely predict the dates that insureds will die. These accusations were made in cases that resulted in the appointment of a receivership, such as SEC v. Mutual Benefits Corp., 408 F.3d 737 (11th Cir. 2005), SEC v. Secure Investment Inc. et al., Case No. 2:07-cv-O1724-LEW-CMK, in the Eastern District of California, Sacramento Division,

and more recently, SEC v. American Settlement Associates et al., Case No. 4:10-cv-00912, in the Southern District of Texas, Houston Division.

37. Midwest Medical retained HMH Consulting to perform a detailed audit of its life expectancy estimate process and analysis of its result. On or about February 22, 2010, HMH Consulting issued a preliminary report, which concluded that, on the surface:

...there seems to be clear evidence that [Midwest Medical]'s Life Expectancy Estimates have not been accurate and there is a strong tendency for [Midwest Medical]'s Median Life Expectancy Estimates to be too short.

HMH Consulting qualified its finding by noting that it uncovered a large number of data issues during the audit and analysis and that these data issues precluded a fully reliable statistical analysis.

38. AVS Underwriting, LLC, and 21<sup>st</sup> Services, LLC conducted life expectancy evaluations for at least 43 of the same insureds covered under the life insurance policies offered in the Re-Sale Life Insurance Policy Program. The reports show life expectancies averaging anywhere from 55 months up to 75 months longer than the life expectancies provided by Midwest Medical for policies offered in the Re-Sale Life Insurance Program.

#### **OTHER REGULATORY ACTIONS AGAINST DEFENDANTS**

39. On March 29, 2010, the Securities Commissioner entered Emergency Cease and Desist Order ENF-10-CLO-1686 (hereinafter referred to as the "Securities Emergency Order"), styled In the Matter of Retirement Value et al. The Securities Commissioner found therein the Defendants engaged in fraud in connection with the offer and sale of securities, offered for sale unregistered securities and offered for sale securities without being registered as a dealer or agent.
40. On April 9, 2010, the Insurance Commissioner entered Emergency Cease and Desist Order No. 10-0289 (hereinafter referred to as the "Insurance Emergency Order"), against Defendants Retirement Value and Gray and Midwest Medical. The Insurance Commissioner found therein that the named parties committed fraudulent and dishonest acts and/or engaged in an unfair or deceptive act or practice in the business of insurance.
41. As of the entry of the Securities Emergency Order and the Insurance Emergency Order, Defendants received approximately \$65 million from over 800 investors who collectively made approximately 1100 investments in the Re-Sale Life Insurance Policy Program. Defendants used these funds in part as follows:

- A. Defendants paid approximately \$9.3 million as commissions to unregistered sales agents,
  - B. Defendants retained approximately \$8.4 million,
  - C. Defendants used \$20.2 million to acquire the life insurance policies, approximately \$1.2 million to pay life insurance premiums, \$670,000 for escrow fees, and set aside approximately \$22 million to finish acquiring certain life insurance policies and to establish funds for future premium payments during the life expectancy of the insured plus twenty-four (24) months.
42. Defendants have since represented to the Enforcement Division of the Texas State Securities Board that they may transfer ownership of the life insurance policies of the Re-Sale Life Insurance Program to an unidentified third party.

#### **DEFENDANTS OFFERED FOR SALE AND SOLD SECURITIES**

43. The purpose of the Texas Securities Act is to protect investors. e.g., Texas Securities Act Section 10-1.B; Shields v. State, 27 S.W. 3d 267 (Tex. App. 2000).
44. Section 4.A of the Texas Securities Act defines the term "securities" to include investment contracts.
45. The investments in the Re-Sale Life Insurance Policy Program are securities in the form of "investment contracts." The Texas Securities Act provides that instruments that constitute "investment contracts" are securities. The Texas Supreme Court has defined the term "investment contracts" to be (1) investments of money or property into (2) a common enterprise with (3) the expectation of profit (4) to be derived from the essential managerial efforts of others. See Sears v. Commercial Trading Corp., 560 S.W.2d 637, 640 (Tex. 1978).
46. An application of this definition to the investments in the Re-Sale Life Insurance Policy Program demonstrates that these investments are "investment contracts," and these instruments are therefore securities.

#### **CAUSE OF ACTION NO. 1**

#### **DEFENDANTS OFFERED AND SOLD UNREGISTERED SECURITIES**

47. The Texas Securities Act prohibits the sale or offer for sale of unregistered securities. Section 7.A(1) of the Texas Securities Act provides:

No dealer, agent or salesman, shall sell or offer for sale any securities issued after September 6, 1955, except those which shall have been registered by Notification under subsection B or by Coordination under



subsection C of this Section 7 and except those which come within the classes enumerated in Section 5 or Section 6 of the Act, until the issuer of such securities or a dealer registered under the provisions of this Act shall have been granted a permit by the Commissioner. . . .

48. The Re-Sale Life Insurance Policy Program has not been registered with the Securities Commissioner and a permit has not been granted for the sale of such securities required by Section 7 of the Texas Securities Act.

**CAUSE OF ACTION NO. 2**  
**DEFENDANTS WERE NOT REGISTERED TO OFFER OR SELL SECURITIES**

49. Section 12.A of the Texas Securities Act requires that all persons selling or offering to sell securities in Texas must be registered under the Act as follows:

Except as provided in Section 5 of this Act, no person, firm, corporation or dealer shall, directly or through agents or salesmen, offer for sale, sell or make a sale of any securities in this state without first being registered as in this Act provided. No salesman or agent shall, in behalf of any dealer, sell, offer for sale, or make sale of any securities within the state unless registered as a salesman or agent of a registered dealer under the provisions of this Act.

50. Defendants and various sales agents were not registered as dealers, agents or salesmen required by Section 12.A of the Texas Securities Act.

**CAUSE OF ACTION NO. 3**  
**FRAUD AND FRAUDULENT PRACTICES**  
**IN CONNECTION WITH THE SALE OF SECURITIES**

51. The use of fraud and fraudulent practices in connection with the offer for sale and sale of securities is prohibited by Sections 25-1 and 32.A of the Texas Securities Act. Section 32.F of the Texas Securities Act defines fraud and fraudulent practice as follows:

The term "fraud" or "fraudulent practice" shall include any misrepresentations, in any manner, of a relevant fact; any promise or representation or prediction as to the future not made honestly and in good faith, or an intentional failure to disclose a material fact; . . . provided, that nothing herein shall limit or diminish the full meaning of the terms "fraud," "fraudulent," and "fraudulent practice" as applied or accepted in courts of law or equity.

52. In connection with the offer for sale and sale of the Re-Sale Life Insurance Policy Program, Defendants engaged in fraud by intentionally failing to disclose one or more of the following material facts relating to the estimated life expectancies of the insureds:
- A. That the Defendants relied solely on life expectancy analyses procured from Midwest Medical, and therefore did not calculate the life expectancy of the insureds that were offered in the Re-Sale Life Insurance Policy Program by using the longest life expectancy analysis provided by up to three firms.
  - B. True and accurate information about Midwest Medical, its officers and directors and their business repute and qualifications, including that:
    - i. George Kindness, the owner of Midwest Medical, was indicted for twenty-one crimes involving conspiracy and fraud in the introduction of misbranded and adulterated drugs into commerce, and
    - ii. That George Kindness pleaded guilty to one count of the aforesaid indictment and is a convicted felon, and
  - C. The extent and nature of any due diligence conducted in reviewing the accuracy of the life expectancies provided by Midwest Medical and George Kindness.
  - D. That the Defendants received certificates that certified the life expectancies from a third party and not directly from Midwest Medical, and that Midwest Medical issued a disclaimer for certificates not received directly from Midwest Medical.
  - E. Information relating to the consequences of the insured living past his or her estimated date of death and the utilization of a "premium call" to pay pro-rata obligations necessary to keep life insurance policies in force and effect, including without limitation, the consequences of other investors refusing or being unable to satisfy their obligations under a "premium call."
53. In connection with the offer for sale and sale of the Re-Sale Life Insurance Policy Program, Defendants engaged in fraud by misrepresenting relevant facts relating to the true accuracy, reliability or historical performance of Midwest Medical in the analysis of medical records of insureds and/or the estimation of the life expectancy of insureds.
54. In connection with the offer for sale and sale of the Re-Sale Life Insurance Policy Program, Defendants Retirement Value and Gray engaged in fraud by intentionally failing to disclose one or more of the following material facts relating to the business repute, qualifications and experience of Respondent Gray:

- A. True and accurate information about Respondent Gray's sale of bonded life settlements through Secure Investment Services, as well as true and accurate information related to SEC v. Secure Investment Inc. et al. Case No. 2:07-cv-O1724-LEW-CMK, in the Eastern District of California, Sacramento Division, which was based upon a complaint that
- i. The named defendants fraudulently sold bonded life settlement contracts in a ponzi scheme using bonds issued by Provident Capital Indemnity, Ltd., and
  - ii. The bonded life settlement contracts were predicated on life expectancy estimates provided in part by Midwest Medical and George Kindness, and the life expectancy estimates were falsely certified and unreliable.
- B. That the Texas Department of Insurance filed a Notice of Hearing against Respondent Gray based in part upon his conduct as an agent of Secure Investment Services. The Texas Department of Insurance alleged therein that:
- i. Beginning as early as 2006 and continuing through at least 2007, Respondent Gray sold approximately ninety-two investment in bonded life settlement contracts as an agent of Secure Investment Services,
  - ii. Investors tendered approximately \$3 million to Secure Investment Services for the purchase of these investments in bonded life settlements,
  - iii. Respondent Gray received in excess of \$400,000.00 in commissions for his sale of these bonded life settlement contracts, and
  - iv. Respondent Gray committed fraudulent or dishonest acts or practices as contemplated by TEX. INS. CODE ANN. § 4005.101 (b)(5) and issuing bonds without holding a General Property and Casualty License as required by TEX. INS. CODE ANN. Chapter 4051.
- C. That Respondent Gray, both individually and in his capacity as Managing Member of Hill Country Funding, thereafter sold investments in bonded life settlement contracts purportedly secured by Provident Capital Indemnity, Ltd, and subsequently filed an Undertaking with the Securities Commissioner wherein he represented the following:

- i. Agreed to notify all persons who made loans or any form of investment with Hill County Funding, that related to any form of bond or reinsurance to be procured from Provident Capital Indemnity, Ltd. and advised them of the existence of Emergency Cease and Desist Orders entered by the Texas Department of Insurance and the Texas State Securities Board,
    - ii. Agreed to offer to rescind any transactions with persons who made loans or any form of investment with Hill County Funding, that related to any form of bond or reinsurance to be procured from Provident Capital Indemnity, Ltd., and
    - iii. Promised to comply with all provisions of the Texas Securities Act and to cooperate with any future inquiries by the Texas State Securities Board.
  - D. The underlying facts and circumstances described in SEC v. Secure Investment Services, Inc., et al., Case No. 2:07-cv-O1724-LEW-CMK, the aforementioned Notice of Hearing filed by the Texas Department of Insurance, and the facts and circumstances relating to the sale and subsequent rescission of investments through Hill Country Funding.
- 55. In connection with the offer for sale and sale of the Re-Sale Life Insurance Policy Program, Defendants engaged in fraud by intentionally failing to disclose one or more of the following material facts relating to the safety, security or other risks associated with the Re-Sale Life Insurance Policy Program:
  - A. Information regarding the nature of the life insurance policies and the manner in which the life insurance policies are selected, including but not limited to, any controls or due diligence that are used to screen out said life insurance policies for "jet-issued policies," "wet-ink policies," "second-to-die policies," contestable policies or other types of life insurance policies that could impact the Re-Sale Life Insurance Policy Program.
  - B. Information related to the legal effect and consequence of Defendant Retirement Value being named as the owner of the life insurance policies offered in the Re-Sale Life Insurance Policy program, such as:
    - i. The existence and nature of any legal obligations, contracts or controls that prevent Defendant Retirement Value from selling, transferring or assigning its ownership of the life insurance policies to a third party,
    - ii. The existence and nature of any legal obligations, contracts or controls that prevent Defendant Retirement Value from changing the beneficiary of the life insurance policies to a party other than Relief Defendant Kiesling Porter, and

- iii. The effect of the sale, transfer or assignment of the ownership of the life insurance policies and the effect of the change of beneficiary of the life insurance policies.
- C. Information related to the legal effect and consequences of Relief Defendant Kiesling Porter being named as the beneficiary of the life insurance policies offered in the Re-Sale Life Insurance Policy Program, such as:
  - i. The legal obligation, ability and wherewithal of Relief Defendant Kiesling Porter to litigate any contestable matters that relate to said life insurance policies or the payment of claims thereon,
  - ii. The fact that Relief Defendant Kiesling Porter does not perform any independent, objective or fiduciary duties, does not independently verify the purchase price, premiums or terms of the life insurance policies and acts only upon the direction of Defendant Retirement Value,, and
  - iii. The fact that Relief Defendant Kiesling Porter is not required to continue to serve as the Escrow Agent and that it can relinquish its duties by canceling the Escrow Agreement.
- D. The assets, liabilities or capitalization of Defendant Retirement Value and Relief Defendant Kiesling Porter, or any information that will allow a prospective investor to assess or verify that Defendant Retirement Value and Relief Defendant Kiesling Porter will continue to operate through the maturity of investments in the Re-Sale Life Insurance Policy Program.
- E. The identity of and information about the "Policy Financing Entity," the "Policy Aggregator" and other persons and entities who perform managerial efforts in regard to the Re-Sale Life Insurance Policy Program.
- F. Information relating to the methodology used to track the insured and determine when he or she dies.
- G. A true and accurate accounting of the actual or anticipated use of investor funds, including but not limited to the amount of investor funds that will be used to pay commissions to sales agents, fees or profits to Defendant Retirement Value and its agents, the salaries of management including Defendants Gray and Collins, the acquisition of the life insurance policies, the effectuation of medical reviews to predict a date of death, the use of Relief Defendant Kiesling Porter as Escrow Agent and any other fees or charges associated with the Re-Sale Life Insurance Policy Program.

**CAUSE OF ACTION NO. 4**  
**VIOLATION OF DECEPTIVE TRADE PRACTICES ACT**

56. Paragraphs 19 through 46 above are incorporated by reference to support this cause of action as if fully set forth herein.
57. Plaintiff has reason to believe that Defendants have engaged in, and will continue to engage in, the unlawful practices set forth herein. Plaintiff therefore has reason to believe Defendants have caused adverse effects to legitimate business enterprises which lawfully conduct trade and commerce in this State. Accordingly, the Consumer Protection Division of the Office of the Attorney General believes and is of the opinion that these proceedings are in the public interest.
58. Section 17.45(6) of the DTPA defines "trade" and "commerce" to include "the advertising, offering for sale... or distribution of any good or service, of any property, tangible or intangible, real, personal, or mixed, and any other article, commodity, or thing of value, wherever situated, and shall include any trade or commerce directly or indirectly affecting the people of this state." Defendants have, at all times described herein, engaged in conduct that constitutes "trade" and "commerce."
59. Section 17.46(a) of the DTPA declares unlawful all "false, misleading, or deceptive acts or practices in the conduct of any trade or commerce."
60. Section 17.46(b) of the DTPA defines "false, misleading or deceptive acts or practices" to include:
- A. Causing confusion or misunderstanding as to the source, sponsorship, approval, or certification of goods or services pursuant to Section 17.46(b)(2),
  - B. Causing confusion or misunderstanding as to affiliation, connection, or association with, or certification by, another pursuant to Section 17.46(b)(3),
  - C. Representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities which they do not have or that a person has sponsorship, approval, status, affiliation, or connection which he does not pursuant to Section 17.46(b)(5),
  - D. Representing that goods or services are of a particular standard, quality of grade... if they are of another pursuant to Section 17.46(b)(7),
  - E. Making false or misleading statements of fact concerning the reasons for, existence of, or amount of price reductions pursuant to Section 17.46(b)(11),

- F. Representing that an agreement confers or involves rights, remedies, or obligations which it does not have or involve, or which are prohibited by law pursuant to Section 17.46(b)(12),
- G. Failing to disclose information concerning goods or services which was known at the time of the transaction if such failure to disclose such information was intended to induce the consumer into a transaction into which the consumer would not have entered had the information been disclosed pursuant to Section 17.46(b)(24).
61. As alleged herein, Defendants have engaged in false, deceptive and misleading practices in violation of Section 17.46(a) of the DTPA through their offer for sale and sale of investments in the death benefits of life insurance policies.
62. As alleged herein, Defendants have engaged in false, deceptive and misleading practices in violation of Section 17.46(b)(2), (3), (5), (7), (11), (12) and (24) when they engaged in the conduct alleged in paragraphs 28 through 45.

#### **THE NEED FOR INJUNCTIVE RELIEF**

63. Paragraphs 19 through 46 above are incorporated by reference as if fully set forth herein.
64. Immediate injunctive relief in the form of a temporary restraining order against Defendants is necessary to restrain Defendants from wasting, secreting, and otherwise dissipating the investor's funds, derived funds, revenues, and other assets required and held in connection with the sale of the above-described securities to the public.
65. The Plaintiff believes that if Defendants had notice of this action, they would dispose of, transfer, alter, pledge, or conceal money, property, assets, books and records obtained from investors, and transfer money to accounts beyond the reach of Texas courts, and that an *ex parte* order is thus necessary to prevent the irreparable harm to investors that would result from such conduct.
66. Defendant Gray's history and continued involvement in entities accused of fraudulent practices and Defendant Retirement Value's ability to sell, assign, change beneficiaries, or otherwise dispose of the life insurance policies and other misrepresentations and non-disclosures set forth above, are of such a serious character that there is substantial likelihood funds may be secreted or disposed of if Defendants are provided with notice of a proceeding, thus causing irreparable harm to investors.

67. Section 32.A of the Texas Securities Act authorizes the Attorney General, upon the request of the Commissioner, to bring an action against certain persons to enjoin the continuation of certain practices. This section provides:

Whenever it shall appear to the Commissioner either upon complaint or otherwise, that any person has engaged or is about to engage in fraud or a fraudulent practice in connection with the sale of a security, has engaged or is about to engage in fraud or a fraudulent practice in the rendering of services as an investment adviser or investment adviser representative, has made an offer containing a statement that is materially misleading or is otherwise likely to deceive the public, or is engaging or is about to engage in an act or practice that violates this Act or a Board rule or order, the Attorney General may, on request by the Commissioner, and in addition to any other remedies, bring action in the name and on behalf of the State of Texas against such person or company and any person who, with intent to deceive or defraud or with reckless disregard for the truth or the law, has materially aided, is materially aiding, or is about to materially aid such person and any other person or persons heretofore concerned in or in any way participating in or about to participate in such acts or practices, to enjoin such person or company and such other person or persons from continuing such acts or practices or doing any act or acts in furtherance thereof. The Commissioner shall verify, on information and belief, the facts contained in an application for injunction under this section. In any such court proceedings, the Attorney General may apply for and on due showing be entitled to have issued the court's subpoena requiring the forthwith appearance of any defendant and the defendant's employees or agents and the production of documents, books and records as may appear necessary for the hearing of such petition, to testify and give evidence concerning the acts or conduct or things complained of in such application for injunction. The District Court of any county, wherein it is shown that the acts complained of have been or are about to be committed, or a district court in Travis County shall have jurisdiction of any action brought under this section, and this provision shall be superior to any provision fixing the jurisdiction or venue with regard to suits for injunction. No bond for injunction shall be required of the Commissioner or Attorney General in any such proceeding.

68. Based upon the conduct alleged herein, and pursuant to Section 32.A of the Texas Securities Act, the State of Texas is praying for the issuance of a permanent injunction enjoining Defendants from acting as dealers, agents or salesmen in securities without complying with all dealer and salesman registration requirements of the Texas Securities Act; from selling securities that have not been registered with the Securities Commissioner and enjoining



Defendants from engaging in fraud and fraudulent practices in connection with the sale of securities.

69. Under Section 17.47(a) of the DTPA, whenever the Consumer Protection Division of the Office of the Attorney General has reason to believe that any person is engaging in, has engaged in, or is about to engage in, any act or practice declared to be unlawful in Subchapter E of the DTPA, and that proceedings would be in the public interest, the division may bring an action in the name of the state against the person to restrain by temporary restraining order, temporary injunction, or permanent injunction the use of such method, act, or practice.
70. The State seeks immediate injunctive relief pursuant to Section 32.A of the Texas Securities Act and Section 17.47(b) of the DTPA in the form of a temporary restraining order against Defendants and Defendant Retirement Value's officers, directors, principals, partners, joint venturers, stockholders, employees, salesmen, agents, representatives, attorneys, and family members, against the other Relief Defendant Kiesling, Porter who is thought to be holding investor-derived property or records, to prevent disposing of, transferring, pledging, concealing, or altering in any manner, any such property, assets, books and records; and to protect any funds obtained from persons who have purchased securities described below from Defendants or their salesmen, employees, or agents, and any funds and other assets derived therefrom.
71. All injunctive relief sought in this case is available to the State of Texas as Plaintiff without bond pursuant to Section 32.A of the Texas Securities Act, Section 17.47(b) of the DTPA and Section 6.001 of the Civil Practice and Remedies Code.

#### **NEED FOR A RECEIVER**

72. Paragraphs 19 through 46 above are incorporated by reference as if fully set forth herein.
73. The State also seeks the immediate appointment of a temporary receiver and upon hearing, the continuation of that appointment and upon further hearing, the appointment of a permanent receiver. Section 25-1 provides in part:

Whenever it shall appear to the Commissioner, either upon complaint or otherwise, that:

any person or company acting as a dealer, agent, investment adviser, investment adviser representative, or issuer (as defined in Section 4 of this Act), or an affiliate of a dealer, agent, investment adviser, investment adviser representative, or issuer, whether or not required to be registered by the commissioner as in this Act

provided, shall have engaged in any act, transaction, practice, or course of business declared by Section 32 of this Act to be a fraudulent practice;

such person or company shall have acted as a dealer, agent, investment adviser, investment adviser representative, or issuer or an affiliate of a dealer, agent, investment adviser, investment adviser representative, or issuer in connection with such fraudulent practice; and

the appointment of a receiver for such person or company, or the assets of such a person or company is necessary in order to conserve and protect the assets of such person or company for the benefit of customers, security holders, and other actual and potential claimants of such person or company the commissioner may request the attorney general to bring an action for the appointment of a receiver for such person or company or the assets of such person or company.

As alleged above, all of these requirements have been met. Defendants have engaged in fraud in connection with the sale securities and a receiver is necessary to insure that investor funds are accounted for, conserved and returned to investors. Pursuant to Texas Securities Act Section 25-1.C, such appointment may be made without notice.

74. Defendants have acted as dealers, salesmen, or issuers in the sale of securities and engaged in acts, transactions, practices, and courses of business declared by Section 32.A to be fraudulent practices in the offer for sale and sale of securities as described above.
75. The appointment of a receiver for Defendants and the business operations is necessary in order to conserve and protect whatever investor-derived assets remain for the benefit of Defendants' customers, security holders, and other actual or potential claimants of Defendants.
76. A receiver is needed for the funds and assets of Defendants, including any investment product they obtained through proceeds of investor-derived money, in order to conserve and protect said funds and assets for the benefit of the investors should restitution be granted in this case under Section 32.B of the Texas Securities Act.
77. Unless the receivership relief is granted and a temporary receiver appointed for the assets and affairs of Defendants, the funds and other property held by Defendants will be dissipated and lost, to the immediate and irreparable harm of the persons who purchased the securities from Defendants and to the harm of the general public. There is no adequate remedy at law.

78. For the aforementioned reasons, an order, before notice and hearing, appointing a temporary receiver for the assets affairs of Defendants should be issued. After notice and hearing, it is necessary to extend the order for temporary receivership for the affairs of Defendants, and after final hearing it is necessary to appoint a permanent receiver for the affairs of Defendants. No adequate remedy is available at law.
79. In addition, pursuant to Section 17.47(d) of the DTPA, the court may make any orders necessary to restore money or property which may have been acquired by means of any unlawful act or practice, which would include the appointment of a receiver under Section 64.001(a)(6) of the Texas Civil Practice & Remedies Code. As set forth in detail above, the appointment of a receiver is necessary to restore money or property which Defendants and their agents acquired by their unlawful acts or practices.
80. All receivership relief sought in this case is available to the State of Texas as Plaintiff without bond under Section 25-1 of the Texas Securities Act and Section 6.001 of the Texas Civil Practice and Remedies Code.
81. **Eduardo S. Espinosa of K&L Gates, LLP**, is an attorney practicing in Dallas, Texas, and **has agreed to serve as Receiver** in this case if appointed by the Court. Mr. Espinosa has substantial experience, expertise and knowledge of the securities laws.
82. Pursuant to Section 25-1 of the Texas Securities Act and Section 17.47 of the DTPA, the State of Texas seeks to have a receiver appointed for Defendants, and seeks to have the receiver appointed by the Court to post a bond in the amount of \$100.00.

**EQUITABLE RELIEF AND RESTITUTION**  
**FOR VICTIMS OF FRAUDULENT PRACTICES**

83. Paragraphs 19 through 46 above are incorporated by reference as if fully set forth herein.
84. Section 32.B of the Texas Securities Act authorizes the Attorney General to seek equitable relief, including restitution, for defrauded investors. Section 32.B provides as follows:

The Attorney General may, in an action under Subsection A of this section or in a separate action in District Court, seek equitable relief, including restitution for a victim of fraudulent practices. The court may grant any equitable relief that the court considers appropriate and may order the defendant to deliver to the person defrauded the amount of money or the property that the defendant obtained from the person by the fraudulent practices.

85. Section 17.47(d) of the DTPA authorizes the court to make orders or judgment as necessary to compensate identifiable persons for actual damages.
86. Based upon the conduct alleged herein, and pursuant to Section 32.B of the Texas Securities Act and Section 17.47(d) of the DTPA, the State of Texas is seeking restitution and damages for the victims of fraudulent practices and any other equitable relief that the State of Texas may be justly entitled

**DISGORGEMENT OF ECONOMIC BENEFITS  
GAINED THROUGH VIOLATIONS OF THE TEXAS SECURITIES ACT**

87. Paragraphs 19 through 46 above are incorporated by reference as if fully set forth herein.
88. Section 32.C of the Texas Securities Act authorizes the Attorney General to seek disgorgement of economic benefits gained by Defendants. Section 32.C provides as follows:

In an action brought under this section for fraud or a fraudulent practice in connection with the sale of a security, the Attorney General may seek, for an aggrieved person, the disgorgement of any economic benefit gained by the defendant through the violation, including a bonus, fee, commission, option, proceeds, profit from or loss avoided through the sale of the security, or any other tangible benefit. The Attorney General may recover from an order of disgorgement obtained under this subsection reasonable costs and expenses incurred by the Attorney General in bringing the action.

89. Section 17.47(d) authorizes the court to make orders or judgments as necessary to restore money or property, real or personal, which may have been acquired by means of any unlawful act or practice.
90. Based upon the conduct alleged herein, and pursuant to Section 32.C of the Texas Securities Act and Section 17.47 of the DTPA, the State of Texas is seeking an order that the Defendants and Defendant's agents disgorge economic benefits.

**OTHER RELIEF**

91. Paragraphs 19 through 46 above are incorporated by reference as if fully set forth herein.

92. Further, the State seeks the imposition of a constructive trust and equitable lien with respect to assets of any kind obtained through the fraudulent scheme, including, but not limited to, all debts owing to Defendants in connection with any loans made to third parties pursuant to the scheme and assets fraudulently transferred to third parties, and any proceeds therefrom.
93. Further, pursuant to Section 17.47(c) of the DTPA, the State of Texas seeks the payment of civil penalties from Defendants in the amount of (a) not more than \$20,000 per violation; and (b) an additional amount of not more than \$250,000 because the Defendants' acts and practices made the subject of this proceeding were calculated to acquire or deprive money or other property from a consumer who was 65 years of age or older when the act or practice occurred.
94. Pursuant to Section 402.006 of the Texas Government Code, the State of Texas seeks payment of reasonable and necessary attorney's fees and costs incurred in the prosecution of this case.
95. Pursuant to Section 32.C of the Texas Securities Act, the State of Texas seeks recovery of reasonable costs and expenses incurred by the Attorney General in bringing the action for disgorgement.
96. Pursuant to Section 32.A of the Texas Securities Act, the Attorney General may ask the Court to issue a subpoena requiring the appearance of any defendant and his employees or agents, or the production of documents, books and records.

### **CONCLUSION AND PRAYER**

WHEREFORE, PREMISES CONSIDERED, the State prays that:

97. The Court grant a temporary restraining order, rendered before notice and hearing and without bond by the Attorney General and Deputy Securities Commissioner, until determination of The State of Texas' Motion for Temporary Injunction, or other order of the Court, **enjoining Defendants Retirement Value, LLC, Richard H. "Dick" Gray and Bruce Collins**, and their officers, directors, principals, partners, joint venturers, successors, shareholders, employees, salesmen, agents, representatives, attorneys, family members, **and others acting in concert with Defendants** who receive actual notice of the Court's Order by personal service, facsimile transmission, or otherwise, from engaging in the following acts:
- A. **Dissipation of Assets.** Disposing of, transferring, selling, assigning, negotiating, expending, encumbering, partitioning, canceling, concealing, secreting, disguising, pledging, or removing from the jurisdiction of this Court, any money, assets, notes, equipment, fixtures, receivables, expectancies, funds or other property or objects of value, whether real,

personal, or mixed and whether tangible or intangible, wherever situated, belonging to, owned by, in the possession of, acquired by, or claimed in any respect, directly or contingently, by Defendants, affiliated companies, and their officers, directors, principals, partners, joint venturers, successors, shareholders, employees, salesmen, agents, representatives, attorneys, family members, and others acting in concert with or in behalf of Defendants, or insofar as such property relates to, arises out of, or is derived from the sale of securities in connection with the business or operation of Defendants;

- B. **Destruction or removal of books and records.** Disposing of, transferring, selling, assigning, canceling, concealing, altering, destroying, secreting, disguising, or pledging of the books, records, ledgers, journals, invoices, contracts, notes, leases, investors lists, investor files, investor subscription agreements, tax forms or advice, receipts, computer files, electronic information of any kind, materials, or any other documents or tangible items relating in any way to Defendants or their affiliated companies and businesses, or relating in any manner whatsoever to the services or contracts relating to securities offered and sold by Defendants which are now or which may come within or under the possession, custody, or control of Defendants, their affiliated companies, agents, servants, officers, directors, principals, partners, joint venturers, successors, shareholders, employees, salesmen, agents, representatives, attorneys, family members, or any other person or entity acting in concert with or on behalf of Defendants;
- C. **Selling securities.** Promoting, issuing, selling, offering for sale, negotiating for sale, advertising, soliciting, dealing in or distributing any securities, including investment contracts, in any way and by any manner or means, either directly or indirectly through agents, servants, officers, directors, shareholders, employees, representatives, or any other entity acting for them or on their behalf without complying with the securities registration requirements found in the Texas Securities Act;
- D. **Acting as an agent, dealer or salesman.** Promoting, issuing, selling, offering for sale, negotiating for sale, advertising, soliciting, holding seminars, dealing in or distributing any securities, including investment contracts, to investors in any way and by any manner or means, either directly or indirectly through agents, servants, officers, directors, shareholders, employees, representatives, or any other entity acting for them or in their behalf, without complying with all dealer and salesman registration requirements of the Texas Securities Act;
- E. **Engaging in fraud.** Engaging in any fraud or fraudulent practice in violation of the Texas Securities Act, the DTPA or other laws of Texas, including any misrepresentation of fact or omission of material facts;

- F. **Interfering with investigation.** Obstructing, hampering, seeking to delay, or interfering in any manner with any investigation of Defendants' fraudulent operations conducted pursuant to the lawful authority of the Texas State Securities Board, the Office of the Attorney General, the Receiver, or any other law enforcement or governmental authority;
- G. **Communicating with Investors and Customers.** Contacting, via telephone, electronic mail or other written correspondence, or otherwise communicating, in any way, directly or indirectly, themselves or through their agents or representatives, with investors or customers of Retirement Value, LLC without prior written approval from the Receiver requested herein;
- H. **Interfering with operation of trusts.** Interfering in any manner with or taking any action as trustee over any trust related in any way to Retirement Value, LLC or related in any way to any securities issued, offered or sold by Defendants, without the express written consent of the Receiver; and
- I. **Interfering with the Receiver or the Receivership Estate.** Interfering with, obstructing, or hampering the Receiver appointed under this Order, including accessing or using any web site, telephone, voice mail, or electronic mail account owned or used by Defendant Retirement Value, LLC.
98. **Order Relief Defendant Kiesling Porter, and any other entity or financial institution** holding money, property, assets or records of Defendants' investment scheme, to receive, by fax or personal service, notice of the signing of the temporary restraining order and receivership, and immediately take all necessary steps to prevent Defendants from exercising any control over any money, to the extent such banks, entities and institutions are in possession or control of funds deposited or claimed by Defendants, any certificates of deposit showing Defendants as owner, claimant, or trustee, or any other asset or thing of value, including insurance policies owned, purchased or otherwise acquired by Defendant Retirement Value.
99. Grant a temporary injunction before notice and hearing, **enjoining Relief Defendant Kiesling Porter** from canceling the Master Escrow Agreement by and between it and Defendant Retirement Value dated March 10, 2009, without the express written consent of the Receiver of an order of the court.
100. Issue an order, before notice and hearing, **appointing Eduardo S. Espinosa of K&L Gates, LLP, as Temporary Receiver of Defendant Retirement Value** to take charge of the assets, monies, securities, claims in action, and properties, real and personal, tangible and intangible, of whatever kind and description, wherever situated (within or without the State of Texas) of Retirement Value, LLC, a Texas Limited Liability Company, and for assets, monies, securities,

claims in action, and properties, real and personal, tangible and intangible, of whatever kind and description, wherever situated, of Richard H. "Dick" Gray or Bruce Collins as appears to the Receiver to contain or be derived from proceeds of Defendants' sale of securities or used in furtherance thereof (collectively, the "Receivership Assets"), and to conduct the business affairs of Defendants with the following powers:

A. To take possession of and control, to the extent another law enforcement entity has not done so by court order, over all property, records, and assets of whatever nature and wherever located (within and without the State of Texas) as appears to the Receiver, in his sole discretion, to be derived from Defendants' fraudulent operations or used in furtherance thereof, whether directly or indirectly; belonging to, claimed by, or controlled by Defendants, including, but not limited to monies deposited by or on behalf of Defendants, in any capacity including "trustee," with any bank, savings and loan, credit union, securities dealer, clearing agent, or other depository; and interest in real estate owned or controlled by Defendants in any capacity; any stock owned by Defendants and the voting and other rights attaching thereto; any accounts receivable owed to Defendants, and any interest or other return earned upon any of the foregoing, specifically including BUT NOT LIMITED TO the following accounts and assets:

i. Accounts maintained at Wells Fargo Bank, N.A., identified as the following:

| <b><u>Wells Fargo Acct No.</u></b> | <b><u>Name on Account</u></b>           | <b><u>Signatories</u></b>  |
|------------------------------------|---|--|
| 2475687212                         | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor, Betty A. Kiesling |
| 7528809895                         | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Kristen Q. Porter  |
| 7528809867                         | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Kristen Q. Porter  |
| 7528809879                         | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Kristen Q. Porter  |
| 7528809861                         | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Kristen Q. Porter  |
| 7528809853                         | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Kristen Q. Porter  |
| 7528809424                         | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Terry R. Taylor                                       |
| 7528809432                         | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Terry R. Taylor                                       |
| 2475687139                         | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q.   |



|            |   |   |
|------------|---|---|
|            |   | Porter, Terry R. Taylor   |
| 2475687113 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Terry R. Taylor                    |
| 7528809390 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Terry R. Taylor                    |
| 7528809549 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528809531 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 5789322095 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528809523 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 1456460722 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 1456460730 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 1456460748 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528813277 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528809532 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528810000 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 1456460946 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 9200168590 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 9200168582 | Kiesling, Porter, Kiesling &            | Brently W. Free, Rick Kiesling,   |

|            |   |   |
|------------|---|---|
|            | Free, P.C.                              | Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor                                 |
| 9200168582 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808541 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808558 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808566 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808574 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808582 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 9200168756 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808590 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808608 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808616 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808624 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808632 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 9200168632 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 9200168624 | Kiesling, Porter, Kiesling &            | Brently W. Free, Rick Kiesling,   |

|            |   |   |
|------------|---|---|
|            | Free, P.C.                              | Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor                                 |
| 7528809150 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528809168 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528809176 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528809184 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528809192 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808772 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 9200168665 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808764 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971199 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971207 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971215 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971090 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971108 | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971116 | Kiesling, Porter, Kiesling &            | Brently W. Free, Rick Kiesling,   |

|             |   |   |
|-------------|---|---|
|             | Free, P.C.                              | Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor                                 |
| 6554971074  | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971082  | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971140  | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971157  | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971165  | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971132  | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971173  | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 6554971181  | Kiesling, Porter, Kiesling & Free, P.C. | Brently W. Free, Rick Kiesling, Andrea L. Carnes, Kristen Q. Porter, Bobby R. Kiesling, Terry R. Taylor |
| 7528808798  | Retirement Value, LLC                   | Wendy L. Rogers   |
| 1456460821  | Retirement Value, LLC                   | Richard H. Gray   |
| 8555498370  | Richard H. Gray or Catherine H. Gray    | Unknown - no signature documents  |
| 660-5759430 | Richard H. Gray or Catherine H. Gray    | Unknown - no signature documents  |
| 019-3577739 | Andrew E. Gray or Richard H. Gray       | Unknown - no signature documents  |
| 755-9525170 | Douglas D. Gray or Richard H. Gray      | Unknown - no signature documents  |

ii. Brokerage Accounts maintained at Wells Fargo Bank, N.A. identified as the following:

| <u>Wells Fargo Brokerage Acct No.</u> | <u>Name on Account</u>                  | <u>Signatories</u>  |
|---------------------------------------|---|---------------------|
| 61180879                              | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 62961085                              | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 89593600                              | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |

|          |   |                     |
|----------|---|---------------------|
| 85309397 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 64524329 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 71606009 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 73979340 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 84225126 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 75760472 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 60914071 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 82866711 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 63225785 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 60401249 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 75689582 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 76475816 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 69111045 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 74815484 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 60050087 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 67762135 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 63862765 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 82509260 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 65320794 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 86371118 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 89653852 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 74901889 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 76720761 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 83234947 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 61284406 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 85121819 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 77387045 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 69114299 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 63750881 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 89580346 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 68183409 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 88588050 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 60585450 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 69395055 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 74986477 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 77869960 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 61298463 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |
| 64813461 | Kiesling, Porter, Kiesling & Free, P.C. | Signatories Unknown |

iii. An account maintained at First Commercial Bank, N.A., styled *Retirement Value, LLC*, Account No. 5077025, whereby Richard H. Gray signed the promissory note with First Commercial Bank, N.A. in the amount of \$420,000;

iv. An account maintained at First Commercial Bank, N.A., styled *Retirement Value, LLC*, Account No. 33040382, whereby Richard H. Gray, Jeremy R. Gray, and Wendy Lynn Rogers are named as authorized signatories;

- B. To take possession and control of all income payable to Defendants from sources generated by or consisting in any regard of an account or asset purchased with derived funds;
- C. To take possession and control of all income payable to Defendants from sources other than those generated by or consisting in any regard of an account or asset purchased with derived funds, until Defendants demonstrate to the satisfaction of the receiver and the Texas State Securities Board that such income is in no way derived from or connected with investor funds;
- D. To take possession of all financial records and other business records of Defendants, including all computers and data storage devices to the extent these are not in the control of another law enforcement entity and, to the extent such records are in the control of another law enforcement agency, to work cooperatively with such agency;
- E. To enter, occupy and control the business premises of Defendant Retirement Value at the above business addresses to the extent necessary to accomplish the purposes of this order;
- F. To take charge of, conduct, and manage all business and financial affairs of and on behalf of Defendant Retirement Value, including, specifically, the power to act as Trustee of any trust over which Defendants have control;
- G. To receive, collect, and open all mail directed to or delivered to any address or post office box used by Defendants and to direct the post office and commercial delivery services to forward all such mail and deliveries to the Receiver's office;
- H. To sign checks, or other instruments withdrawing, depositing or transferring funds, or exercising any right over any account with respect to any depository account of Defendants;
- I. To close and open accounts and transfer money from one bank, brokerage firm, or other financial institution to another, or one account to another, as necessary in the Receiver's sole discretion, and under terms the Receiver considers appropriate
- J. To negotiate, transfer, or redeem any deed, certificate, contract, lease, mortgage, instrument or security held by or in the name of Defendants in any capacity, including "trustee";
- K. To hire, dismiss, direct, and control employees, agents, landlords, tenants, and independent contractors of Defendants in any of Defendants' capacities;

- L. To identify, recover, and take control over all assets and property acquired or believed to be acquired with funds derived from or obtained through Defendants, including the power to transfer or acquire any rights in real property to the extent necessary to protect and recover investor funds, and the power to sign, negotiate, transfer, sell, pledge, or otherwise dispose of any deed or evidence of an interest of Defendants in real property;
- M. To dispose of any interest in real and personal property in which Defendants have any record or beneficial interest, for the benefit of the investor-victims;
- N. To file any lawsuits the Receiver deems necessary to carry out his duties herein;
- O. To file, prosecute or defend any suit heretofore or hereinafter filed by or against Defendants which may be deemed to be necessary by the Receiver and by the Texas State Securities Board in order to properly protect all interested parties or any property affected thereby, subject to further order by this Court;
- P. To retain professional service providers as deemed reasonable and necessary by the receiver for the execution of the receiver's duties;
- Q. To enter into contracts as necessary for the orderly administration of the receivership estate and to pay reasonable and necessary expenses incurred in connection with the foregoing duties out of the funds of the Receivership Estate
- R. To advance his own funds, if necessary in his sole discretion, to pay any expense incurred in carrying out his responsibilities under the Court's orders and to reimburse himself immediately for any funds advanced;
- S. To delegate to agents the authority to exercise any of the powers conferred on the Receiver by the Court's orders;
- T. To file an accounting and a final report when he has concluded his duties under the Court's orders; and
- U. To exercise all equitable powers under the statutes and common law of this State authorizing the appointment of a receiver.

101. Issue an order, after notice and hearing, extending the appointment of the temporary receiver to take charge of all property and assets held and claimed by Defendants with the powers outlined above;
102. Issue an order that all property and assets held and claimed by Defendants in any capacity be placed in custodia legis as of the date of the appointment of the temporary receiver and the issuance of the temporary injunction herein;
103. Upon final hearing hereof, make permanent the order directing the receiver to take possession of the affairs of Defendants and direct the Receiver to liquidate the affairs of Defendants as the facts and circumstances may require;
104. Issue an order that all persons be enjoined and restrained by the temporary injunction from interfering with these proceedings, and from commencing or prosecuting any action or appeal or obtaining any preference, judgment, attachment, garnishment, or other lien, or making any levy against the Receiver, or against any receivership assets or any part thereof, and from asserting any claims against them, except in these proceedings.
105. Issue an order that no party other than the Receiver appointed herein shall take any action as "Trustee" over any Defendant Retirement Value related Trust without the Receiver's written express consent.
106. Issue an order that neither Defendants nor any parties acting under their direction or control shall use any electronic or telephonic tools or devices to alter, inquire about, or transfer any money in any account over which they have any power, authority, interest or control.
107. Issue an order that the Relief Defendant shall immediately take all necessary steps to ensure that Defendants directly or indirectly shall not be able use any electronic or telephonic tools or devices to alter, inquire about, or transfer any money in any account over which he has any power, authority, interest or control.
108. Issue an order that no bond be required by the State of Texas.
109. Upon final hearing hereof, issue a permanent injunction, enjoining Defendants from acting as a dealer, agent, or salesman in securities without complying with all dealer and salesman registration requirements of the Texas Securities Act; from selling securities that have not been registered with the Securities Commissioner and enjoining Defendants from engaging in fraud and fraudulent practices in connection with the sale of securities in violation of the Texas Securities Act or from engaging in any fraud or fraudulent practice in violation of the DTPA or other laws of Texas, including any misrepresentation of fact or omission of material facts.
110. Upon final hearing hereof, pursuant to Section 32.B of the Texas Securities Act and Section 17.47 of the DTPA, order that restitution be made to defrauded



investors, identifiable at the final hearing, or, alternatively, to the bankruptcy trustee for the benefit of investors defrauded by the parties to the bankruptcy proceedings.

111. Upon final hearing hereof, order that the defendants disgorge any economic benefit gained through the fraud and fraudulent practices alleged herein pursuant to Section 32.C of the Texas Securities Act and Section 17.47 of the DTPA.
112. Upon final hearing hereof, adjudge against Defendants civil penalties in favor of Plaintiff State of Texas in the amount of not more than \$20,000 per violation of the DTPA plus an additional fine of not more than \$250,000 because the Defendants' acts and practice made the subject of this suit were calculated to acquire or deprive money or other property from consumers who were 65 years of age or older when the act or practice occurred.
113. Upon final hearing hereof, order that the Attorney General recover all reasonable costs and expenses incurred in bringing this action pursuant to Section 32.C of the Texas Securities Act.
114. Upon final hearing hereof, order that the State of Texas recover all investigative costs and all costs of this litigation and be awarded attorney's fees under Section 402.006, TEX. GOVT. CODE.
115. Order Defendants to pay both pre-judgment and post-judgment interest on all awards of restitution, damages and civil penalties, as provided by law.
116. Grant such other and further relief, equitable and legal, to which the State of Texas may be justly entitled.

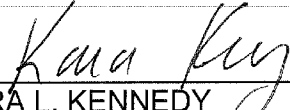
Respectfully submitted,

GREG ABBOTT  
Attorney General

C. ANDREW WEBER  
First Assistant Attorney General

DAVID MORALES  
Deputy Attorney General for Civil Litigation

DAVID C. MATTAX  
Chief, Financial Litigation Division

  
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Assistant Attorney General  
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Fax: 512-370-9903  
Alt. Fax: 512-477-2318  
[Kara.Kennedy@oag.state.tx.us](mailto:Kara.Kennedy@oag.state.tx.us)  
[Jennifer.Jackson@oag.state.tx.us](mailto:Jennifer.Jackson@oag.state.tx.us)

*Attorneys for Plaintiff State of Texas*

**CERTIFICATE REGARDING NOTICE TO DEFENDANTS**

Pursuant to Local Rule 7.3(b), I, Kara L. Kennedy, do hereby certify that to best of my knowledge, the parties against whom relief is sought are represented by counsel in an administrative action relating to their business operations made the subject of this suit in which *ex parte* relief is sought.

However, the State believes that if Defendants or their counsel had notice of this action, Defendants would dispose of, transfer, alter, pledge, or conceal money, property, assets, books and records obtained from investors and transfer money to accounts beyond the reach of Texas courts, and that an *ex parte* order is thus necessary to prevent the irreparable harm to investors that would result from such conduct.

  
KARA L. KENNEDY

VERIFICATION

STATE OF TEXAS

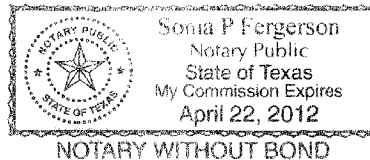
COUNTY OF TRAVIS

BEFORE ME, the undersigned authority, on this day personally appeared John Morgan, Deputy Securities Commissioner of the State of Texas, who, being by me first duly sworn, deposed and said that he has read the allegations in the foregoing petition, and upon information and belief, each and every fact and matter stated in paragraphs 10 through 55 therein is believed to be true and correct.

  
Deputy Securities Commissioner  
State of Texas

SUBSCRIBED AND SWORN to before me, this the 4th day of May, 2010.

  
Notary Public in and for  
The State of TEXAS



**MASTER ESCROW AGREEMENT**  
**By and Between**  
**RETIREMENT VALUE, LLC**  
**And**  
**The Law Firm of**  
**KIESLING, PORTER, KIESLING & FREE, P.C.**

This Escrow Agreement is entered into on this the 10<sup>th</sup> day of March, 2009 by and between Retirement Value, LLC of 457 Landa Street, #B, New Braunfels, Texas 78130 ("Retirement") and Kiesling, Porter, Kiesling & Free, PC of 348 East San Antonio Street, New Braunfels, Texas 78130 ("Kiesling" or "Escrow Agent").

**RECITALS**

WHEREAS, Retirement is, or will be, the owner of certain re-sale life insurance policies; and,

WHEREAS, Retirement desires to fund its transactions for sale of life insurance policies by accepting funds from various Participants; and

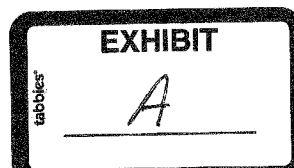
WHEREAS, Retirement has requested Kiesling to act as Escrow Agent in this matter; and

WHEREAS, Kiesling is agreeable to act as Escrow Agent upon the terms and conditions set forth in this Agreement.

**AGREEMENT**

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties do hereby agree as follows:

1. Retirement, at its sole cost and expense, intends to, and shall, from time to time, secure Participants to become pro-rata irrevocable co-beneficiaries in the proceeds of the re-sale life insurance policies owned or to be owned by Retirement (hereinafter "Participants"). As part of said transactions, the Participants shall direct Retirement to deposit all funds with Escrow Agent, who shall hold said funds in accordance with this agreement in an escrow account at Wells Fargo Bank in New Braunfels, Texas or at such other Banking institution as may be mutually agreed upon between Retirement and Kiesling. Such Escrow Account is not required to be an interest earning account, Unless otherwise provided in this Agreement.
2. Retirement shall give written instructions to Escrow Agent directing Escrow Agent to take any of the following actions:



- a. pay escrow fees, bank fees, federal express fees, and other administrative fees or costs, including but not limited to commissions.
- b. transfer the balance of such funds to separate escrow accounts for each re-sale life insurance policy in which Participant has elected to participate.
- c. pay for the purchase of the re-sale life insurance policies until the full purchase price stated in the Policy Purchase Agreement has been met.
- d. pay premiums from each separate escrow account for the re-sale life insurance policies.

The instructions from Retirement shall include the phone number, the instructions and address of the person or entity to which funds shall be sent; the dates on which each payment is due; the exact dollar amount of each such payment; and any other information requested by Kiesling. Aside from the above distributions and distributions of any interest earned on the escrow accounts, no distributions shall be made or allowed under this Agreement until such time as each policy matures due to the death of the insured. Upon the payment of the policy purchase price, Kiesling will follow up with a fax to the entity or person receiving such wire. The fax will state the amount of the wire sent and the list of internal policy numbers to which such funds apply.

Kiesling shall rely solely on the information and instructions provided by Retirement in making the above distributions and shall not be required to make any independent or additional inquiries as to said distributions.

- 3. Retirement shall cause to be delivered with each transaction:
  - a. A copy of the executed policy selection form.
  - b. A copy of the "insurance bouquet" form which shows the policies selected by the participant.
  - c. A copy of the Participant Policy Purchase Agreement (non-qualified funds) or the Agency Loan Agreement (Qualified funds) to collateralize all participation amounts as irrevocable co-beneficiary of the policy proceeds.
  - d. A copy of a Power of Attorney in which the Participant gives Retirement the authority to instruct Escrow Agent regarding the funds deposited with Escrow Agent.
  - e. A copy of the Power of Attorney giving Retirement's licensee the authority to act on his behalf.
  - f. Any other documents reasonably requested by Kiesling.
- 4. Retirement shall additionally cause to be delivered, as available:

- a. Policy Purchase Agreement confirming the purchase by Retirement of each re-sale life insurance policy from the policy source.
  - b. Proof of ownership by Retirement of each re-sale life insurance policy immediately upon issue by each insurance carrier.
  - c. An executed Change of beneficiary form naming Kiesling as the beneficiary of the re-sale life insurance policy;
  - d. The Original policy;
  - e. Percentage of balance or amount due to Participant for each re-sale life insurance policy upon death of insured;
  - f. Address and contact information for each Participant or other person to whom funds are to be issued;
  - g. Any waiver of conflict of prior representation agreement as required by Kiesling.
  - h. Retirement shall review and verify the accuracy of all the documents referenced in this Escrow Agreement.
5. All funds to be distributed by Kiesling shall be held until the funds are considered "good funds" at the sole discretion of Kiesling. If there are any questions about the funds, Kiesling shall hold the funds until it is verified that the funds are in the Escrow Account and cannot be withdrawn by any third party.
  6. Kiesling shall deliver to Retirement a list of Participants whose funds have become "good" no less than once a week. Upon request by Retirement, Kiesling shall further deliver to Retirement an update on the balance in the account available for distribution.
  7. Retirement shall hire a service which shall track the death of each insured. Upon the death of any insured Retirement shall timely notify Kiesling and provide a certified Death Certificate of the insured, with instructions for making the claim against the policy of which such person was the insured. Within five days of funds being received by Kiesling from the insurance company, Kiesling will notify retirement in writing and request further instructions. Retirement shall direct Kiesling in writing as to the disbursement of the funds, including but not limited to payment of any commissions, fees and expenses and distribution to Participants in accordance with their pro-rated irrevocable co-beneficiary participation in the re-sale life insurance policy proceeds. Included in such instructions shall be contact information for each person or entity to whom funds are being disbursed and information required to be placed on any 1099. In the event the insured shall become deceased prior to the change in Beneficiary or before funds are received by Kiesling, Kiesling shall be held harmless, indemnified by Retirement and relieved from any duty hereunder other than return of funds held by Kiesling as directed, in writing, by

Retirement. No funds shall be distributed until such funds are determined to be "good funds" by Kiesling. Kiesling shall file all required 1099s.

If an insurance company does not pay as requested, Kiesling shall not be required to negotiate, mediate, arbitrate or litigate with any company, but shall assign all claims against such company to Retirement who may then take any action Retirement deems necessary against such company. Retirement shall defend, hold harmless, and indemnify Kiesling against any and all Participant claims or causes of action arising from nonpayment by an insurance company.

5. The parties hereto acknowledge and understand that Kiesling cannot close any escrow and complete any such transaction until fully executed closing instructions and all other necessary documents have been delivered to Kiesling. Kiesling is hereby held harmless from all liability and responsibility in regard to any transaction or any delays in the closing of such transaction in the event that such documents are not delivered to Kiesling immediately upon execution for completion of closing. Kiesling shall be held harmless from any liability in the event ownership/beneficiary transfer documents for any re-sale life insurance policies are not returned to Kiesling and are filed outside this escrow by principals and/or brokers.
6. The liability of Kiesling shall be limited to the transfer of funds into a separate escrow account for each re-sale life insurance policy as directed by Retirement; payment of monthly, quarterly or annual premiums from funds available in the respective separate escrow accounts upon written instruction from Retirement; and disbursement of re-sale life insurance policy proceeds upon death of insured in accordance with written instruction from Retirement. Kiesling shall have no liability if the change of beneficiary or other documents required to be filed by Retirement are not received, rejected and/or not filed by the insurance company. It shall be the responsibility of Retirement to verify any filings.
7. It shall be the responsibility of Retirement to verify premium amounts and due dates and provide notice to pay premiums to Kiesling no later than five business days prior to such due dates. If any of the accounts from which premiums, policy payment, commissions, payments to Participants or other costs are due are insufficient to pay such amounts, it is the sole responsibility of Retirement to supply additional funds to Kiesling to make such payments.
8. Kiesling is directed to hold the funds in escrow and disburse the funds as directed by Retirement. At no time shall Kiesling be required to make any searches, prepare or file reports or perform any method of research regarding laws, regulations, or liens through any federal, state, county,

city, or other regulating jurisdiction against the subject policies, the same being the sole responsibility and obligation of Retirement. Retirement hereby agrees to defend, indemnify, and hold harmless Kiesling, its employees, directors, officers and stockholders, and pay any and all costs and fees associated with any legal costs arising out of or caused by inaccurate or omitted research by Retirement.

9. Kiesling shall have no liability regarding any forgeries or false impersonations of any person or party in connection with the instructions delivered to Kiesling, on any or all re-sale life insurance policies, death certificates or other documents delivered to Kiesling.
10. This product is not a security. Participants in re-sale life insurance policies are not acquiring any interest in a security. If in the future this ever should change, or re-sale life insurance policies ever are declared to be a security in any form, Retirement shall, at its sole cost and expense satisfy such declaration and then verify to Escrow Agent that such securities are properly registered or do not require registration. Kiesling is hereby held harmless and indemnified from all liability and responsibility for verifying the registration or validity of any securities.
11. Retirement herein acknowledges that it has been advised by Kiesling to contact its attorney for approval and determination of adequacy regarding this Agreement for protection of its legal rights. No representation is made by Kiesling as to the legal sufficiency, tax effect or tax consequences regarding this Agreement or any matter related hereto or the business conducted by Retirement. Retirement agrees to hold Kiesling harmless from and indemnify Kiesling as to any liability in this regard. Retirement acknowledges and represents that it has or will have determined the suitability of participation in its program(s) for each participant. Retirement represents to Kiesling that each party shall be an Institutional Investor, an accredited investor or a person of sufficient net worth and financial sophistication to participate. The determination of suitability of each participant shall be the sole responsibility of Retirement. Kiesling shall have no liability in this regard.
12. Kiesling agrees to participate in an audit conducted by a third party Certified Public Accountant with all costs of such audit being paid by Retirement. In the event Federal or State law, or Retirement request Kiesling to be required to acquire a bond, all such costs will be paid by Retirement.
13. In the event of a conflict between these instructions and any other instructions received from a third party or a lender, these instructions shall control as to Kiesling.



13. Kiesling shall prepare a settlement statement and release upon the maturity of the individual policy and receipt of the respective life insurance proceeds. The settlement statement shall show the policy proceeds, the initial investment of each Participant, the distribution amount to each Participant, the distribution amount to Retirement and any other distributions coming directly out of the proceeds of the policy. Kiesling shall deduct from the amount collected any payments or fees paid by Kiesling pursuant to these instructions which have not been previously paid and as indicated on the settlement statement. Kiesling shall have no liability or responsibility for the accuracy of the information furnished by other persons or the failure to adjust items not designated in writing. Additional items which may become due for any reason shall be paid to Kiesling by the party owing such amounts within three business days of demand from Kiesling. Kiesling shall not be liable for payment of any fees or costs not specifically disclosed on the settlement statement executed simultaneously therewith. Payment of any sales, withholding, state, federal, or transfer taxes (collectively "taxes") shall be handled and paid by Retirement outside this escrow, unless otherwise required by Federal or State Law, in which event such taxes shall be paid prior to any distribution being made. Notification or payment to any creditor or vendor not disclosed by the parties prior to closing shall be handled outside this escrow and Kiesling shall have no liability in this regard. If any written instructions necessary to complete the transactions set forth above are given to Kiesling by anyone other than the undersigned parties, including but not limited to Participants, such instructions are presumed to be invalid and shall not be followed by Kiesling without the express written consent of Retirement. Retirement shall defend, indemnify and hold Kiesling harmless from not following instructions from such third parties.

14. In exchange for the services provided by Kiesling as set forth herein, Kiesling will be paid an annual fee of \$250.00 per re-sale life insurance policy for the first twenty-five policies from the funds deposited with Kiesling. Each additional re-sale life insurance policy in excess of twenty-five per year on which funds are deposited will incur an annual fee of \$100.00 for each policy. Such fees will be paid upon receipt of good funds from the first participant in each policy with such fees being deducted directly from the respective separate escrow accounts established by Kiesling. In addition, as additional consideration for the services provided hereunder, upon the initial deposit of funds, Kiesling shall receive an amount equal to one percent (1%) of the face amount of the re-sale life insurance policy for which such funds are being deposited.

15. If Retirement or Kiesling desire to cancel this escrow agreement, the cancelling party will promptly notify the other party in writing of such cancellation. Kiesling shall then comply with such notice and, to the

extent funds are available pay all amounts owed hereunder and then deposit with a third party escrow agent as directed by Retirement all remaining monies and/or documents. Any deficiency shall be paid by Retirement. All annual fees on the respective re-sale life insurance policies will be prorated on a 360 day year. Should any dispute arise between the Retirement and Participants, and/or any other party, concerning the property or funds involved in this transaction, Kiesling may, in its sole discretion, hold all documents and funds in their existing status pending resolution of the dispute, or join in or commence a court action, deposit the money and documents held by it with the court, and require parties to answer and litigate their several claims and rights among themselves. Retirement agrees to pay Kiesling's costs, expenses and reasonable attorney's fees incurred in any legal action arising out of or in connection with the transaction or these instructions, whether such lawsuit is instituted by Kiesling, the parties, or any other person. Upon commencement of an interpleader action and the deposit of all funds and documents of the parties, Kiesling shall be fully released and discharged from all obligations to further perform any duties or obligations otherwise imposed by the terms of this Agreement as to that re-sale life insurance policy and/or Participant.

17. Kiesling's duties are limited to those specifically set out in this agreement. Kiesling shall incur no liability to anyone except for willful misconduct so long as Kiesling acts in good faith. Retirement releases Kiesling from any act done or omitted in good faith in the performance of Kiesling duties. In the event of a conflict between these instructions and any other documents, this Agreement shall control as to Kiesling.
18. All funds received in this escrow will be deposited in an escrow account belonging to Kiesling at the Wells Fargo Bank in New Braunfels, Texas or at such other bank as is agreeable to Kiesling.
19. Unless otherwise directed, Kiesling will make all disbursements by check sent by regular U.S. mail or, at Kiesling's discretion and/or upon direction by Retirement, by wire or delivery service. The parties acknowledge that the funds deposited in this escrow are insured only to the limit provided by the Federal Deposit Insurance Corporation, if any, and that Kiesling has no responsibility for the safe keeping of funds or obligation for the investment of such funds by the depository bank. At the request of Retirement, Kiesling will authorize Bank to invest such funds in Money Market, Treasury Bills or other government backed securities in accordance with Retirement's instructions. Kiesling assumes no obligations, responsibility or liability with respect to such investments made at Retirement's instructions, including any responsibility for losses, including but not limited to those losses not covered by the Federal Deposit Insurance Corporation, or lack of funds sufficient to pay expenses

or premiums for such re-sale life insurance policies as a result of such directed investments by Retirement, and Retirement shall indemnify, defend and hold Kiesling harmless from any loss, decrease in value or lack of funds due to investment of the Escrowed monies.

20. After seven years from the distribution of the funds in an account, Kiesling may destroy all records, agreements and instruments relating to such account, including all documentation and accounting information.
21. Both parties represent that Kiesling is not required to obtain any licenses or permits to hold and distribute the funds in escrow as required under this Agreement. If at any time Kiesling is required to obtain a license or permit in order to continue to hold and/or distribute the funds as required herein, then such license or permit shall be obtained and the cost of the same shall be reimbursed to Kiesling by Retirement or, at Kiesling's discretion, prorated among the separate policy accounts, within thirty days after demand for such payment is made.
21. These instructions may be executed in one or more counterparts, each of which shall be deemed to be an original, and all such counterparts together shall constitute the same instrument which may be sufficiently evidenced by one counterpart. Execution of these instructions at different times and places by the parties shall not affect the validity hereof. The parties further agree that facsimile and/or electronic signatures shall be legal and binding. These instructions are effective upon execution by all parties. A facsimile copy of a signed original or an email from Retirement of any instructions to Kiesling, transmitted telephonically or electronically to and received by Kiesling in this escrow, may be received and acted on, in Kiesling's discretion, as an original.
22. Time is of the essence for these instructions.
23. This Agreement is solely between Retirement and Kiesling. Neither Participants investing funds with Retirement nor Licensees are intended to be nor shall they be a party to this Agreement or a third party beneficiary of this Agreement. Kiesling has no responsibility, obligations or duties to such Participants and will have no contact with such Participants other than the receipt of funds and transfer of such funds as directed by Retirement. Any and all requests by Participants shall be referred to Retirement. Retirement agrees to indemnify, defend, and hold Kiesling harmless from any liability in this regard.
24. As used herein, the term "re-sale life insurance policies" are defined as those policies covering the life of a third party but owned by a non-related party.

25. This Agreement contains the entire agreement of the parties and cannot be changed except by their written agreement.
26. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, and venue shall be in the courts of Comal County, Texas.
27. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
28. Notwithstanding anything herein to the contrary, if the final date of any period, any date of performance or any deadline date which is set forth in this Agreement falls on a Saturday, Sunday or State or federal legal holiday, then such date shall be extended to the next following date which is not a Saturday, Sunday or federal legal holiday.
29. In any matter in which Retirement is required to defend Kiesling, Retirement shall do so at Retirement's sole expense, with an attorney chosen by Kiesling. Further Retirement shall pay all fees, costs and expenses, including but not limited to attorney fees and expenses as well as the hourly law wages of Kiesling while Kiesling participates in such matter.
- 30. THE PARTIES HERETO ARE AWARE THAT THIS DOCUMENT IS A LEGALLY BINDING AGREEMENT. EACH PARTY SHOULD CONSULT ITS ATTORNEY PRIOR TO EXECUTION OF SAME. THIS DOCUMENT SHALL NOT BE CONSTRUED AGAINST THE DRAFTER.**

RETIREMENT VALUE, LLC

By: Richard H. Gray  
Printed Name: RICHARD H. GRAY  
Title: PRESIDENT

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

By: Bob Kiesling  
BOB KIESLING, President

STATE OF TEXAS

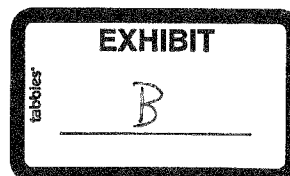
COUNTY OF TRAVIS

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**AFFIDAVIT OF RANI SABBAN**

BEFORE ME, the undersigned authority, personally appeared Rani Sabban, who after being duly sworn, stated as follows:

1. My name is Rani Sabban. I am over 18 years of age, of sound mind and capable of making this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
2. I am employed as a Financial Examiner in the Austin office of the Texas State Securities Board (hereinafter referred to as the "TSSB"). I am in the Enforcement Division. I have been so employed from June 11, 2007, to the present. My job duties include conducting investigations that will prevent or detect violations of the Texas Securities Act, TEX. REV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2010).
3. I am conducting an investigation of suspected violations of the Texas Securities Act by Retirement Value, LLC (hereinafter referred to as "Retirement Value"), Richard Gray (hereinafter referred to as "Gray"), and Bruce Collins (hereinafter referred to as "Collins"). These suspected violations are based upon its offer and sale of investments in a program referred to as the Re-Sale Life Insurance Policy Program.
4. I am aware that the Texas Securities Act provides that persons and entities that offer for sale and sell securities in Texas must generally be first registered as dealers or agents with the Securities Commissioner. Retirement Value, Gray, and Collins are not, however, currently registered with the Securities Commissioner as dealers or agents and they have not been registered in said capacities at any time material hereto. *See Exhibit B-1 and B-2.*
5. I am also aware that all securities that are offered for sale and sold in Texas must generally first be registered with the Securities Commissioner or issued a permit for sale in Texas. The Re-Sale Life Insurance Policy Program has not, however, been registered by qualification, notification or coordination at any time material hereto, and no permit has been granted for sale in Texas at any time material hereto. *See Exhibit B-3.*
6. I am aware that Gray and affiliated entities have previously been involved in law enforcement and regulatory proceedings based upon the sale of investments. For example:



- A. I am aware that on or about June 25, 2009, the Texas Department of Insurance filed a Notice of Hearing with the State Office of Administrative Hearings in Docket No. 454-09-4867C. I have reviewed a copy of this Notice of Hearing, which named Defendant Gray and sought the revocation of his insurance license based in part upon his conduct as an agent of Secure Investment Services, Inc. (hereinafter referred to as SIS"). The Notice of Hearing filed by the Texas Department of Insurance specifically alleged that Defendant Gray committed fraudulent or dishonest acts or practices and issued bonds without holding the required General Property and Casualty License. I have attached a true and accurate copy of this Notice of Hearing to this Affidavit as **Exhibit B-4**.
- B. I am also aware that on or about August 23, 2007, the United States Securities and Exchange Commission filed a complaint against SIS and others in Cause No. 2:07-cv-01724-LEW-CMK, in the United States District Court for the Eastern District of California, Sacramento Division. The complaint alleged, among other things, that SIS orchestrated a Ponzi scheme and misled investors by providing them life expectancy estimates certified by a physician from Amscot Medical Labs, Inc., and Midwest Medical Review, LLC (hereinafter referred to as "Midwest Medical"). I have attached a true and accurate copy of the complaint to this Affidavit as **Exhibit B-5**.
- C. I have reviewed investigatory records that indicate that Gray served as the Managing Member of Hill Country Funding, LLC (hereinafter referred to as "Hill Country Funding"). Gray, acting in this capacity, purportedly offered for sale and sold investments in bonded life settlement contracts purportedly issued by American Settlement Associates, LLC (hereinafter referred to as "ASA"). These bonded life settlement contracts were also purportedly secured by a bond issued by Provident Capital Indemnity, Ltd.
- D. At the time that Gray, Hill Country Funding, and ASA offered for sale and sold the bonded life settlement contracts, the Texas Department of Insurance and the Texas State Securities Board had already taken actions against Provident Capital Indemnity, Ltd. I have attached true and accurate copies of Emergency Cease and Desist Orders entered against Provident Capital Indemnity, Ltd., by both the Insurance Commissioner and the Securities Commissioner as **Exhibit B-6** and **B-7**.
- E. I know that, on or about September 8, 2008, Gray, both individually and in his capacity as Managing Member of Hill Country Funding, LLC, filed an Undertaking with the Securities Commissioner. I have attached a true and accurate copy of this Undertaking to this Affidavit as **Exhibit B-8**.
7. I have reviewed records related to Midwest Medical and its purported owner, George Kindness. These records indicated that in or around November 2003, George Kindness was indicted for twenty-one counts involving conspiracy and fraud in the introduction of misbranded and adulterated drugs into commerce in United States of America v. George

Kindness et al., CR. No. 03-20433BV, in the United States District Court for the Western District of Tennessee, Western Division. The indictment also alleged that George Kindness falsely represented himself to be a medical doctor. He later pleaded to one count of the indictment and is a convicted felon. I have attached true and accurate copies of these records hereto as **Exhibit B-9**.

8. On March 11, 2010, I observed Retirement Value's website at [www.retirementvalue.com](http://www.retirementvalue.com) (hereinafter referred to as the "Retirement Value Website"). The Retirement Value Website indicated that Retirement Value could be contacted by telephone at (830) 624-8858. See **Exhibit B-10**.
9. Acting in an undercover capacity, thereafter I called (830) 624-8858 from the TSSB undercover telephone line. When acting in this capacity, I do not indicate that I am employed by the TSSB and I use a pseudonym instead of my real name. I use this technique because I am aware that persons and entities engaged in suspected violations of the Texas Securities Act often do not provide true and accurate information to regulatory or law enforcement personnel.
10. A female answered my call and said, "Retirement Value, this is Michelle." (hereinafter referred to as "Michelle"). I told Michelle I received a flyer and was calling to hear about what they had available. Michelle asked me to identify the person who provided me with the flyer. I said I met an individual on the golf course named "Brian." Michelle said she believed "Brian" was "Brian Servanka" (phonetic) and then transferred my call to Collins. Before transferring my telephone call, however, she identified Collins as the Chief Operating Officer of Retirement Value.
11. Collins answered the phone and confirmed he was the Chief Operating Officer. He specifically stated that I was "talking with the Chief Operating Officer of the company" and that I "got to the top right away." I have attached true and accurate transcripts of this digital recording as **Exhibit B-11**.
12. I explained to him I received a flyer on the golf course and was interested in hearing a little bit about the investment. Collins asked if I was in the area. I told him I lived in Pflugerville. Collins asked for my name, home address, email address, and telephone number. I provided this information to Collins, but I did not provide him with the mailing address of the TSSB, the Agency's telephone number or any information that could be used to identify me as being associated with law enforcement. See **Exhibit 11**.
13. Collins asked what I knew about the product. I told him I knew just a little bit about life settlements based on what the guy told me at the golf course. Collins promised to send me documents by email and send me a priority package in the mail. He told me we could talk on the telephone on Monday or get together after I receive the information. We agreed to talk again on Monday after I received the information. See **Exhibit B-11**.

14. Later on March 11, 2010, I received an email notification from UPS that indicated a package was sent from Michelle and Retirement Value at the address of 707 N Walnut Ave Ste 101, New Braunfels, TX 78130-7951.
15. During the course of my investigation I received numerous electronic mail messages from Collins. These electronic mail messages were sent from bcollins@retirementvalue.com and nostockmarketrisk@yahoo.com. The body of the electronic mail messages received from bcollins@retirementvalue.com identified Collins as the Chief Operating Officer for Retirement Value, LLC, identified his address as 707 N. Walnut St., New Braunfels, TX 78130, identified his telephone numbers as (830) 624-8850 and (214) 332-5422. The body of the electronic mail messages received from nostockmarketrisk@yahoo.com identified Collins as a Certified Estate Planner, identified his address as 1510 Legendary Ct., Grand Prairie, TX 75050, and identified his telephone numbers as (214) 332-5422, (800) 410 5987 and (972) 602 6929.
16. On March 13, 2010, I received the package referenced in paragraph 14 via UPS at the mailing address that I previously provided to Collins. This mailing address is in Travis County, Texas. The package contained materials and information relating to the Re-Sale Life Insurance Policy Program. I have attached true and accurate reproductions of these materials and information to this Affidavit as **Exhibit B-12**.
17. Based upon the Retirement Value Website, my conversation with Collins, the electronic mail correspondences, the electronic documents that I received via electronic mail and the materials and information that I received via UPS, I learned that Retirement Value and Collins were offering for sale and selling investments in the death benefits of life insurance policies. Retirement Value and Collins were marketing and referring to the investments as Retirement Value's Re-Sale Life Insurance Policy Program.
18. The Re-Sale Life Insurance Policy Program was described in significant detail in two Power Point presentations further identified as "An Introduction to Re-Sale Life Policies for Individual Participants Presented by Bruce G. Collins, Chief Operating Officer" (hereinafter referred to as the "Collins Power Point") and "Resale Life Insurance Policies" (hereinafter referred to as the "RV Client Power Point Presentation") and each were attached in two of the aforesaid electronic mail correspondences. I accessed both the Collins Power Point and the RV Client Power Point Presentation using Microsoft Power Point, and I have attached true and accurate copies of the reproductions to this affidavit in **Exhibits B-13 and Exhibit 14**.
19. The Collins Power Point contained the following representations regarding Retirement Value and the Re-Sale Life Insurance Policy Program:
- A. Retirement Value policies are "Targeted to Yield **16.5%** per year" for investors. See **Exhibit B-13**.
  - B. Retirement Value uses "Independent LE [life expectancy] evaluations from three



companies per insured... [and they use] the longest life expectancy report time." See **Exhibit B-13**.

- C. Retirement Value purports "90% of policies **mature at or before**" projected life expectancy. See **Exhibit B-13**.
  - D. "95% of policies **mature at or before LE** [life expectancy] **plus 12 months**." See **Exhibit B-13**.
  - E. Retirement Value "Escrows Maintenance Costs to LE [life expectancy] plus **24 months**." See **Exhibit B-13**.
  - F. Participants in the program will become "**IRREVOCABLE Co-Beneficiaries**" to the re-sale life insurance policies. See **Exhibit B-13**.
20. The RV Client Power Point Presentation contained the following representations regarding Retirement Value and the Re-Sale Life Insurance Policy Program:
- A. The insureds of the policies "typically are well advanced in years and have a LE [life expectancies] of 3 to 10 years." See **Exhibit B-14**.
  - B. That based on 14,700 cases written and based on a random sample of 5,000 cases written, Midwest [Midwest Medical] is accurate **95%** of the time. See **Exhibit B-14**.
  - C. Midwest Medical is "one of the two largest active life expectancy firms." See **Exhibit B-14**.
  - D. "Retirement Value is the only model that sets aside premium payments for [**LE + 24 MONTHS**]" ensuring that Retirement Value's projections missing the target life expectancy is less than 2%. See **Exhibit B-14**.
  - E. Midwest Medical is **98.5%** accurate within 12 months after expected LE [life expectancy]. See **Exhibit B-14**.
21. On March 15, 2010, I contacted Collins via telephone at (214) 732-5422, a telephone number he previously provided to me. I told Collins I received the package in the mail and confirmed that I received the aforesaid email correspondence. See **Exhibit 11**.
22. During this conversation, Collins told me that Gray was the President of Retirement Value. I was able to confirm this representation, in part, through my review of materials that Collins had previously provided to me and through my review of the Retirement Value Website. See **Exhibit 11**.
23. During this telephone conversation, Collins also described the Re-Sale Life Insurance Policy Program as an investment in a fractional portion of a death benefit of a life insurance

policy, which has been sold by the original owner into the investment market. Collins said that, by any objective measure, this investment was an extremely safe investment. He also described the life insurance carriers used by Retirement Value as being A+ rated. See **Exhibit 11**.

24. Collins told me that I would make my check payable to "Kiesling Porter," an entity that he described as a licensed bonded escrow agent. Collins represented that "Kiesling Porter" would receive my funds and then apportion my funds into different accounts held at Wells Fargo. See **Exhibit 11**.
25. Collins and I discussed the possibility of meeting in person before we concluded the conversation. He also promised to send me additional investment materials via electronic mail. See **Exhibit B-11**.
26. I later confirmed "Kiesling Porter" to be Kiesling, Porter, Kiesling & Free, P.C., a law firm located in New Braunfels, Texas (hereinafter referred to as "Kiesling Porter"). I reviewed the firm's website at [www.kieslinglaw.com](http://www.kieslinglaw.com) and noted that the firm represented therein that it provided escrow services for Retirement Value.
27. On March 17, 2010, I received an electronic message from [nostockmarketrisk@yahoo.com](mailto:nostockmarketrisk@yahoo.com). The "From" field of the message showed it was sent by "Bruce Collins" at [nostockmarketrisk@yahoo.com](mailto:nostockmarketrisk@yahoo.com). Attached to this electronic mail message were six files, including documents describing the Re-Save Life Insurance Policy Program. I have attached true and accurate reproductions of the electronic message and some of the documents to this Affidavit as **Exhibit B-15**.
28. At a later date, I sent an electronic mail message to Collins at an electronic mail address identified within this Affidavit. I represented therein that I wanted to talk to Gray regarding the investment.
29. On March 19, 2010, Collins responded via electronic mail and directed me to contact Gray by telephone at (830) 624-8858. The "CC" field of that electronic mail indicated that Gray at [rgray@retirementvalue.com](mailto:rgray@retirementvalue.com) was also a recipient of the email.
30. On March 19, 2010, I contacted (830) 624-8858 via telephone on the TSSB undercover line. When my call was answered, I asked to speak with Gray. I was transferred to a voice message system, and I left a message requesting he return my phone call. I provided my pseudonym and the telephone number for the TSSB undercover phone. At no time did I identify myself by my real name or indicate that I was employed by a law enforcement agency.
31. On March 22, 2010, Gray contacted me via telephone at the telephone number for the TSSB undercover phone. This telephone call was digitally recorded using a digital recording device attached to the TSSB undercover telephone. I have attached true and accurate transcripts of this digital recording as **Exhibit B-16**.

32. As reflected within the transcripts, Gray made the following representations during this telephone call:
- A. Gray is the principal owner, the founder, and the president of the company. *See Exhibit B-16.*
  - B. The difference between the death benefit and all of the expenses associated with the transaction accounts for how investors' money would earn an annual rate of 16.5%. *See Exhibit B-16.*
  - C. Retirement Value currently uses three different independent companies to calculate the life expectancies. Retirement Value then uses the longest life expectancy from the three companies. *See Exhibit B-16.*
  - D. Identified Midwest Medical as one of the three companies used to calculate life expectancies. Also that Midwest Medical has been independently evaluated and a preliminary report shows Midwest Medical life expectancies to be accurate 92% of the time. *See Exhibit B-16.*
  - E. Investors' funds are directed to Kiesling Porter, the escrow agent previously described by Collins. Kiesling Porter then deposits the funds at Wells Fargo Bank. The funds at Wells Fargo Bank are then held in separate escrow accounts for each life insurance policy. *See Exhibit B-16.*
  - F. The identity of Retirement Value's financing entity is proprietary information, but he has been in the business for fifteen years and is the largest aggregator of these policies in North America. Additionally, he reviews hundreds of millions of dollars in face amounts of death benefit policies every week and carefully "cherry picks" the policies for Retirement Value. *See Exhibit B-16.*
  - G. Investors would become irrevocable co-beneficiaries. *See Exhibit B-16.*
33. On March 23, 2010, Gray contacted me again through the TSSB undercover telephone number that I previously provided to him on his voice message system. During this conversation, I asked Gray how many people had invested with Retirement Value. Gray told me that Retirement Value had between 750 and 800 investors and that Retirement Value expected to have received \$100 million by April 30, 2010. *See Exhibit B-16.*
34. I told Gray I was ready to make an investment and asked what I needed to do next. Gray agreed to send me, via email, an agreement for me to complete. *See Exhibit B-16.*
35. Later on March 23, 2010, I received an electronic message from [mksasik@retirementvalue.com](mailto:mksasik@retirementvalue.com). The "From" field of the message showed it was sent by "Melissa Skasik" at [mksasik@retirementvalue.com](mailto:mksasik@retirementvalue.com). The "CC" field of this message

indicated it was also sent to a person identified as "DeAnne Lewis" at [dlewis@retirementvalue.com](mailto:dlewis@retirementvalue.com), a person identified as "Wendy Rogers" at [wrogers@retirementvalue.com](mailto:wrogers@retirementvalue.com), and a person identified as "Bruce Collins" at [bcollins@retirementvalue.com](mailto:bcollins@retirementvalue.com). See **Exhibit B-17**.

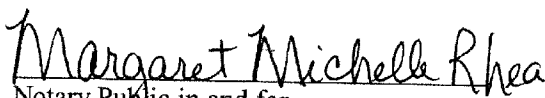
36. Attached to this electronic mail message was an electronic document styled "2010-3-16 Non Qualified Paperwork.pdf." I reviewed this document and determined that it was an agreement that investors would complete to invest in the Re-Sale Life Insurance Policy Program. I have reproduced this document and attached a true and accurate copy of it to this Affidavit as **Exhibit B-17**.
37. On March 25, 2010, I contacted Gray (210) 392-3550, which he previously identified as his cellular telephone number. I told Gray I was doing some due diligence and asked him about George Kindness (hereinafter referred to as "Kindness"). Gray identified Kindness as the owner of Midwest Medical which is the company that prepares the Life Expectancy reports Retirement Value provides to investors.
38. I told Gray I did a Google search for Midwest and found a Securities and Exchange Commission (hereinafter referred to as the "SEC") document that indicated he was a convicted felon. Gray said I had "stumbled on something that we have all known about all along, something that routinely comes up, and [he] probably should have brought it up to [me] but we are way beyond it." He also described it as being "bullshit." Gray described Kindness as a brilliant man who has made some mistakes. See **Exhibit B-16**.
39. Gray said the SEC in their effort to close down a rather small brokerage operation in California "threw the kitchen sink at everybody involved." Gray said Kindness was indicted on 21 "points" by the Food and Drug Administration several years ago. He pled guilty to one of the 21 offenses, paid a \$1,500 fine, and was on probation for a year. Gray further said Kindness has a PhD and was a trained physician from Edinburgh, Scotland. I told Gray it says in the SEC complaint that Kindness is not a medical doctor. Gray agreed Kindness was not a medical doctor, but represented that he has a legitimate practicing doctor, Glenn Chapman, sign all paperwork related to Midwest. See **Exhibit B-16**.
40. Gray said this issue has continued to come up, so he and Retirement Value's Policy Source each put up \$10,000 to have an independent audit done of the results produced by Kindness over the years. Gray said the audit was performed by the Hess Company (hereinafter referred to as "Hess") in Princeton, New Jersey, and it was given 18,000 life expectancy reports produced by Kindness over the years. Gray told me that Hess concluded that Midwest was accurate 92% of the time. Gray said he thinks it is safe to say, by the middle of June, every policy that appears in Retirement Value's portfolio will be accompanied by three different independent life expectancy reports, and Retirement Value will always choose the longest of the three reports. **Exhibit B-16**.
41. I told Gray I was looking at a life expectancy certificate previously provided to me, and the life expectancy certificate contains a section that is whitened out. Gray confirmed my

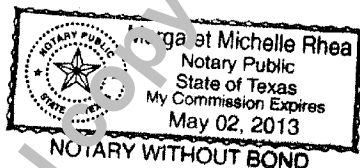
suspicion and represented that the section is, in fact, whitened out. He explained that this was because the redacted section identified Retirement Value's Policy Source, which was the largest aggregator in North America. **Exhibit B-16.**

42. Gray then identified the company as James Settlement Services and Ron James (collectively hereinafter referred to as "James"). Gray further stated James has been in the business for 15 years and previously ran one of the largest financial planning offices on the West coast. James and his son purportedly review policies that are predicated on as much as \$205 million in death benefits a week and cherry pick the best policies. **See Exhibit B-16.**
43. I have reviewed a preliminary report received by the Enforcement Division and purportedly executed by James L. Hess of HessMorganHouse, LLC (hereinafter referred to as "HMH Consulting.") The preliminary report dated February 22, 2010, concludes that on the surface there seems to be clear evidence that [Midwest Medical]'s Life Expectancy Estimates have not been accurate and there is a strong tendency for [Midwest Medical]'s Median Life Expectancy Estimates to be too short.
44. HMH Consulting qualified its finding by noting that it uncovered a large number of data issues during the audit and analysis and that these data issues precluded a fully reliable statistical analysis.
45. As of April 13, 2010, there has been no additional correspondence between Retirement Value or any of its representatives and me.

  
AFFIANT

Sworn to and subscribed before me on the 4th day of May, 2010, by Rani Sabban.

  
Notary Public in and for  
the State of Texas  
My commission expires on 5-2-2013



## **List of Exhibits Attached to Affidavit of Rani Sabban**

- Exhibit B-1** Texas State Securities Board Certificate signed March 25, 2010 stating that its records fail to reflect that **Richard H. Gray aka Dick Gray** has been registered as a dealer or agent, or registered investment advisor or investment advisor representative, or submitted a notice of filing as such.
- Exhibit B-2** Texas State Securities Board Certificate signed March 25, 2010 stating that its records show **Bruce Collins** has been registered as an agent for Fox Financial Management Corporation from February 11, 2008 through July 2, 2009.
- Exhibit B-3** Texas State Securities Board Certificate signed March 24, 2010 stating that its records fail to reflect that any securities issued by **Retirement Value, LLC** have been registered with the Board or that a permit has been granted for the sale of such securities.
- Exhibit B-4** Certified copy of the Notice of Hearing for June 25, 2009 filed by the Texas Department of Insurance against Richard H. Gray seeking revocation of his insurance license due, in part, to his involvement with Secure Investment Services, Inc. ("SIS"), including allegations that Gray committed fraudulent and dishonest acts and issued bonds without holding the required license.
- Exhibit B-5** Certified copy of the Complaint filed by the Securities and Exchange Commission against Secure Investment Services, Inc. ("SIS") on August 23, 2007 alleging SIS orchestrated a Ponzi scheme and misled investors by providing them with life expectancy estimates certified by a physician from Amscot Medical Labs, Inc. And Midwest Medical Review, LLC.
- Exhibit B-6** Certified copy of the Emergency Cease & Desist Order issued on November 6, 2006 by the Texas Insurance Commissioner against Provident Capital Indemnity, Ltd. for unfair and deceptive acts or practices.
- Exhibit B-7** Certified copy of the Emergency Cease & Desist Order issued on January 17, 2008 by the Texas Securities Commissioner against Provident Capital Indemnity, Ltd. for violations of the Texas Securities Act, including engaging in fraud in connection with the offer for sale

or sale of securities in the form of bonded life contracts or lines of credit promissory notes with security agreements and bonds.

- Exhibit B-8** Certified copy of an Undertaking executed by Hill Country Funding, LLC, by and through Richard H. Gray, and Richard H. Gray, Individually on September 8, 2008 wherein Gray agreed to send rescission offers to investors for any transactions relating to bonds or reinsurance procured through Provident Capital Indemnity, Ltd.
- Exhibit B-9** Certified copy of the 2003 Federal Indictment and Judgment of George Kindness, the purported owner of Midwest Medical Review, LLC, the company which prepares the Life Expectancy reports provided to investors by Retirement Value, LLC.
- Exhibit B-10** Copy of Retirement Value, LLC's website pages as of March 22, 2010.
- Exhibit B-11** A true and accurate transcript of the digital recording of telephone discussions between Bruce Collins and Rani Sabban in his undercover capacity as Cody Walker.
- Exhibit B-12** A true and accurate copy of the package and documents mailed by Michelle and Retirement Value, LLC to Rani Sabban, in his undercover capacity as Cody Walker, on or about March 11, 2010.
- Exhibit B-13** A true and accurate copy of the PowerPoint presentation sent by Bruce Collins and Retirement Value, LLC to Rani Sabban, in his undercover capacity as Cody Walker, via electronic mail message on or about March 11, 2010.
- Exhibit B-14** A true and accurate copy of a second PowerPoint presentation sent by Bruce Collins and Retirement Value, LLC to Rani Sabban, in his undercover capacity as Cody Walker, via electronic mail message on or about March 11, 2010.
- Exhibit B-15** A true and accurate copy of the documents sent by Bruce Collins and Retirement Value, LLC to Rani Sabban, in his undercover capacity as Cody Walker, via electronic mail message on or about March 17, 2010.
- Exhibit B-16** A true and accurate transcript of the digital recording of telephone discussions between Richard "Dick" Gray and Rani Sabban in his undercover capacity as Cody Walker.

**Exhibit B-17**

A true and accurate copy of the "Non Qualified Paperwork" sent by Bruce Collins and Retirement Value, LLC to Rani Sabban, in his undercover capacity as Cody Walker, via electronic message on or about March 23, 2010.



STATE SECURITIES BOARD

AUSTIN, TEXAS

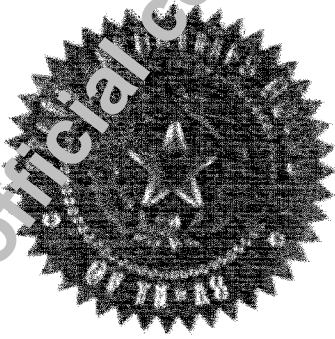
CERTIFICATE

I, JOHN R. MORGAN, Deputy Securities Commissioner of the State of Texas, do hereby certify that I have caused to be made a careful examination of the records of securities dealers, securities dealers' agents, investment advisers, and investment adviser representatives registered under the provisions of House Bill 521, Chapter 100, Acts of the 44th Legislature, Regular Session, as amended, such Act being effective May 23, 1935, Senate Bill 149, Chapter 67, Acts of the 54th Legislature, and House Bill 39, Chapter 384, Acts of the 54th Legislature, both Regular Session, as amended, such Acts being effective September 6, 1955, and Senate Bill 294, Chapter 269, Acts of the 55th Legislature, Regular Session, as amended, such Act being effective August 22, 1957, known and cited as "The Securities Act," and from such examination, I do further certify:

That, for the period from March 1, 2005 to the present, such records fail to reflect that RICHARD H. GRAY aka DICK GRAY has been registered as a dealer or agent, or registered as an investment adviser or investment adviser representative, or has submitted a notice filing as an investment adviser or investment adviser representative in the State of Texas.

IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of the State Securities Board at my office in the City of Austin, this

25th day of March, 2010.



John R. Morgan  
JOHN R. MORGAN  
Deputy Securities Commissioner

EXHIBIT

B-1

**STATE SECURITIES BOARD**

**AUSTIN, TEXAS**

**CERTIFICATE**

I, JOHN R. MORGAN, Deputy Securities Commissioner of the State of Texas, do hereby certify that I have caused to be made a careful examination of the records of securities dealers, securities dealers' agents, investment advisers and investment adviser representatives registered or notice filed under the provisions of House Bill 521, Chapter 100, Acts of the 44th Legislature, Regular Session, as amended, such Act being effective May 23, 1935, Senate Bill 149, Chapter 67, Acts of the 54th Legislature, and House Bill 39, Chapter 384, Acts of the 54th Legislature, both Regular Session, as amended, such Acts being effective September 6, 1955, and Senate Bill 294, Chapter 269, Acts of the 55th Legislature, Regular Session, as amended, such Act being effective August 22, 1957, known and cited as "The Securities Act," and from such examination, I do further certify:

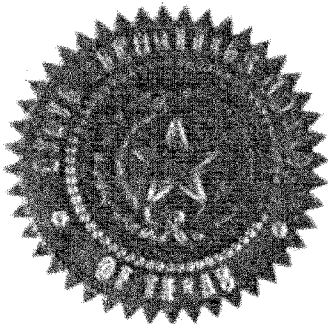
That, for the period from March 1, 2005 to the present, such records reflect that BRUCE COLLINS has been registered with this Agency as an agent of Fox Financial Management Corporation from February 11, 2008 through July 2, 2009.

**EXHIBIT**

tabbles

B-2

That, for the period from March 1, 2005 to the present, such records fail to reflect that BRUCE COLLINS has been registered or has submitted a notice filing in the State of Texas at any time or in any capacity other than as specifically stated above.



IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of the State Securities Board at my office in the City of Austin, this

25th day of March, 2010.

John R. Morgan  
JOHN R. MORGAN  
Deputy Securities Commissioner

Unofficial copy Travis County District Clerk Velda L. Price

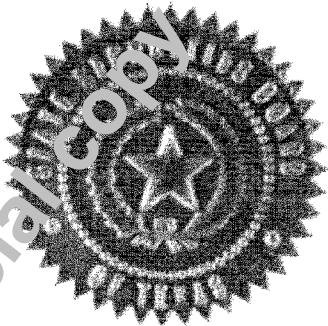
STATE SECURITIES BOARD

AUSTIN, TEXAS

CERTIFICATE

I, JOHN R. MORGAN, Deputy Securities Commissioner of the State of Texas, do hereby certify that I have caused to be made a careful examination of the records of securities registered and permits issued as authorized under the provisions of House Bill 521, Chapter 100, Acts of the 44th Legislature, Regular Session, as amended, such Act being effective May 23, 1935, Senate Bill 149, Chapter 67, Acts of the 54th Legislature, and House Bill 39, Chapter 384, Acts of the 54th Legislature, both Regular Session, as amended, such Acts being effective September 6, 1955, and Senate Bill 294, Chapter 269, Acts of the 55th Legislature, Regular Session, as amended, such Act being effective August 22, 1957, known and cited as "The Securities Act," and from such examination, I do further certify:

That, for the period from March 1, 2005 to the present, such records fail to reflect that any securities issued by RETIREMENT VALUE, LLC have been registered by Qualification, Notification or Coordination, and further fail to reflect that a permit has been granted for the sale of such securities in the State of Texas.



IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of the State Securities Board at my office in the City of Austin, this

24th day of March, 2010.

  
JOHN R. MORGAN  
Deputy Securities Commissioner

EXHIBIT

B-3



**Texas Department of Insurance**

General Counsel and Chief Clerk, Mail Code 113-2A  
333 Guadalupe • P. O. Box 149104, Austin, Texas 78714-9104

STATE OF TEXAS

§  
§  
§

COUNTY OF TRAVIS

The Commissioner of Insurance, as the chief administrative and executive officer and custodian of records of the Texas Department of Insurance has delegated to the undersigned the authority to certify the authenticity of documents filed with or maintained by or within the custodial authority of the Office of the Chief Clerk of the Texas Department of Insurance, excluding records relevant to an inquiry, if any, by the Texas Department of Insurance's Insurance Fraud Unit.

Therefore, I hereby certify that the attached document is a true and correct copy of the document described below. I further certify that the document described below is filed with or maintained by or within the custodial authority of the Office of the Chief Clerk of the Texas Department of Insurance.

The certified document consists of a complete copy of:

Notice of Public Hearing  
dated June 25, 2009  
consisting of seven (7) pages;

Subject considered:

In the Matter of Reid Hamilton Thorburn; Richard H. Gray;  
Bruce Allan Barnard and Donegan Insurance Agency, Inc.  
and Scott Mann Fischer  
SOA Docket No. 454-09-4867.C  
TDI Enforcement File Nos. 51862; 51430; 52375; and 55748

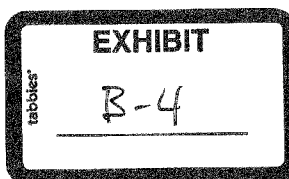
This certification does not include records relevant to an inquiry, if any, by the Texas Department of Insurance's Insurance Fraud Unit which are confidential pursuant to Tex. Ins. Code art. §701.151, §5(a) and an Op. Tex. Att'y Gen. No. OR95-1536 (1995).

IN TESTIMONY WHEREOF, witness my hand and seal of office at Austin, Texas, this

2<sup>nd</sup> day of April A.D. 2010

MIKE GEESLIN  
COMMISSIONER OF INSURANCE

By Angela Arizpe  
Angela Arizpe  
Executive Assistant  
Texas Department of Insurance





## Texas Department of Insurance

Enforcement Division, Mail Code 110-1A

333 Guadalupe • P. O. Box 149104, Austin, Texas 78714-9104  
512-475-1821 telephone • www.tdi.state.tx.us

06 JUN 25 PM 4:36

June 25, 2009

Reid Hamilton Thorburn  
1448 Long Creek Blvd.  
New Braunfels, TX 78130

CMRRR 7005 1820 0001 5616 2239

Richard H. Gray  
PO Box 550  
Seguin, TX 78156-0550

CMRRR 7005 1820 0001 5616 2246

Scott Mann Fischer  
318 Spring Hollow  
New Braunfels, TX 78132

CMRRR 7005 1820 0001 5616 2253

Bruce Allan Barnard  
Donegan Insurance Agency, Inc.  
PO Box 550  
Seguin, TX 78156

CMRRR 7005 1820 0001 5616 2260

Donegan Insurance Agency, Inc.  
Attn: Bruce Allan Barnard  
PO Box 550  
Seguin, TX 78156

CMRRR 7005 1820 0001 5616 2277

**RE: FILE NOS.: REID HAMILTON THORBURN - 51862; RICHARD H. GRAY - 51430;  
BRUCE ALLAN BARNARD - 52375 AND SCOTT MANN FISCHER - 55748**

**NOTICE OF PUBLIC HEARING IN DOCKET NO 454-09-4867.C TO CONSIDER  
WHETHER DISCIPLINARY ACTION SHOULD BE TAKEN AGAINST REID  
HAMILTON THORBURN OF NEW BRAUNFELS, TEXAS; RICHARD H. GRAY OF  
SEGUIN, TEXAS; BRUCE ALLAN BARNARD AND DONEGAN INSURANCE  
AGENCY, INC. OF SEGUIN, TEXAS AND SCOTT MANN FISCHER OF NEW  
BRAUNFELS, TEXAS.**

Dear Messrs. Thorburn, Gray, Fischer and Barnard:

Please consider this formal notice that a public hearing will be held before an Administrative Law Judge at **9:00 a.m. on September 22, 2009**, in the William P. Clements Building, 300 W. 15th Street, 4th Floor, Austin, Texas, 78701. The hearing shall be conducted in accordance with the provisions of TEX. GOV'T CODE, Chapter 2001 and 1 TEX. ADMIN. CODE, Chapter 153. Unless otherwise directed by the Administrative Law Judge, the hearing shall continue from day to day in the offices of the State Office of Administrative Hearings until concluded.

EACH OF YOU MUST FILE A WRITTEN RESPONSE TO THE NOTICE OF HEARING WITH THE STATE OFFICE OF ADMINISTRATIVE HEARINGS WITHIN 20 DAYS OF THE DATE THE NOTICE OF HEARING WAS MAILED. FAILURE TO FILE A WRITTEN RESPONSE BY THIS DEADLINE SHALL ENTITLE TDI TO SEEK DISPOSITION BY DEFAULT PURSUANT TO 1 TEX. ADMIN. CODE § 155.501 AND 28 TEX. ADMIN. CODE §§ 1.88 AND 1.89.

IF YOU FAIL TO FILE A WRITTEN RESPONSE, THE SCHEDULED HEARING CAN BE CANCELLED AND WITHOUT FURTHER NOTICE TO YOU THE COMMISSIONER OF INSURANCE CAN ISSUE AN ORDER IN WHICH THE ALLEGATIONS IN THE NOTICE OF HEARING ARE DEEMED ADMITTED AS TRUE AND THE RELIEF SOUGHT IN THE NOTICE OF HEARING, INCLUDING REVOCATION OF YOUR LICENSE, IS GRANTED BY DEFAULT.

IF YOU FILE A WRITTEN RESPONSE BUT THEN FAIL TO APPEAR ON THE DAY AND TIME SET FOR HEARING, WITHOUT FURTHER NOTICE TO YOU, THE COMMISSIONER OF INSURANCE CAN ISSUE AN ORDER IN WHICH THE ALLEGATIONS IN THE NOTICE OF HEARING ARE DEEMED ADMITTED AS TRUE AND THE RELIEF SOUGHT IN THE NOTICE OF HEARING, INCLUDING REVOCATION OF YOUR LICENSE, IS GRANTED BY DEFAULT.

In accordance with the provisions of 28 TEX. ADMIN. CODE §1.90(e) and 1 TEX. ADMIN. CODE §§ 155.101 and 155.103, send copies of your written response to:

- (1) Docketing Division  
State Office of Administrative Hearings  
300 West 15th Street  
Room 504  
P. O. Box 13025  
Austin, Texas 78711-3025;
- (2) Chief Clerk  
Texas Department of Insurance, MC113-2A  
P. O. Box 149104  
Austin, Texas 78714-9104; and
- (3) Patrick Quigley  
Texas Department of Insurance  
Enforcement Division, MC110-1A  
P. O. Box 149104  
Austin, Texas 78714-9104.

The Commissioner of Insurance has authority and jurisdiction pursuant to TEX. INS. CODE ANN. §§ 81.051-82.055, 84.021-84.022, 101.001 *et seq.*, 102.001 *et seq.*, 3503.001 *et seq.*, 4001.002, 4005.101-4005.102, and 4054.051; and TEX. GOV'T CODE ANN. §§ 2001.051-2001.178.

The allegations against Reid Hamilton Thorburn, Richard H. Gray, Bruce Allan Barnard, Donegan Insurance Agency, Inc. and Scott Mann Fischer include the following:

### **Respondents**

1. Reid Hamilton Thorburn holds a General Life, Accident and Health License issued by the Department on December 22, 1997.
2. Richard H. Gray holds a General Life, Accident and Health License issued by the Department on February 8, 2004.
3. Scott Mann Fischer holds a General Life, Accident and Health License issued by the Department on February 19, 1988 and a General Property and Casualty License issued by the Department on September 15, 1989.
4. Bruce Allan Barnard holds a General Property and Casualty License issued by the Department on December 12, 1975, a General Life, Accident and Health License issued by the Department on November 26, 1973 and a Limited Lines License issued by the Department on March 6, 2002. Barnard is an officer and owner of Donegan Insurance Agency, Inc. of Seguin, Texas.
5. Donegan Insurance Agency, Inc. ("DIA") holds a General Property and Casualty License issued by the Department on December 11, 1970 and a General Life, Accident and Health License issued by the Department on December 29, 1993.
6. Reid Hamilton Thorburn, Richard H. Gray, Scott Mann Fischer, Bruce Allan Barnard and DIA are hereafter referred to as "Respondents."

### **SELLING INVESTMENTS IN FRAUDULENT BONDED LIFE SETTLEMENTS**

#### **Bonding Insurers**

7. Provident Capital Indemnity, Ltd of Costa Rica has never held a certificate of authority to act as an insurer or surety in Texas nor has Provident Capital Indemnity ever been qualified as an eligible surplus lines insurer in Texas.
8. On November 6, 2006, TDI issued an Emergency Cease and Desist Order against Provident Capital Indemnity for engaging in the unauthorized business of insurance by collecting payments for and issuing bonds insuring risks in Texas.
9. On January 17, 2008, Commissioner Denise Voight Crawford of the Texas State Securities Board issued an Emergency Cease and Desist Order against Provident Capital Indemnity for selling investments in bonded life settlements which were deemed to be unregistered securities, and for engaging in securities fraud.
10. BALGI Insurance Sdn Bhd ("BALGI") of Brunei Darussalam has never held a certificate of authority to act as an insurer or surety in Texas nor has BALGI ever been qualified as an eligible surplus lines insurer in Texas.
11. Sino Reinsurance, Pty, Ltd ("Sino-Re") of Melbourne, Australia has never held a certificate of authority to act as an insurer or surety in Texas nor has Sino-Re ever been qualified as an eligible surplus lines insurer in Texas.



**Secure Investment Services, Inc.**

12. On August 22, 2007, the United States Attorney filed an indictment against Donald F. Neuhaus ("Neuhaus"), Kimberly Snowden ("Snowden") and several other individuals for participating in a fraudulent investment scheme by selling investments in life settlements with bogus or non-existent financial guarantee bonds.
13. On August 23, 2007, the United States Securities and Exchange Commission ("SEC") filed a complaint against Secure Investment Services, Inc. ("SIS"), American Financial Services, Inc. ("AFS"), Lyndon Group, Inc. ("LGI"), Neuhaus and Snowden alleging violation of the federal securities laws. On this same day, the SEC filed its application for Temporary Restraining Order and Order to Show Cause.
14. On August 24, 2007, the Court entered the Order Appointing Receiver and Temporary Restraining Order and Order to Show Cause. As a result, all of the defendants' assets were frozen, and Michael J. Quilling was appointed the Receiver for SIS, AFS and LGI ("Receiver"). The temporary appointment was converted to a permanent Order Appointing Receiver on October 31, 2007.
15. According to the SEC, Snowden and Neuhaus used SIS, AFS and LGI to sell fractionalized interests in approximately 52 life insurance policies to approximately 660 investors in over 20 states and obtained \$21.1 million in investor proceeds. Many of these investments were sold with a bond whereby if the insured outlived the projected life expectancy the bonding company would pay the investor an amount equal to the share of the of the policy death benefit the investor would otherwise receive from the insurance company upon the death of the insured.
16. The bogus or unauthorized bonds were an essential element in the fraudulent investment scheme.
17. According to the SEC, Snowden and Neuhaus business were operating a Ponzi scheme, as funds from new investors were used to pay obligations that were incurred by previous investors.
18. The Receiver has informed investors that one of the insurers that issued the bond that was included in their investment is nothing more than a shell entity run by unethical business men who hide out in foreign countries with little or no fear of being sued in the United States because of complicated legal issues.

**Actions of Respondents**

Reid Hamilton Thorburn, Richard H. Gray, Bruce Allan Barnard and DIA

19. In 2005, Reid Hamilton Thorburn and Richard H. Gray, on behalf of DIA, began selling fraudulent investments in life settlements for SIS that were represented to be guaranteed by an insurance bond. There was no valid insurance bond.

20. Reid Hamilton Thorburn and Richard H. Gray were not authorized to sell or issue bonds as they have never held a General Property and Casualty License.
21. From 2005 through 2007, Reid Hamilton Thorburn sold twenty allegedly bonded life settlement transactions to investors who invested approximately \$1,362,335.00. Thorburn received commissions totaling approximately \$193,567.00, and DIA received override commissions on Reid Hamilton Thorburn's sales totaling \$51,802.00.
22. From 2005 through 2007, Richard H. Gray sold ninety-two allegedly bonded life settlement transactions to investors who invested approximately \$3,094,017.00. Richard H. Gray received commissions totaling approximately \$410,393.00, and DIA received override commissions on Richard H. Gray's sales totaling \$114,024.00.

Scott Mann Fischer

23. In 2006, Scott Mann Fischer, while working at DIA with Richard H. Gray, began selling fraudulent investments in life settlements for SIS that were represented to be guaranteed by an insurance bond. There was no valid insurance bond.
24. From 2006 through 2007, Scott Mann Fischer sold two allegedly bonded life settlement transactions to investors who invested approximately \$422,407.00. Scott Mann Fischer received commissions totaling approximately \$76,245.00.

Reid Hamilton Thorburn, Richard H. Gray, Scott Mann Fisher, Bruce Allan Barnard and DIA

25. The total commission rate paid to Reid Hamilton Thorburn, Richard H. Gray, Scott Mann Fischer and DIA by SIS for monies secured from investors ranged from 16-20%.
26. Documentation provided to the investors contained statements that indicated that inherent investments were supported by bonds issued by unauthorized insurers.

**Current Status of the SIS Receivership**

27. According to the Receiver's December 15, 2008 interim report, there were 44 policies in which the receivership estate has or is believed to have an ownership interest. The Receiver reported that as of September 30, 2008, the Receivership had assets of \$88,462.92 and liabilities of \$1,089,411.09, which represents a deficit of \$1,000,948.16.
28. To date, the SIS Receiver has not pursued disgorgement of commissions from persons who have assisted directly or indirectly in the procurement of the fraudulent investments through SIS.

**REID HAMILTON THORBURN DOING THE BUSINESS OF  
INSURANCE THROUGH AN UNLICENSED CORPORATION**

29. Thorburn Financial Services, LLC was issued a General Life, Accident and Health License Department on December 29, 1993; however, it was not renewed and therefore terminated on June 14, 2005.

30. Reid Hamilton Thorburn has been and is currently doing the business of insurance under Thorburn Financial, LLC, an entity that does currently hold a license issued by this Department.

The conduct above, if proven true, constitutes grounds for the revocation of the General Life, Accident and Health License currently held by Reid Hamilton Thorburn; General Life, Accident and Health License currently held by Richard H. Gray; General Accident and Health License and General Property and Casualty License held by Scott Mann Fischer; General Life, Accident and Health License and the General Property and Casualty License held by Bruce Allan Barnard; and the General Life, the Accident and Health License and the General Property and Casualty License currently held by DIA and because:

1. Reid Hamilton Thorburn and Richard H. Gray have issued bonds without holding a General Property and Casualty License, as required by TEX. INS. CODE ANN. Chapter 4051.
2. TEX. INS. CODE ANN. § 101.102 prohibits entities and persons who do not hold an insurance license or other authorization issued by the Texas Department of Insurance from directly and/or indirectly performing acts which constitute the business of insurance, as that term is defined in TEX. INS. CODE ANN. § 101.051.
3. Reid Hamilton Thorburn, Richard H. Gray, Scott Mann Fischer, Bruce Allan Barnard and DIA's sales of the SIS products were in violation of TEX. INS. CODE ANN. § 101.102.
4. Pursuant to TEX. INS. CODE ANN. § 101.201(a), a person who directly or indirectly assisted in the procurement of an insurance contract entered into by an unauthorized insurer is liable to the insured for the full amount of a claim or loss under the terms of the contract if the unauthorized insurer fails to pay the claim or loss.
5. Reid Hamilton Thorburn, Richard H. Gray, Scott Mann Fischer, Bruce Allan Barnard and DIA engaged in fraudulent or dishonest acts or practices, as contemplated by TEX. INS. CODE ANN. § 4005.101(b)(5).
6. Reid Hamilton Thorburn, Richard H. Gray, Scott Mann Fischer, Bruce Allan Barnard and DIA have violated TEX. INS. CODE ANN. Ch. 541.
7. Reid Hamilton Thorburn has conducted the business of insurance through an unlicensed corporation, as contemplated in TEX. INS. CODE ANN. §§ 4001.101, 4001.106 and 4054.051.

If one or more of the above allegations is found to be true, the Commissioner of Insurance could enter an order revoking the General Life, Accident and Health License currently held by Reid Hamilton Thorburn; General Life, Accident and Health License currently held by Richard H. Gray; General Accident and Health License and General Property and Casualty License held by Scott Mann Fischer; General Life, Accident and Health License and the General Property and Casualty License held by Bruce Allan Barnard; and the General Life, the Accident and Health License and the General Property and Casualty License currently held by

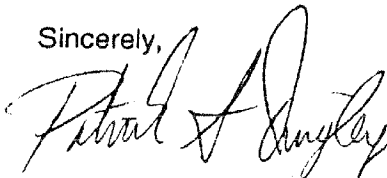
DIA. Additionally, the Commissioner could enter an order imposing any other sanction provided by law pursuant to TEX. INS. CODE ANN. §§ 82.052-82.053 and/or § 4005.02.

Reid Hamilton Thorburn, Richard H. Gray, Scott Mann Fischer, Bruce Allan Barnard and DIA have the right to appear at this hearing and to be represented by and through an attorney or any other duly authorized representative. Should there be any questions concerning this matter, please address correspondence to Patrick Quigley at the address or telephone shown below.

**IMPORTANT SECURITY NOTICE:**

**ALL VISITORS TO THE WILLIAM P. CLEMENTS BUILDING WITHOUT AN AGENCY OR DPS ISSUED ID CARD MUST PROVIDE THE BUILDING SECURITY OFFICER WITH THE STATE OFFICE OF ADMINISTRATIVE HEARINGS DOCKET NUMBER AND RECEIVE A VISITOR'S PASS IN ORDER TO BE ALLOWED ACCESS TO THE HEARING ROOM. INDIVIDUALS SHOULD ALLOW ADDITIONAL TIME TO GO THROUGH THE SECURITY PROCESS.**

Sincerely,



Patrick Quigley, Staff Attorney  
State Bar No. 16430320  
Enforcement Division, MC110-1A  
Texas Department of Insurance  
333 Guadalupe  
Austin, Texas 78701  
(512) 322-3574  
(512) 475-1772 (Fax)

cc: Deea Western, Team Leader, Enforcement Division MC-110-1A  
Catherine Reyer, Associate Commissioner, Enforcement Division MC-110-1A  
Administrative Review, MC 107-1A

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4 Attorneys for Plaintiff  
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7 Facsimile: (415) 705-2501

I hereby certify that the annexed  
instrument is a true and correct copy of  
the original on file in my office.

ATTEST: **VICTORIA C. MINOR**

Clerk, U. S. District Court  
Eastern District of California

By

Deputy Clerk

Dated

4/1/10

10 UNITED STATES DISTRICT COURT  
11 EASTERN DISTRICT OF CALIFORNIA  
12 SACRAMENTO DIVISION

14 SECURITIES AND EXCHANGE COMMISSION,

15 Plaintiff,

16 v.

17 SECURE INVESTMENT SERVICES, INC.,  
18 AMERICAN FINANCIAL SERVICES, INC.,  
LYNDON GROUP, INC., DONALD F. NEUHAUS,  
19 and KIMBERLY A. SNOWDEN,

20 Defendants.

Case No.

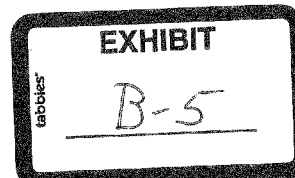
COMPLAINT

DEMAND FOR JURY TRIAL

21 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

22 **SUMMARY OF THE ACTION**

23 1. This civil enforcement action involves a fraudulent scheme whereby Defendants  
24 sold fractional ownership interests in a particular life insurance policy to a specific group of  
25 investors, and then failed – without warning or disclosure – to use those investors' money to  
26 cover the future premium payments on their specific policy. Instead, those investors' money was  
27 rapidly depleted to pay Defendants' business and personal expenses and to cover the premiums  
28 on *other* insurance policies (owned by different groups of investors) that would otherwise lapse



1 for non-payment of premiums. Defendants are therefore operating a "ponzi" scheme whereby  
2 every new investor is being defrauded to provide the cash needed to conceal Defendants'  
3 misrepresentations to an earlier group of investors.

4 2. Defendants Donald F. Neuhaus and Kimberly A. Snowden have operated this  
5 scheme through at least one of their corporations -- Defendants Secure Investment Services, Inc.,  
6 American Financial Services, Inc., and Lyndon Group, Inc. -- since at least 2001 and have raised  
7 over \$25 million from hundreds of investors in more than twenty states. After representing that  
8 they will reserve investor funds to pay future premiums on the life insurance policy being sold,  
9 Defendants commingle and spend the funds immediately. Consequently, Defendants can meet  
10 future premium obligations exceeding \$3 million only by fraudulently raising funds from new  
11 investors. As their scheme has been heading for collapse, Neuhaus and Snowden have  
12 transferred at least \$740,000 in investor funds to themselves.

13 3. Defendants also have concealed from investors significant risks relating to the  
14 policy they are purchasing. The amount of future premiums that must be reserved is tied to the  
15 estimated future life expectancy of the person being insured. Those life expectancy estimates  
16 have been consistently too low, and many of them were provided by someone whom Defendants  
17 learned to have falsely claimed to be a medical doctor. Additionally, Defendants represented  
18 that bonding companies would step in and pay investors their return if the insured lived beyond  
19 the estimated life expectancy. That representation was false and misleading because Defendants  
20 knew or were reckless in not knowing that the bonding companies were unlicensed, and had a  
21 dubious reputation.

22 4. Operating on nothing but borrowed time and misappropriated funds, Defendants'  
23 scheme must be stopped to protect investors. The Commission brings this action to enjoin  
24 Defendants from further violations of the antifraud and registration provisions of the federal  
25 securities laws. The Commission also asks that the Court appoint a receiver and grant other  
26 equitable relief to marshal and protect investor assets, and order the Defendants to disgorge their  
27 ill-gotten gains and pay civil money penalties.

## JURISDICTION AND VENUE

5. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b) and 77t(d)] and Sections 21(d) and 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and 78u(e)].

6. This Court has jurisdiction over this action pursuant to Section 20(d)(1) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d)(1) and 77v(a)] and Sections 21(d)(3), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u(e), and 78aa]. Defendants, directly or indirectly, have made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions, practices, and courses of business alleged in this complaint.

7. Venue is proper in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Neuhaus and Snowden reside in the District, and the principal place of business of the remaining Defendants is located in the District. Also, acts, practices, and courses of business alleged in the complaint occurred in the District. This action has been filed in the Sacramento Division according to Local Rule 3-120(d) because the case arises from acts, practices, and courses of business that occurred in Shasta County, California.

## DEFENDANTS

8. **Secure Investment Services, Inc. ("SIS"), American Financial Services, Inc. ("AFS"), and Lyndon Group, Inc. ("Lyndon Group")** (collectively "the corporate defendants") are corporations that Donald Neuhaus and Kimberly Snowden have used to operate the fraudulent scheme at various times. SIS and Lyndon Group were incorporated in Nevada and AFS was incorporated in Wyoming. All have their principal places of business in Redding, California. Since approximately May 2005, the scheme has been primarily operated through SIS.

9. **Donald F. Neuhaus** ("Neuhaus"), age 76, resides in Redding, California. Neuhaus has served as an officer and/or director for each of the corporate defendants and

controls them along with co-defendant Kimberly Snowden. Together with his wife, Neuhaus owns the corporate defendants. Neuhaus is familiar with the flow of funds through the investment program; he monitors corporate bank account balances and activity; and he participates in managing business expenses.

10. **Kimberly A. Snowden**, age 42, resides in Redding, California, and is Neuhaus's daughter. She has served as an officer and/or director for each of the corporate defendants and also as their Director of Operations and Controller. Snowden keeps SIS's books and financial statements, she has control over SIS's bank accounts, and she writes the checks to pay premiums on the life insurance policies.

#### **FACTUAL ALLEGATIONS**

##### **A. Defendants Are Selling Securities to Elderly Investors**

11. Defendants offer and sell securities that take the form of fractionalized interests in life insurance policies, so-called "bonded life settlements" or "bonded senior settlements." By representing that investors will receive return on these investments as high as 125 percent, Defendants have sold over 40 policies to at least 500 investors in over 20 states including California, Florida, and Texas, and have obtained over \$25 million in investor proceeds.

12. Investors are typically solicited by a network of sales agents recruited by Defendants. The sales agents use internet websites, advertisements, mailings, seminars, and other means to solicit investors. Investors have been encouraged to place their retirement savings in Defendant's program and many have done so. Many investors are in their 50s, 60s, and 70s.

13. Defendants obtain the life insurance policies from various policy brokers, paying the brokers a fraction of the policy's face amount. Upon selling a policy to investors, Defendants record the investors as beneficiaries and owners of the policy on the insurance company's records. As the investment is structured, when the insured on the policy dies, the insurance company should pay each investor a pro rata share of the policy face amount that equals his or her original investment plus the return.

14. For the insured on each policy, Defendants obtain a purported life expectancy



estimate, which includes information on the insured's age and health status. These supposed estimates typically project that the insured will die in three to six years and, by extension, project when the investor will receive a return. Defendants provide the life expectancy estimates to investors, either directly or through sales agents. Many of the investments are supposedly "bonded" so that if the insured lives beyond the life expectancy, then, after a waiting period, the bonding company will purchase the policy from the investors, paying them the amount they would otherwise receive from the insurance company upon the death of the insured. Defendants provide copies of the purported bonds to investors either directly or through sales agents.

15. After a policy is sold to investors, premiums on the policy must be paid to prevent it from lapsing. The purchase agreements typically state that included in what investors pay is an amount sufficient to pay policy premiums for the life expectancy of the insured plus the typical bond waiting period (twelve months), and that Defendants will use this amount to pay the premiums. The investors are therefore passive participants, with their role limited to signing purchase documents and paying for the investment.

**B. Defendants Falsely Represent that Future Premiums are Covered**

16. As Defendants know, when a policy is sold to investors, a portion of the investor funds must be set aside in an amount sufficient to pay future premiums on the policy for the period of the life expectancy or the bond waiting period. The investor purchase agreements typically contain the following representations by Defendants:

- "All of the following costs associated with the purchase of an interest of [sic] a policy are included in the investment amount . . . A premium payment for a minimum of one year beyond the projected life expectancy of the insured, or until the policy is purchased by the bonding company, whichever comes first."
- SIS may escrow funds for future premium payments for a minimum of twelve (12) months beyond the projected life expectancy of the insured, or longer at SIS's discretion . . ."
- "Future premiums, for a minimum of the life expectancy of the insured plus twelve (12) months, or longer at the SIS's discretion, shall be paid by SIS . . ."

1 In other documents, Defendants have similarly represented to investors that they will "set aside"  
2 or "escrow" investor money to cover future premiums.

3 17. These representations are false. Future premium payments are "not included in"  
4 the investment amount" because Defendants do not "escrow," "set aside," or otherwise reserve  
5 investor funds for payment of future premiums. Rather, since at least June 2005, Defendants  
6 have secretly commingled investor funds immediately upon receiving them and used them to pay  
7 premiums on any policy they previously sold, to purchase policies, to pay sales commissions,  
8 and to cover any other expense of the scheme. Defendants have not reserved sufficient funds to  
9 pay future premiums on previously sold policies, meaning those premiums can be "paid by SIS"  
10 only if Defendants raise new money from new investors in new policies.

11 18. As of June 30, 2007, even though Defendants were obligated to pay at least \$3.1  
12 million in premiums on policies they had already sold in the insured lives until the end of the  
13 bond waiting period, the investor money for those policies had already been depleted. In  
14 addition, as detailed below, as of June 30 Defendants owed \$1,000,000 in "self-insurance" to  
15 investors in two policies. As of June 30, Defendants had approximately \$162,000 in corporate  
16 bank accounts, and as of July 31 the accounts contained approximately \$63,000. Defendants  
17 cannot meet their premium and self-insurance obligations without raising money from new  
18 investors. If Defendants fail to meet premium obligations, policies may lapse and cause  
19 investors to lose their entire investment.

20 19. Lacking cash, Defendants at times use the cash value of the policies to cover  
21 premiums. "Cash value" refers to funds that can accumulate within a policy and are held by the  
22 insurance company. Cash value is an asset that belongs to the owners of the policy, and  
23 generally can be loaned to the owner or used to pay premiums in lieu of cash payments. The  
24 purchase agreements contemplate only cash payments of premiums. Defendants have not  
25 informed investors or potential investors that they deplete policy cash value to cover premiums.

26 20. From the amount that each investor pays for the investment, Defendants take as  
27 much as 20% and use it pay commissions to the sales agent. The agents may spend a few hours  
28 effecting an investment and thereby earn a 20% commission on \$50,000, \$100,000, \$200,000 or

1 more. Defendants have not disclosed the commissions to investors or potential investors nor  
2 ensured that the sales agents disclose them.

3 21. Although Defendants lack money to cover their obligations, Neuhaus and  
4 Snowden have transferred substantial funds from corporate bank accounts to themselves. From  
5 June 2005 to the present, Neuhaus has received at least \$500,000 in investor funds from SIS's  
6 bank accounts. Snowden has received at least \$240,000 in investor funds from the accounts  
7 during the same time frame.

8 **C. Defendants Are Not Providing "Self-insurance"**

9 22. In September 2003, AFS purported to provide the bond or "self-insurance" for  
10 two policies that were to pay investors a combined return of \$1,000,000. Defendants did not set  
11 aside or segregate funds needed to perform on the "self-insurance" if necessary, and today the  
12 corporate defendants lack the funds to perform.

13 23. In June 2007, Neuhaus sent a letter telling investors in the policies that once they  
14 submit certain paperwork giving up their ownership in the policies, they will receive their share  
15 of the \$1,000,000 payout. As Defendants know but have not disclosed to investors, they do not  
16 have \$1,000,000 and can only obtain it by fraudulently raising new money.

17 **D. Defendants Have Failed to Disclose to Investors that Life Expectancy**  
18 **Estimates are Falsely Certified and Unreliable**

19 24. In the investor purchase agreements, Defendants represent to investors: "All life  
20 expectancies of insured [sic] will be determined by an independent reviewing physician taking  
21 into account the insured's age, current medical history, and, where applicable, insurance industry  
22 actuarial guidelines." Most of the life expectancies Defendants have provided to investors are in  
23 the form of written "certificates" bearing the name of AmScot Medical Labs, Inc. ("AmScot") or  
24 Midwest Medical Review LLC ("Midwest"). Many of the certificates under the AmScot name  
25 bear the name "George Kindness, M.D." and many bear his signature.

26 25. Contrary to the purchase agreement and the certificates, George Kindness is not  
27 an M.D. or physician. Furthermore, a federal grand jury indicted Kindness along with AmScot  
28 in November 2003 on 21 counts involving conspiracy and fraud in the introduction of

1 misbranded and adulterated drugs into commerce. The indictment includes an allegation that  
2 Kindness falsely represented himself to be an M.D. In July 2005, both Kindness and AmScot  
3 pled guilty to one count of the indictment, and in September 2006 both were convicted.

4 26. No later than September 2005, an investor informed Neuhaus that Kindness is not  
5 an M.D. and had been indicted. No later than mid-2005, Snowden learned that Kindness was  
6 involved in adverse legal proceedings and she later learned that he had been convicted of a  
7 crime.

8 27. After Kindness was indicted, the certificates Defendants provided to investors  
9 switched from bearing the AmScot name to bearing the bearing Midwest name, and Kindness's  
10 name no longer appeared on the certificates. Kindness controls both AmScot and Midwest and  
11 continues to provide input on Midwest's operations. AmScot and Midwest certificates exhibit  
12 certain characteristics--including an "AmScot Midwest" fax header line, identical fax numbers,  
13 the names of the same purported physicians, and similar formats--which Neuhaus and Snowden  
14 observed and which made it obvious to them that Midwest is a continuation of AmScot's  
15 operation.

16 28. Defendants have not disclosed to investors or potential investors that Kindness is  
17 not a medical doctor, that he and AmScot have criminal records, and that Midwest is a  
18 continuation of AmScot's operation. These undisclosed facts indicate that AmScot and Midwest  
19 life expectancy estimates are unreliable; that investors may have to wait longer for returns; and  
20 that policies may lapse from lack of funds to make premium payments and investors will lose  
21 their entire investment.

22 29. Since 2003, Defendants have also obtained life expectancy estimates from an  
23 entity named 21<sup>st</sup> Services. Some of the 21<sup>st</sup> Services estimates cover the same insured for which  
24 AmScot or Midwest had earlier prepared a certificate that was provided to investors. Many of  
25 these 21<sup>st</sup> Services life expectancy estimates are years longer than the estimate in the AmScot or  
26 Midwest certificate. After receiving consistently longer estimates from 21<sup>st</sup> Services, Defendants  
27 continued to sell policies on the basis of AmScot or Midwest estimates only.

30. At present, insureds on at least 20 policies sold by Defendants remain alive beyond the end of the life expectancy estimate, some by two or three years. Defendants have not disclosed to investors or potential investors that insureds are outliving life expectancies in this manner.

**E. Defendants Have Failed to Disclose Risks Associated With the Bonds**

31. Defendants' purchase agreements typically state that that the investment "shall carry an insurance bond" that will pay the investor "the full face value of their interest in the policy, should for any reason, the policy not mature within the limits indicated in the agreement." A policy "matures" when the insured dies. The purchase agreements also typically state that "included in the investment amount . . . [is] [t]he Bonding Company fee for the life of the Agreement."

32. The purported bonds are, in fact, illusory because the bonding companies are unlicensed and have adverse regulatory histories. One such bonding company is International Fidelity & Surety Ltd. ("IFS"), purportedly based in the Pacific Island nation of Vanuatu. IFS has never been licensed to provide insurance in any state in the United States and has never been an authorized "surplus line insurer" in California. Since 2001, IFS has been the subject of state regulatory actions in Florida and Texas variously involving fraud, unauthorized issuance of insurance, and a "life settlement" investment program. Neuhaus, who previously worked in the insurance industry, chose IFS as a bonding company with the knowledge that it was not licensed to provide insurance anywhere in the U.S. In September 2005, an investor wrote to Neuhaus expressing concern that IFS was not licensed and headquartered in Vanuatu.

33. Defendants have also used the following purported bonding companies: Provident Capital and Indemnity Ltd. ("Provident"), purportedly based in Costa Rica; BALGI, purportedly based in Brunei; and Sino Reinsurance ("Sino") purportedly based in Australia. None of these companies has ever been licensed to provide insurance in any state in the U.S. None of the companies has ever been an authorized "surplus line insurer" in California, and Provident specifically appears on California's list of "unacceptable nonadmitted" insurance companies. Since 1992, Provident has been the subject of state regulatory actions in California,

1 Florida, and Texas variously involving fraud, unauthorized issuance of insurance, and a “life  
2 settlement” investment program. Defendants have not disclosed the bonding companies’ lack of  
3 licensure and adverse regulatory histories to investors.

4 **F. Defendants Have Concealed Their Regulatory Problems**

5 34. In February 2003, the California Department of Corporations ordered Neuhaus  
6 and AFS to cease selling investments of the type involved here. The order found that in selling  
7 the investments, Neuhaus and AFS made material misstatements and omissions of fact involving  
8 the bond, the return, liquidity, and licensing status. Defendants have not disclosed the order to  
9 investors or potential investors.

10 35. In April 2005, the Internal Revenue Service executed search warrants at AFS’s  
11 office and Neuhaus’s home. Soon after the search, AFS discontinued business operations and  
12 closed its bank accounts, and SIS was created and opened its own accounts at a different bank.

13 **G. Sales Agents Under Defendants’ Control Have Misrepresented the**  
14 **Investment**

15 36. Many sales agents operate under written agreements with SIS. The agreements  
16 require the agents to obtain approval from SIS before using written promotional materials.  
17 Promotional materials distributed by sales agents to investors have made the following claims:  
18 (i) an independent escrow company “handles all the money transactions” including paying policy  
19 premiums; (ii) policy premiums will be paid because SIS “will have collected enough money to  
20 support the term of the investment plus an extra year”; (iii) the bonding company agrees to bond  
21 the investment on the basis of “a consensus of three medical opinions”; and (iv) the investment is  
22 “guaranteed” and has “little, if no, risk.” As shown above, these claims are false and misleading.

23 **H. Defendants have not registered any offering**

24 37. Since at least 2001, Defendants have continuously offered for sale and sold their  
25 bonded life settlement investments as securities in public offerings to individual investors  
26 through their network of sales agents. No registration statement was filed with the Commission  
27 or was in effect with respect to these securities prior to the offer or sale of these securities.  
28

**FIRST CLAIM FOR RELIEF**

**Violations of Section 17(a) of the Securities Act**

38. The Commission hereby incorporates paragraphs 1 through 37 by reference.

39. Defendants have, by engaging in the conduct set forth above, directly or indirectly, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or of the mails: (a) with scienter, employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

40. By reason of the foregoing, Defendants have directly or indirectly violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and unless enjoined will continue to violate Section 17(a) of the Securities Act.

**SECOND CLAIM FOR RELIEF**

**Violations of Section 10(b) of the Exchange Act**

**and Rule 10b-5 Thereunder**

41. The Commission hereby incorporates Paragraphs 1 through 37 by reference.

42. Defendants, by engaging in the conduct set forth above, directly or indirectly, by use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange, with scienter: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, in connection with the purchase or sale of securities.

43. By reason of the foregoing, Defendants have directly or indirectly violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. §§ 240.10b-5] and unless enjoined will continue to violate Section 10(b) of the Exchange Act and Rule 10b-5.

### **THIRD CLAIM FOR RELIEF**

#### **Violations of Section 5(a) and 5(c) of the Securities Act**

44. The Commission hereby incorporates Paragraphs 1 through 37 by reference.

45. Defendants have, by engaging in the conduct set forth above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce or of the mails, offered to sell or sold securities or carried or caused such securities to be carried through the mails or in interstate commerce, for the purpose of sale or delivery after sale.

46. No registration statement was filed with the Commission or was in effect with respect to the securities offered by Defendants prior to the offer or sale of these securities.

47. By reason of the foregoing, Defendants have directly or indirectly violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)], and unless restrained and enjoined will continue to violate these provisions.

### **RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that the Court:

#### **I.**

Temporarily, preliminarily, and permanently enjoin the Defendants, their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act, [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and Section 10(b) the Exchange Act, [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

#### **II.**

Order Defendants to provide an accounting and disgorge their ill-gotten gains in an amount according to proof, plus prejudgment interest thereon.



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III.

Order Defendants to pay civil money penalties pursuant to Section 20(d)(1) of the Securities Act [15 U.S.C. § 77t(d)(1)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

IV.

Appoint a receiver over SIS, AFS, and Lyndon Group.

V.

Enter an order freezing the assets of Defendants.

VI.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may deem just, equitable, and necessary.

Dated: August 23, 2007

Respectfully submitted,

/s/ Thomas J. Eme  
THOMAS J. EME

HELANE L. MORRISON  
JOHN S. YUN  
PATRICK T. MURPHY  
LLOYD A. FARNHAM

Attorneys for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION

1 **DEMAND FOR JURY TRIAL**

2 The Commission hereby demands a jury trial.

3  
4 Dated: August 23, 2007

Respectfully submitted,

5  
6 /S/ Thomas J. Eme  
THOMAS J. EME

7 HELANE L. MORRISON  
8 JOHN S. YUN  
9 PATRICK T. MURPHY  
LLOYD A. FARNHAM

10 Attorneys for Plaintiff  
11 SECURITIES AND EXCHANGE COMMISSION  
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**Texas Department of Insurance**

General Counsel and Chief Clerk, Mail Code 113-2A  
333 Guadalupe • P. O. Box 149104, Austin, Texas 78714-9104

STATE OF TEXAS

§

COUNTY OF TRAVIS

§

§

The Commissioner of Insurance, as the chief administrative and executive officer and custodian of records of the Texas Department of Insurance has delegated to the undersigned the authority to certify the authenticity of documents filed with or maintained by or within the custodial authority of the Office of the Chief Clerk of the Texas Department of Insurance, excluding records relevant to an inquiry, if any, by the Texas Department of Insurance's Insurance Fraud Unit.

Therefore, I hereby certify that the attached document is a true and correct copy of the document described below. I further certify that the document described below is filed with or maintained by or within the custodial authority of the Office of the Chief Clerk of the Texas Department of Insurance.

The certified document consists of a complete copy of:

Official Order No. 06-1154 of the Commissioner of Insurance  
of the State of Texas, dated November 6, 2006  
consisting of twenty seven (27) pages;

Subject considered:

PROVIDENT CAPITAL INDEMNITY, LTD.  
Dessarrollos Comerciales Ronim, S.A.  
San Rafael-Heredia, Costa Rica

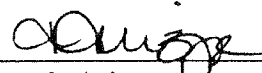
EMERGENCY CEASE AND DESIST ORDER

This certification does not include records relevant to an inquiry, if any, by the Texas Department of Insurance's Insurance Fraud Unit which are confidential pursuant to Tex. Ins. Code art. §701.151, §5(a) and an Op. Tex. Att'y Gen. No. OR95-1536 (1995).

IN TESTIMONY WHEREOF, witness my hand and seal of office at Austin, Texas, this

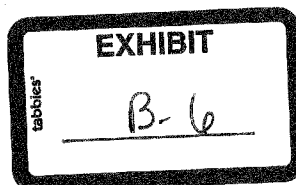
2<sup>nd</sup> day of April A.D. 2010

MIKE GEESLIN  
COMMISSIONER OF INSURANCE

By   
Angela Arizpe  
Executive Assistant  
Texas Department of Insurance



TSSB 090035



No. **08-1154**

**OFFICIAL ORDER  
of the  
COMMISSIONER OF INSURANCE  
of the  
STATE OF TEXAS  
AUSTIN, TEXAS**

Date: **NOV 06 2006**

**Subjects Considered:**

PROVIDENT CAPITAL INDEMNITY LTD.  
Dessarrollos Comerciales Ronin, S.A.  
San Rafael-Heredia, Costa Rica

**EMERGENCY CEASE AND DESIST ORDER**

**General remarks and official action taken:**

On this day the Texas Department of Insurance ("TDI/Department"), through staff counsel for TDI, Alyssa J. Long, Staff presented to the Commissioner of Insurance a verified application for an ex parte Emergency Cease and Desist Order against Respondent, Provident Capital Indemnity, Ltd. TDI alleges that Respondent has been committing unfair or deceptive acts or practices by selling, issuing, or administering fraudulent, false, or misleading insurance and/or engaging in the unauthorized business of insurance in violation of TEX. INS. CODE ANN. arts. 7.19-1, 7.20, TEX. INS. CODE ANN. §§ 101.051, 101.102, 541.003, 541.051, 541.061, and 28 TEX. ADMIN. CODE §§ 21.3-21.4 and 21.112. Respondent has not filed any notice with the Commissioner of any claim for exemption from TEX. INS. CODE ANN. § 101.102 with documents supporting such claim prior to commencing operations, as required by TEX. INS. CODE ANN. §101.004(b).

The Department further alleges that unless Respondent is immediately ordered to cease and desist from selling and/or issuing fraudulent, false, or suspect insurance and/or engaging in the business of insurance in an unauthorized manner in the State of Texas in violation of TEX. INS. CODE ANN. §§ 101.051 and 101.102 and 28 TEX. ADMIN. CODE §§ 21.3 and 21.112, Respondent will continue to commit such unfair or deceptive acts or practices and/or engage in the business of insurance in Texas in an unauthorized manner.

Under TEX. INS. CODE ANN. § 83.051, the Commissioner of Insurance may issue an ex parte emergency cease and desist order if an authorized person engaging in the business of insurance is committing an unfair act or is in a hazardous condition or if an unauthorized person is engaging in the business of insurance in violation of Chapter 101, if such conduct is fraudulent, hazardous, creates an immediate danger to public safety, or is causing or can be reasonably expected to cause

06-1154

COMMISSIONER'S ORDER  
Provident Capital Indemnity, Ltd.  
Page 2 of 4

public injury that is likely to occur at any moment, is incapable of being repaired or rectified, and has or is likely to have influence or effect.

Citizens of this State hold surety bonds issued by or through Respondent. Because Respondent is not authorized to do insurance business in this State nor qualified as an eligible surplus lines carrier, Texas citizens who have purchased surety bonds from Respondent face serious risk of loss. Further, the Respondent may continue or is continuing to collect premiums from unsuspecting enrollees, who have not been advised that Provident Capital Indemnity, Ltd. is not authorized to do insurance business in this State nor is it qualified as an eligible surplus lines carrier.

The Commissioner believes that Staff's Application meets the requirements of the TEX. INS. CODE ANN. § 83.051 for the issuance of an emergency cease and desist order. Accordingly, the Commissioner finds as follows:

1. The Respondent does not hold a certificate of authority to act as an insurer or surety and has not filed any notice with the Commissioner of any claim for exemption from TEX. INS. CODE ANN. §§ 101.102 or 801.051-801.053, with documents supporting such claim prior to commencing operations, as required by TEX. INS. CODE ANN. § 101.004.
2. Citizens of this State are currently insured by or through the Respondent. Because the Respondent is not authorized to do the business of insuring risks in this State, those who have purchased insurance or surety bonds from or through the Respondent face serious risk of loss.
3. The Respondent is engaging in the unauthorized business of insurance in violation of TEX. INS. CODE ANN. arts. 7.19-1, 7.20, TEX. INS. CODE ANN. §§ 101.051, 101.102, 541.003, 541.051, 541.061 and 28 TEX. ADMIN. CODE §§ 21.3-21.4 and 21.112. Such conduct by the Respondent is fraudulent, illegal, hazardous, creates an immediate danger to public safety, and is causing or can be reasonably expected to cause public injury that is likely to occur at any moment, is incapable of being repaired or rectified, and has or is likely to have influence or effect. Further, such conduct, designed to evade the insurance laws of the State of Texas, should immediately be stopped and enjoined.
4. Unless the Respondent is immediately ordered to cease and desist, it will continue to commit such unfair or deceptive acts or practices and engage in the business of insurance in and from Texas in an unauthorized, illegal, and hazardous manner.
5. The Commissioner of Insurance has authority and jurisdiction over this matter pursuant to TEX. INS. CODE ANN. arts. 5.13, 5.13-2, 7.19-1, 7.20, TEX. INS. CODE ANN. §§ 83.051, 101.001-101.156, 541.003, 541.051, 541.061, 801.051-801.053, 28 TEX. ADMIN. CODE § 1.901 *et seq.*, 21.3-21.4, 21.112, and TEX. GOV'T CODE ANN. §§ 2001.051 - 2001.178.

**IT IS THEREFORE ORDERED** that Provident Capital Indemnity, Ltd., its agents, employees, or other representatives, shall immediately cease and desist from doing the following:

**06-1154**

COMMISSIONER'S ORDER  
Provident Capital Indemnity, Ltd.  
Page 3 of 4

1. Taking any actions concerning funds which have been directly or indirectly collected, received or derived from Texas residents, or which have been commingled with funds collected, received, or derived from Texas residents, except as directed by the Texas Department of Insurance;
2. Permitting any third party to take any actions concerning funds which have been directly or indirectly collected, received or derived from Texas residents, or which have been commingled with funds collected, received, or derived from Texas residents, and which are contained in any account on which Provident Capital Indemnity, Ltd., or any of its officers or employees have signature authority in Provident Capital Indemnity, Ltd.'s name, except as directed by the Texas Department of Insurance;
3. The making of or proposing to make, as an insurer or surety, an insurance or surety contract without having first obtained a certificate of authority from the Texas Department of Insurance to conduct business as an insurer or surety;
4. The taking or receiving of any application for insurance or surety bond, other than by a licensed insurance agent acting on behalf of an insurer or surety possessing a certificate of authority to do the business of insurance in Texas in compliance with all applicable statutes and regulations;
5. The receiving or collection of any premium, commission, membership fees, assessments, dues or other consideration for any insurance or surety bond or any part thereof, without first complying fully with the statutes and regulations of the State of Texas and the Texas Department of Insurance;
6. The issuance or delivery of contracts of insurance or surety bonds to residents of this State or to persons authorized to do business in this State, without first complying fully with the statutes and regulations of the State of Texas and the Texas Department of Insurance;
7. Directly or indirectly acting as an agent for or otherwise representing or aiding on behalf of any person or insurer in the solicitation, negotiation, procurement or effectuation of insurance or surety bonds or renewals thereof or in the dissemination of information as to coverage or rates, or forwarding of applications, or delivery of policies or contracts, or in any other manner representing or assisting a person or insurer in the transaction of insurance with respect to subjects of insurance resident, located or to be performed in this State, without first complying fully with the statutes and regulations of the State of Texas and the Texas Department of Insurance;
8. Making, publishing, disseminating, circulating or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or

06-1154

COMMISSIONER'S ORDER  
Provident Capital Indemnity, Ltd.  
Page 4 of 4

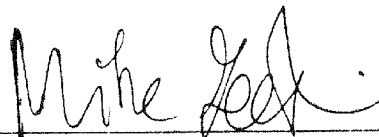
statement with respect to the business of insurance or surety or with respect to any person in the conduct of his insurance or surety business, which is untrue, deceptive, or misleading.

9. The doing of any kind of business specifically recognized as constituting the doing of an insurance business within the meaning of the statutes relating to insurance, without first complying fully with the statutes and regulations of the State of Texas and the Texas Department of Insurance; and
10. The doing or proposing to do any insurance business in substance equivalent to any of the acts defined in TEX. INS. CODE ANN. § 101.051 as doing an insurance business, in a manner designed to evade the provisions of the statutes.

**IT IS FURTHER ORDERED** that this Order is effective immediately and shall continue in force and effect until further order of the Commissioner of Insurance. This Order is binding on the Respondent, its agents, employees, or other representatives.

**PURSUANT TO TEX. INS. CODE ANN. § 83.053, ANY PERSON AFFECTED BY THIS ORDER AND WHO SEEKS TO CONTEST IT HAS THE RIGHT TO REQUEST A HEARING BEFORE THE COMMISSIONER, OR HIS DULY APPOINTED REPRESENTATIVE, TO SHOW CAUSE WHY THIS ORDER SHOULD NOT BE AFFIRMED. THE PERSON AFFECTED MUST MAKE THE REQUEST NOT LATER THAN THE 30<sup>TH</sup> DAY AFTER THE DATE ON WHICH THE PERSON RECEIVES THIS ORDER. THE REQUEST MUST BE IN WRITING DIRECTED TO THE COMMISSIONER AND MUST STATE THE GROUNDS FOR THE REQUEST TO SET ASIDE OR MODIFY THE ORDER.** Pending hearing, this Order shall continue in full force and effect unless stayed by the Commissioner. Any such hearing shall be conducted according to the procedures for contested cases under TEX. GOV'T CODE ANN. §§ 2001.051- 2001.062.

**IN THE EVENT THIS ORDER IS VIOLATED, THE COMMISSIONER MAY IMPOSE A CIVIL PENALTY OF \$25,000 FOR EACH ACT OF VIOLATION, OR DIRECT THE PERSON AGAINST WHOM THE ORDER IS ISSUED TO MAKE COMPLETE RESTITUTION, IN THE FORM AND AMOUNT AND WITHIN THE PERIOD DETERMINED BY THE COMMISSIONER, TO ALL TEXAS RESIDENTS, TEXAS INSURERS, AND ENTITIES OPERATING IN TEXAS HARMED BY THE VIOLATION OR FAILURE TO COMPLY, OR THE COMMISSIONER MAY IMPOSE BOTH THE PENALTY AND ORDER RESTITUTION.**



MIKE GEESLIN  
COMMISSIONER OF INSURANCE

06-1154

IN THE MATTER OF

PROVIDENT CAPITAL INDEMNITY, LTD.

§  
§  
§  
§  
§

BEFORE THE COMMISSIONER

OF INSURANCE

OF THE STATE OF TEXAS

**APPLICATION FOR EMERGENCY CEASE AND DESIST ORDER**

COMES NOW the Texas Department of Insurance ("TDI/Department"), through Staff Attorney, Alyssa J. Long, complaining of the Respondent, Provident Capital Indemnity, Ltd. The Department alleges that the above Respondent is engaging in the unauthorized business of insurance, that its conduct constitutes unfair acts, and that the conduct by the Respondent is fraudulent, illegal, hazardous, creates an immediate danger to public safety, and is causing or can be reasonably expected to cause public injury that is likely to occur at any moment, is incapable of being repaired or rectified, and has or is likely to have influence or effect under TEX. INS. CODE ANN. § 83.051.

**I. RESPONDENTS AND SERVICE**

Provident Capital Indemnity, Ltd. does not hold a certificate of authority to act as an insurer or surety and has not filed any notice with the Commissioner of any claim for exemption from TEX. INS. CODE ANN. § 101.102 with any documents supporting such claim prior to commencing operations, as required by TEX. INS. CODE ANN. § 101.004(b). Pursuant to TEX. INS. CODE ANN. § 83.052(b), service of the requested order may be obtained at Provident Capital Indemnity's last known address, Dessarrollos Comerciales Ronim, S.A., San Rafael-Heredia, Costa Rica, by certified mail, return receipt requested.

**II. JURISDICTION**

The Commissioner of Insurance has authority and jurisdiction over this matter pursuant to TEX. INS. CODE ANN. §§ 5.13, 5.13-2, 7.19-1, 7.20, TEX. INS. CODE ANN. §§ 83.051, 101.001-101.156, 541.003, 541.051, 541.061, 801.051-801.053, and 4001.101, 28 TEX. ADMIN. CODE § 1.901 *et seq.*, 21.3-21.4, 21.101-21.102, 21.112, and TEX. GOV'T CODE ANN. §§ 2001.051 - 2001.178.

**III. NATURE OF THIS ACTION**

This application for an emergency cease and desist order is brought by the Enforcement Division of the Texas Department of Insurance for the purpose of obtaining an ex parte emergency cease and desist order under the authority of TEX. INS. CODE ANN. § 83.051 and 28 TEX. ADMIN. CODE § 1.901. If granted, the Respondent and all of its agents, employees, and other representatives will be ordered to cease and desist from engaging in any activity within this State for which they are not licensed or do not hold a certificate of authority and from otherwise engaging in the unauthorized business of insurance in Texas.



#### IV. ALLEGATIONS

The Enforcement Division of TDI alleges as follows:

1. Respondent, Provident Capital Indemnity, Ltd. is an unlicensed purported insurer and surety doing business in Texas and said to be domiciled in San Rafael Heredia, Costa Rica.
2. A&O Resource Management, Ltd., 770 S. Post Oak Lane, # 610, Houston, Texas 77056, is a Life Settlement Broker, registered with the Department on August 22, 2005. According to Departmental records, the officers of A&O Resource Management, Ltd. are Chris Allmendinger and Brent Oncale. Exhibit 1.
3. Houston Tanglewood Partners, LLC, 770 S. Post Oak Lane, # 610, Houston, Texas 77056, is a Limited Liability Company that is not registered with the Department. According to the Articles of Organization, filed with the Texas Secretary of State on June 3, 2005, the managers of Houston Tanglewood Partners, LLC are Chris Allmendinger and Brent Oncale. Exhibit 2.
4. Ideal Settlements, 3349 Highway 138 East, Wall, New Jersey 07719, is a Life Settlement Company that is not registered with the Department to do a life settlement business in Texas. According to information on the firm's various Internet Websites ([www.ideal.bz](http://www.ideal.bz), [www.idealsettlements.net](http://www.idealsettlements.net), [www.idealsettlements.com](http://www.idealsettlements.com), [www.viatical.net](http://www.viatical.net), [www.cancerviatical.com](http://www.cancerviatical.com), [www.lifesettlementusa.com](http://www.lifesettlementusa.com), [www.viaticalsbyideal.com](http://www.viaticalsbyideal.com), [www.prostatecancerviatical.com](http://www.prostatecancerviatical.com)), Ideal Settlements provides life settlements in various states including Texas, and the president of Ideal Settlements is Carol Taurosa, Robert Taurosa is Senior Director, Michael Amato and Dr. Victor Salvo, M.D. are company Directors.
5. Respondent, Provident Capital Indemnity, Ltd. is engaged in the unauthorized business of insurance in Texas by soliciting, selling, executing, issuing, and writing surety bonds executed for contracts in Texas.
6. Provident Capital Indemnity, Ltd. does not hold a license, certificate, or authorization to do the business of insurance in Texas.
7. Respondent is not subject to any exemption or exception to the requirements in the Texas Insurance Code and the Texas Administrative Code that it have a certificate of authority to conduct or engage in the business of insurance in Texas. The Respondent has not presented or filed a notice of exemption from regulation under TEX. INS. CODE ANN. § 101.004.
8. The Respondent issued a First Written Demand Financial Guarantee Bond (the "Bond"), Number FWD 37 GFB 8584, GF or File Number CFL -

\$584, in the amount of Five Million Dollars (\$5,000,000), on behalf of Houston Tanglewood Partners, LLC, Katalin Szaniszló and Kevin Paul Wienkens, Investor in an A&O Resource Management, Ltd. Life Settlement Contract.

9. The purpose of the Bond was to indemnify and guarantee the investors for one hundred percent (100%) of the face amount of the life insurance policy acquired by the Investors under the Life Settlement Purchase Agreement, in the event the insured under the life policy outlives the Life Expectancy Termination date stated in the Bond and represented to the Life Settlement Investor. According to the terms of the Bond, the full amount of the Bond becomes payable upon demand by the Investor within ninety (90) days after the date of the stated Life Expectancy Termination and/or the date the associated life policy is completely subrogated and signed over to the insurer as full and legal beneficiary. Exhibit 3.
10. According to information provided by Ideal Settlements, between April 20, 2005 and May 5, 2006, the Respondent issued sixteen (16) Bonds with a total face amount of Sixty-Million, Two Hundred and Fifty Thousand Dollars (\$60,250,000), representing the face amount or death benefit of sixteen (16) life insurance policies, to Houston Tanglewood Partners, LLC and Investors who purchased life settlement contracts under Life Settlement Purchase Agreements between A&O Resource Management, Ltd. and Ideal Settlements.
11. Under the terms of the Life Settlement Purchase Agreements between A&O Resource Management, Ltd. and Ideal Settlements, Ideal Settlements agreed to assist A&O Resource Management, Ltd. in obtaining a Bond from the Respondent on each of the Life Settlement Purchase Agreements and A&O Resource Management, Ltd. agreed to be responsible for all premiums due the Respondent for the Bonds.
12. According to information provided by Ideal Settlements, premium on each Bond was 6% of the face amount. A&O Resource Management, Ltd. paid the Respondent approximately Three Million, Six Hundred and Fifteen Thousand Dollars (\$3,615,000) in premium for the sixteen (16) Bonds.
13. The conduct of the Respondent set forth in the above allegations constitutes an unfair act and is fraudulent, illegal, hazardous, or creates an immediate danger to the public safety; and is causing or can be reasonably expected to cause public injury. The above conduct violates TEX. INS. CODE ANN. arts. 7.19-1, 7.20, TEX. INS. CODE ANN. §§ 101.051, 101.102, 541.003, 541.051, and 541.061, and 28 TEX. ADMIN. CODE §§ 21.3-21.4 and 21.112.
14. Unless the Respondent, its agents, employees, or other representatives are immediately ordered to cease and desist from the commission of the acts herein alleged, the Respondent will continue to commit the same and similar acts to the irreparable and immediate injury of the public in violation of TEX. INS. CODE ANN. arts. 7.19-1,

**06-1154**

Application for Emergency Cease and Desist Order  
Provident Capital Indemnity, Ltd.  
Page 4 of 5

7.20, TEX. INS. CODE ANN. §§ 101.051 and 101.102, and 28 TEX. ADMIN. CODE §§ 21.3-21.4, and 21.112.

#### **V. RELIEF REQUESTED**

WHEREFORE, PREMISES CONSIDERED, the Enforcement Division of TDIC requests that the Commissioner of Insurance immediately, without notice or hearing, issue a cease and desist order under TEX. INS. CODE ANN. § 83.051 and 28 TEX. ADMIN. CODE § 1.901 ordering Respondent, its agents, employees, or other representatives to cease and desist from:

1. Taking any actions concerning funds which have been directly or indirectly collected, received or derived from Texas residents, or which have been commingled with funds collected, received, or derived from Texas residents, except as directed by the Texas Department of Insurance;
2. Permitting any third party to take any actions concerning funds which have been directly or indirectly collected, received or derived from Texas residents, or which have been commingled with funds collected, received, or derived from Texas residents, and which are contained in any account on which Provident Capital Indemnity, Ltd., or any of its officers or employees have signature authority in Provident Capital Indemnity, Ltd.'s name, except as directed by the Texas Department of Insurance;
3. The making of or proposing to make, as an insurer or surety, an insurance or surety contract without having first obtained a certificate of authority from the Texas Department of Insurance to conduct business as an insurer or surety;
4. The taking or receiving of any application for insurance or surety bond, other than by a licensed insurance agent acting on behalf of an insurer or surety possessing a certificate of authority to do the business of insurance in Texas in compliance with all applicable statutes and regulations;
5. The receiving or collection of any premium, commission, membership fees, assessments, dues or other consideration for any insurance or surety bond or any part thereof, without first complying fully with the statutes and regulations of the State of Texas and the Texas Department of Insurance;
6. The issuance or delivery of contracts of insurance or surety bonds to residents of this State or to persons authorized to do business in this State, without first complying fully with the statutes and regulations of the State of Texas and the Texas Department of Insurance;

Directly or indirectly acting as an agent for or otherwise representing or aiding on behalf of any person or insurer in the solicitation, negotiation, procurement or

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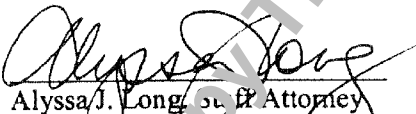
Application for Emergency Cease and Desist Order  
Provident Capital Indemnity, Ltd.  
Page 5 of 5

effectuation of insurance or surety bonds or renewals thereof or in the dissemination of information as to coverage or rates, or forwarding of applications, or delivery of policies or contracts, or in any other manner representing or assisting a person or insurer in the transaction of insurance with respect to subjects of insurance resident, located or to be performed in this State, without first complying fully with the statutes and regulations of the State of Texas and the Texas Department of Insurance,

8. Making, publishing, disseminating, circulating or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or surety or with respect to any person in the conduct of his insurance or surety business, which is untrue, deceptive, or misleading;
9. The doing of any kind of business specifically recognized as constituting the doing of an insurance business within the meaning of the statutes relating to insurance, without first complying fully with the statutes and regulations of the State of Texas and the Texas Department of Insurance; and
10. The doing or proposing to do any insurance business in substance equivalent to any of the acts defined in TEX. INS. CODE ANN. § 101.051 as doing an insurance business, in a manner designed to evade the provisions of the statutes.

TDI, through the Enforcement Division, requests any and such further relief, both at law and in equity, to which it may be entitled.

Respectfully submitted this 3 day of November, 2006.

  
Alyssa J. Long, Staff Attorney  
Enforcement Division, MC110-1A  
Texas Department of Insurance  
333 Guadalupe Street  
Austin, Texas 78701  
Telephone: (512) 475-1825  
Fax: (512) 475-1772  
SEN: 24036983

06-1154

STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

The Commissioner of Insurance, as the chief administrative and executive officer and custodian of records of the Texas Department of Insurance has delegated to the undersigned the authority to certify the authenticity of documents filed with or maintained by or within the custodial authority of the Life/Health Division of the Texas Department of Insurance.

Therefore, I hereby certify that the attached documents are true and correct copies of the documents described below. I further certify that the documents described below are filed with or maintained by or within the custodial authority of the Life/Health Division of the Texas Department of Insurance.

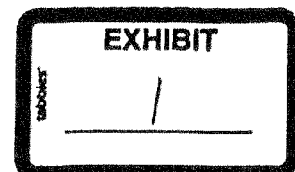
**Certificate of Registration for A&O Resource Management, LTD.**

This certification does not include records relevant to an inquiry, if any, by the Texas Department of Insurance's Insurance Fraud Unit which are confidential pursuant to Tex. Ins. Code art. 1.10D, §5(a) and an Op. Tex. Att'y Gen. No. OR95-1536 (1995).

IN TESTIMONY WHEREOF, witness my hand and seal of office at Austin, Texas, this 11th day of October, 2006.

MICHAEL S. GEESLIN  
COMMISSIONER OF INSURANCE

BY: Jacqueline P. Murphy  
Jacqueline P. Murphy  
Director, Life, Annuity and Credit  
Life/Health Division



06-1154



**Texas Department of Insurance**

333 Guadalupe PO Box 149104 Austin, TX 78714-9104

**Certificate of Registration**

|            |            |
|------------|------------|
| ID Number: | Expires:   |
| 11836457   | 08/22/2007 |

This is to certify that the entity named herein is registered to act as a Viatical and Life Settlement provider for the registration period indicated and is subject to the provisions set forth in the Texas Insurance Code.

A&O Resource Management, LTD  
770 S. Post Oak Lane Suite 610  
Houston, TX 77056

| Registration Type Description                                     | Date of Issue |
|---|---------------|
| Viatical and Life Settlement Provider Certificate of Registration | 08/22/2005    |

I certify that I am familiar with the provisions of the Texas Insurance Code which govern the Viatical and Life Settlement Certificate of Registration issued to me as identified herein. I further certify that I am knowledgeable of the privileges and limitations which this Certificate of Registration extends to me, and the penalties which the Texas Insurance Code and Texas Penal Code provide for the misuse thereof.

\_\_\_\_\_  
*Signature of Registrant*

\_\_\_\_\_  
*Title*

**Texas Department of Insurance  
Registration Card**

ID Number: 11836457

Expires on: 08/22/2007

A&O Resource Management, LTD

X

\_\_\_\_\_  
*Signature of Registrant*

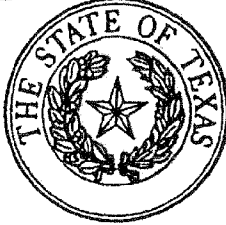
Texas Department of Insurance PO Box 149104  
(512) 322-3406 Austin, TX 78714-9104

Viatical/Life Settlement Provider

This is to certify that the entity named herein is registered to act for the registration period indicated subject to the provisions set forth in the Texas Administrative Code and the Texas Insurance Code.

This card is to be clipped out, laminated (optional) and carried by the named registrant. (Individual only.)  
Retain the upper portion for display or your own records.

06-1154



**Texas Department of Insurance**  
333 Guadalupe • P.O. Box 149104, Austin, Texas 78714-9104

License Number 1194287

BRENT PERRY ONCALE  
5510 S RICE AVE NO 625  
HOUSTON TX 77081

BE IT KNOWN, the above named, having fulfilled all requirements for licensure under the laws of the State of Texas, is hereby authorized to engage in the business of insurance in the State of Texas as a

**License Type**  
General Lines Agent

**Expiration Date**  
08-26-2006


**Qualification Type(s)**  
Life, Accident, Health and HMO

A licensee holding a General Lines - Life, Accident, Health and HMO license may be appointed to sell or solicit any line authorized by Texas Insurance Code Article 21.07-1, including variable contracts. A licensee holding a General Lines - Property and Casualty license may be appointed to sell or solicit any line authorized under Texas Insurance Code Article 21.14.

*Jose Montoya*  
Jose Montoya  
Commissioner of Insurance

LHL239, Rev. 1102

Retain upper portion for display in your own records.

|   |   |   |                                    |
|---|---|---|------------------------------------|
|  | <b>TEXAS DEPARTMENT OF INSURANCE</b><br>333 Guadalupe • P.O. Box 149104<br>Austin, Texas 78714-9104 | <b>BRENT PERRY ONCALE is authorized by the Commissioner of Insurance for the State of Texas to engage in the business of insurance in the State of Texas as a</b> |                                    |
|   | License Number: 1194287   | <b>License Type:</b><br>General Lines Agent   | <b>Expiration Date:</b> 08-26-2006 |
| <b>BRENT PERRY ONCALE</b><br>HOUSTON TX 77081                                       |   | <b>Qualification(s):</b><br>Life, Accident, Health and HMO  |                                    |
| X<br>Signature of Licensee LHL239, Rev. 1102  |   |   |                                    |

The bottom portion may be cut out and carried by the named licensee.

06-1154



**Texas Department of Insurance**  
333 Guadalupe • P.O. Box 149104, Austin, Texas 78714-9104

License Number 986832

CHRISTIAN MICHAEL ALLMENDINGER  
2211 AUSTIN STREET  
HOUSTON TX 77002

BE IT KNOWN, the above named, having fulfilled all requirements for licensure under the laws of the State of Texas, is hereby authorized to engage in the business of insurance in the State of Texas as a

**License Type**  
General Lines Agent

**Expiration Date**  
03-17-2006


**Qualification Type(s)**  
Life, Accident, Health and HMO

A licensee holding a General Lines - Life, Accident, Health and HMO license may be appointed to sell or solicit any line authorized by Texas Insurance Code Article 21.07-1, including variable contracts. A licensee holding a General Lines - Property and Casualty license may be appointed to sell or solicit any line authorized under Texas Insurance Code Article 21.14.

Jose Montemayor  
Commissioner of Insurance

LHL239.Rev.1102

Retain upper portion for display of your own records.

|   |   |
|---|---|
|  <p>TEXAS DEPARTMENT OF INSURANCE<br/>333 Guadalupe • P.O. Box 149104<br/>Austin, Texas 78714-9104</p> <p>License Number: 986832</p> <p>CHRISTIAN MICHAEL ALLMENDINGER<br/>HOUSTON TX 77002</p> <p>Signature of Licensee _____</p> | <p>CHRISTIAN MICHAEL ALLMENDINGER is authorized by the Commissioner of Insurance for the State of Texas to engage in the business of insurance in the State of Texas as a</p> <p>License Type: General Lines Agent      Expiration Date: 03-17-2006</p> <p>Qualification(s):<br/>Life, Accident, Health and HMO</p> |
|---|---|

This bottom portion may be cut out and carried by the named licensee.



08-1154



**Texas Department of Insurance**

Life/Health Division – Life, Annuity & Credit Section, Mail Code 106-1E  
333 Guadalupe • P. O. Box 149104, Austin, Texas 78714-9104

August 22, 2005

A&O Resource Management, LTD  
770 S. Post Oak Lane Suite 610  
Houston, TX 77056

Re: A&O Resource Management, LTD  
Viatical and Life Settlement Certificate of Registration  
TDI Number: 11836457

Dear Sir(s):

Enclosed please find the Certificate of Registration.

Upon issuance of a viatical/life settlement certificate of registration by the department, A&O Resource Management, LTD must file, for review or approval, any form you intend to use to effect a viatical/life settlement contract in Texas prior to any use, issuance, or delivery of the form. Please note that forms must be filed in accordance with 28 TAC §3.1706.

Pursuant to 28 TAC §3.1706(c), all forms filed shall be accompanied by a transmittal checklist. A transmittal checklist can be obtained on our website at [www.tdi.state.tx.us/general/pdf/lhvsistr.pdf](http://www.tdi.state.tx.us/general/pdf/lhvsistr.pdf).

To assist viatical and life settlement providers, provider representatives, brokers, TDI has developed certain prototype forms which are not required to be filed if the viatical and life settlement provider, provider representatives, or broker certifies that the prototype form(s) will be used. The prototype forms are Life Settlement Consumer Disclosure form-LS APPL DISC: 02/2001; Viatical Settlement Consumer Disclosure form-VS APPL DISC: 02/2001; Life Settlement Consumer Acknowledgement form-LS-ACK FORM 02/2001, and Viatical Settlement Consumer Acknowledgement form-VS-ACK FORM: 02/2001. The prototype forms to be used can be obtained by viewing our website at [www.tdi.state.tx.us/company/indexlh.html#l\\_h\\_ind](http://www.tdi.state.tx.us/company/indexlh.html#l_h_ind).

You are required to be in compliance with 28 TAC §§3.1701 – 3.1717 of the rules.

The Viatical and Life Settlement Rules are posted on our website at [www.tdi.state.tx.us](http://www.tdi.state.tx.us). Please refer to the Texas Administrative Code, Title 28, Part I, Chapter 3, Subchapter R. If you have any questions, or need further clarification, please feel free to contact me at (512) 322-3595.

Sincerely,

Mary F. Gase, FLMI, CLU, ACS, HIA  
Texas Department of Insurance  
[mary.gase@tdi.state.tx.us](mailto:mary.gase@tdi.state.tx.us)

Encl.: Certificate of Registration

512-322-3406 • 512-322-3506 fax  
[www.tdi.state.tx.us](http://www.tdi.state.tx.us)

00-1154

Corporations Section  
P.O.Box 13697  
Austin, Texas 78711-3697



Roger Williams  
Secretary of State

## Office of the Secretary of State

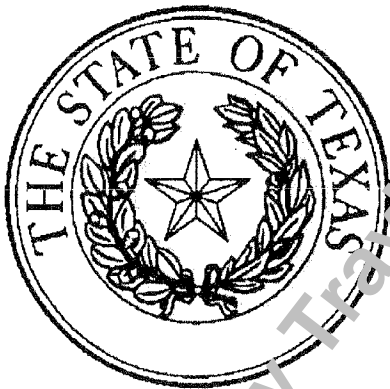
The undersigned, as Secretary of State of Texas, does hereby certify that the attached is a true and correct copy of each document on file in this office as described below:

Houston Tanglewood Partners, LLC  
Filing Number: 800501543

Articles of Organization

June 03, 2005

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on May 22, 2006.



A handwritten signature of Roger Williams in black ink.

Roger Williams  
Secretary of State

EXHIBIT

2

Phone: (512) 463-5555  
Prepared by: VNUNEZ  
TSSB 090050

Come visit us on the internet at <http://www.sos.state.tx.us/>  
Fax: (512) 463-5709

TTY: 7-1-1  
Document: 130164940002

08-1154

Sent By: &LOAN&MOYER;

7196837183;

Jun-21-05 5:20PM;

Page 3/4

**ARTICLES OF ORGANIZATION  
OF  
HOUSTON TANGLEWOOD PARTNERS, LLC  
A LIMITED LIABILITY COMPANY**

**FILED**  
In the Office of the  
Secretary of State of Texas  
JUN 03 2005  
Corporations Section

The undersigned, acting as the organizer of a limited liability company under the Texas Limited Liability Company Act (the "Act"), does hereby adopt the following Articles of Organization for Houston Tanglewood Partners, LLC.

**ARTICLE ONE**

The name of the company is Houston Tanglewood Partners, LLC.

**ARTICLE TWO**

The period of its perpetual.

**ARTICLE THREE**

The purpose or purposes for which the company is organized is the transaction of any or all lawful business for which limited liability company may be organized under the Texas Limited Liability Company Act.

**ARTICLE FOUR**

The address of the registered office of Houston Tanglewood Partners, LLC is 770 S. Post Oak Lane, Ste 610, Houston, TX 77056. The initial registered agent at such address is Chris Allmendinger.

**ARTICLE FIVE**

The company is to be managed initially by managers whose names and addresses are as follows:

| <u>Name</u>        | <u>Address</u>                                     |
|--------------------|--|
| Chris Allmendinger | 770 S. Post Oak Lane, Ste 610<br>Houston, TX 77056 |
| Brian Casale       | 770 S. Post Oak Lane, Ste 610<br>Houston, TX 77056 |

06-1154

Cont By: SLOAN&MOYER;

7136837183;

Jun-21-05 5:21PM;

Page 4/4

**ARTICLE SIX**

The names and address of the organizer of the company is:

Name

Warren J. Fields

Address

11767 Katy Freeway, Suite 1130  
Houston, TX 77079

Signed on: June 2, 2005

  
Warren J. Fields



▶ Life Settlements

▶ Senior Settlements

▶ Financial Advisors

▶ Viatical Settlements

▶ Settlement Process

▶ Do I Qualify?

▶ Key man Settlements



### Contact Us

Ideal Life Settlements is a nationwide viatical and life insurance settlement company that has been a source for policy holders to get maximum value out of their life insurance policy for years.

Financial Professionals look to Ideal Life Settlements to provide the funding and resources to get their client maximum value.

If you would like to speak with one of our advisors right now, please call Toll Free 1.732.600.5779.

You may also complete the form on our home page to receive free information about our services and industry.

#### Headquarters:

Address: 3349 HWY 138 Building C Wall, NJ 07715

#### Mailing Address:

PO Box 670 Allenwood, NJ 08720

#### Phone:

1.732.600.5779

08-1154

▶ Case Studies

▶ Other Options

▶ Frequently Asked Questions

▶ Viatical Settlement Tax Implications

▶ Ideal Privacy Policy

▶ Ideal Affiliate Program

▶ Articles & Press Releases



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**Life Settlements provided for the following States:**

Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming

[Request More Information](#)

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<http://www.idealsettlements.com/contact.htm>

10/11/2006

TSSB 090054

06-1154

06-1154

# FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND

GF or File Number: CFL48888- [REDACTED]

Bond No.: FWD3837 [REDACTED]

ISSUED ON BEHALF OF

Houston Tanglewood Partners, LLC.

Katalin Szaniszlo

Kevin Paul Wienkens



**Provident Capital Indemnity, Ltd.**

International Known as PCI  
Your Flexible Financial Services Provider

Please Address All Correspondence To Managers:

D. C. to limit, S.A.

Financial Services Division

Oficinas Ejecutivas San Rafael

San Rafael, Heredia, Costa Rica

Tel: (506) 237-9475

Fax: (506) 238-0775

E-Mail: [info@providentinsurances.com](mailto:info@providentinsurances.com)

Web-Site: [www.providentinsurances.com](http://www.providentinsurances.com)

*Please read this bond carefully and retain a copy for your records*

EXHIBIT

3



## Provident Capital Indemnity, Ltd.

### FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND ISSUED ON BEHALF OF

|                                   |
|-----------------------------------|
| Houston Tanglewood Partners, LLC. |
| Katalin Szanlazio                 |
| Kevin Paul Wlenkens               |

#### ACCOUNT REFERENCE:

Bond No.: FWD3837

GF or File Number:

This FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND is made and entered into by and between PROVIDENT CAPITAL INDEMNITY, LTD., with Management Offices Located in San José, Costa Rica (hereinafter referred to as the "INSURER", and "PCF") and Houston Tanglewood Partners, LLC. with management offices located at: 770 South Post Oak Lane, Suite 810 Houston Texas 77056 Phone: 713-985-8535; Katalin Szanlazio located at: 2423 Maple Grove Drive; Neenah, WI 54956; Kevin Paul Wlenkens located at: 2853 Circle Shore Drive; Green Bay, WI 54302 hereinafter referred to as the "INVESTOR(S)" and/or "POLICY OWNER(S)".

#### I. WITNESSETH

WHEREAS, the INVESTOR desires INSURER to act as INSURER at INVESTOR'S request for the benefit of the INVESTOR for the amount of FACE VALUE of the LIFE POLICY described herein, and

WHEREAS, INSURER is willing to act as INSURER for the benefit of the INVESTOR, subject to the provisions hereof, and

WHEREAS, the INVESTOR will purchase and acquire certain life insurance policy hereinafter known as Sun Life Policy # [REDACTED] for [REDACTED]

NOW THEREFORE, FOR THE PREMIUM AND CONSIDERATION RECEIVED, including the premises and mutual covenants herein set forth, INSURER does hereby agree to indemnify the INVESTOR up to the limit of liability as stated herein.

#### II. LET ALL MEN KNOW BY THESE PRESENTS

The INVESTOR is making an INVESTMENT to purchase the life policy with a face value of Five Million United States Dollars (US\$5,000,000.00). Such investment is used to purchase the life policy as indicated at a discounted amount of the face value and sufficient funds to maintain such policy until the policy owner has died or for the full calendar year as scheduled by the Sun Life Policy # [REDACTED] illustrations of premium payments up to the full anniversary date following any call on this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND.

We the undersigned insurance company PROVIDENT CAPITAL INDEMNITY, LTD. hereby issues this unconditional and irrevocable FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND for the FACE VALUE of the LIFE POLICY that the INVESTOR and subsequent investors further identified by a "CERTIFICATE OF INSURANCE" riders under this insurance policy will make according to the LIFE SETTLEMENT AGREEMENTS which a copy is attached hereto and made a part of this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND by attachment or referral hereafter.



06-1154



## Provident Capital Indemnity, Ltd.

### FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND ISSUED ON BEHALF OF

|                                   |
|-----------------------------------|
| Houston Tanglewood Partners, LLC. |
| Katalin Szanlazi                  |
| Kevin Paul Wlenkens               |

ACCOUNT REFERENCE: [REDACTED]

Bond No.: [REDACTED]

GF or File Number: [REDACTED]

### III. GENERAL TERMS AND CONDITIONS

#### A. DEFINITIONS

**LIFE POLICY:** Is the policy of life insurance sold to the INVESTOR who has attained the full beneficial powers of the Life Policy, either by full signature or by general power.

**POLICY OWNER** is the Person/entity who purchases or owns the LIFE POLICY and is listed as the beneficiary to the policy.

**INVESTOR:** Is the party who purchases the LIFE POLICY.

**INSURER:** PROVIDENT CAPITAL INDEMNITY LTD.

**LIFE SETTLEMENT AGREEMENT:** Is the agreement to purchase a LIFE POLICY from the policy owner together with all pertinent information as to the assignment of beneficial interest, and agreement to release medical files and other information as may be required by the INVESTOR and INSURER.

**CURRENT MEDICAL LIFE EXPECTANCY CERTIFICATE:** Is the detailed underwriting by the third party evaluation team (Midwest Medical Review, LLC.) dated 05 May, 2005, determining and certifying the Life Expectancy of [REDACTED] and (Midwest Medical Review, LLC.) dated 07 July, 2005 for [REDACTED] indicated as the insured under Sun Life Policy [REDACTED] for [REDACTED].

**CURRENT MEDICAL RECORDS:** All medical records of the insured which were used by the third party evaluation team (Midwest Medical Review, LLC.) dated 05 May, 2005, determining and certifying the Life Expectancy of [REDACTED] and (Midwest Medical Review, LLC.) dated 07 July, 2005 for [REDACTED] to determine the life expectancy and subsequently issuing the medical life expectancy certificate. Such records are updated within 3 months of the issuing Medical Life Expectancy.

#### B. CONDITIONS

INVESTOR and/or POLICY OWNER shall provide INSURER upon compilation and receipt, a detailed list and supporting documentation of the life policy purchased by the INVESTOR.

INSURER undertakes irrevocably and unconditionally to indemnify and guarantee the INVESTOR for one hundred percent (100%) of the face amount under the same conditions



06-1154

## Probident Capital Indemnity, Ltd.

### FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND ISSUED ON BEHALF OF

|                                   |
|-----------------------------------|
| Houston Tanglewood Partners, LLC. |
| Katalin Szanlazo                  |
| Kevin Paul Wienkens               |

**ACCOUNT REFERENCE:**

Bond No.: [REDACTED]

GF or File Number: [REDACTED]

outlined in the Sun Life Policy # [REDACTED] for [REDACTED] acquired by the INVESTOR under the LIFE SETTLEMENT PURCHASE AGREEMENT.

Such amount due shall be paid upon demand by the INVESTOR within ninety (90) days after the Life Expectancy Termination of 56 months ending JANUARY 02, 2010 and/or the associated life policy is completely subrogated and signed over to INSURER as full and legal beneficiary.

Such subrogation and payment of claim shall be performed by a simultaneous transaction through an independent third party escrow account by a qualified rated bank equal to a Standards and Poor's rating BBB or better or any other facility acceptable at the time of subrogation by both Policy Owner/Investor and the insurer.

No claims or demands shall be made on the INSURER or payable to the INVESTOR prior to Twenty Four (24) months from the effective date of this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND.

**C. SUPPORTING DOCUMENTS THAT MUST BE RECEIVED BY INSURER WHICH ARE TO INCLUDE:**

1. A true copy of the LIFE SETTLEMENT AGREEMENT
2. A true copy of the current medical life expectancy certificate, all supporting medical documentation and release forms.
3. A true copy of the complete Life Policy and change of ownership.
4. Verification of policy in force
5. Signed document declaring the policy has no liens, loans, hypothecation or any encumbrances to the policy.
6. A notarized statement indicating no loans, liens or encumbrances have been made against the life policy indicated.

#### IV. DENIAL OF ISSUANCE

PCI hereby states that they have the right to deny issuance under the following conditions:

PCI has not received all supporting documentation evidenced in the LIFE SETTLEMENT PURCHASE AGREEMENT;

1. A true copy of the Sun Life Policy # [REDACTED]
2. A true copy of a Certified Life Settlement Certificate.
3. A true copy of a current policy illustration detailing the premium schedule and death benefit amount for 9 years.



06-1154

## Probident Capital Indemnity, Ltd.

### FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND ISSUED ON BEHALF OF

|                                   |
|-----------------------------------|
| Houston Tanglewood Partners, LLC. |
| Katalin Szanlezo                  |
| Kevin Paul Wienkens               |

#### ACCOUNT REFERENCE:

Bond No.:

GF or File Number:

4. PCI has the right to review and underwrite all medical certificates and the information contained in the medical certificate, for sufficiency and accuracy of the data contained in the medical certificate.
5. Maintenance for all policy premiums and policy issues are the full responsibility of the INVESTOR and/or POLICY OWNER, now and henceforth as indicated herein until subrogation of life policy to the INSURER. If the policy at the time the INVESTOR and/or POLICY OWNER demands payment from the INSURER and the premiums have lapsed and additional time by Sun Life Policy for is not granted to pay such policy premiums by the INVESTOR and/or POLICY OWNER, all provisions of this bond are invalid and no claim for payment of the bond can be made to PCI.

#### V. SUBROGATION

Prior to payment of any claim under this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND the INSURER shall be subrogated to the INVESTOR's rights under the terms of the LIFE SETTLEMENT AGREEMENTS. The INVESTOR shall execute and deliver at the request of the INSURER all instruments and papers and do whatever else is necessary to transfer, assign and secure such rights. At the time of subrogation or any call on this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND there exist any outstanding loans, hypothecation of the life policy, pledges or delinquent policy premiums the INSURER shall deny any and all claims in respect to this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND.

Such subrogation and payment of claim shall be performed by a simultaneous transaction through an independent third party escrow account by a qualified rated bank equal to a Standards and Poor's rating BBB or better or any other facility acceptable at the time of subrogation between Policy Owner/Investor and the Insurer.

#### VI. MISCELLANEOUS PROVISIONS

**TRANSFER OR ASSIGNMENT OF INTEREST:** Transfer or assignment of the INVESTOR's rights and interest in the LIFE SETTLEMENT AGREEMENTS and this FIRST DEMAND FINANCIAL GUARANTEE BOND shall be permitted upon written approval of the INSURER, such approval shall not be unreasonably denied.

**REPORTS AND EXAMINATIONS OF RECORDS:** The Insurer or the Investor may at any time call upon the other for such reports as it may deem necessary and may inspect any accounts or records that are applicable to the LIFE SETTLEMENT AGREEMENTS and this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND.



06-1154

# Proident Capital Indemnity, Ltd.

## FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND ISSUED ON BEHALF OF

|                                   |
|-----------------------------------|
| Houston Tanglewood Partners, LLC. |
| Katalin Szaniszlo                 |
| Kevin Paul Wienkens               |

ACCOUNT REFERENCE: [REDACTED]

Bond No.: [REDACTED]

GF or File Number: [REDACTED]

The terms and conditions of this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND, if any, that are in conflict with the statutes of laws of the jurisdiction whereas the insurance is performed are hereby amended to conform with the minimum requirements of the laws and the Courts of England statutes of law.

In the event of any lawsuit proceeding for breach of or to enforce any term or terms of this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND, the prevailing party in such proceedings shall be entitled to recover, in addition to any other recovery, its costs of suit and reasonable attorney's fees.

### VII. PREMIUM AND CONSIDERATION

The face amount of this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND, covered by the INSURER is Five Million United States Dollars (US\$5,000,000.00) at the premium rate of Six Percent (6%). The total insurance premium is Three Hundred Thousand United States Dollars (US\$300,000.00). No other premiums or fees are due under this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND.

Warranted the INVESTOR shall pay an insurance premium payment directly to the INSURER by bank to bank wire transfer in the amount of Three Hundred Thousand United States Dollars (US\$300,000.00) prior to the issuance of this original "FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND".

1. The insurance coverage provided by this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND shall be null and void and without effect, unless such premium and consideration is received directly by the INSURER as required.
2. The premium and consideration is fully earned by the INSURER upon the execution and issuance of this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND and is non-refundable.

### VIII. CLAIMS PROCEDURE

1. Notify PCI within 30 days prior to making any claim as to the status of insured.
2. Both parties to agree on Third Party Escrow agent as stipulated under the Subrogation section V.

08-1154



# Provident Capital Indemnity, Ltd.

## FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND ISSUED ON BEHALF OF

|                                   |
|-----------------------------------|
| Houston Tanglewood Partners, LLC. |
| Katalin Szanlazo                  |
| Kevin Paul Wienkens               |

### ACCOUNT REFERENCE:

Bond No.: [REDACTED]

GF or File Number: [REDACTED]

- Submit to PCI a certification of the Insured's policy status through Sun Life Policy [REDACTED] for [REDACTED]
- Provide PCI with a statement from Sun Life Policy [REDACTED] for [REDACTED] [REDACTED] is in good standing and that the premiums are paid up as indicated under section II.

### IX. WHERE NOTICE IS GIVEN

All notices, pleadings, claims, requests, demands and other communications required to be given by the parties hereto shall be in writing and shall be deemed to have been given: (a) on the date of service, if served personally or by readable electronic means prior to the close of normal business hours on a normal business day, (b) the opening of the next business day, if served personally or by readable electronic means after the close of normal business hours on a normal business day, (c) on the date of receipt if by courier service.

### NOTICES TO THE INSURED SHALL BE ADDRESSED AS FOLLOWS:

#### PROVIDENT CAPITAL INDEMNITY, LTD.

(In care of its Management and Administration offices located at)

D. C. Ronin, S.A.

Financial Services Division

Oficinas Ejecutivas San Rafael

San Rafael, Heredia, Costa Rica

Tel: (506) 237-9475

Fax: (506) 238-0775

E-Mail: info@providentinsurances.com

Web Site: www.providentinsurances.com

### NOTICES TO THE INVESTOR SHALL BE ADDRESSED AS FOLLOWS:

#### INSURED'S CONTACT ADDRESS:

|                                   |  |
|-----------------------------------|--|
| Houston Tanglewood Partners, LLC. | 770 S. Post Oak Ln. #610;<br>Houston, Tx. 77056  |
| Katalin Szanlazo                  | 2423 Maple Grove Drive;<br>Neenah, WI. 54956     |
| Kevin Paul Wienkens               | 2863 Circle Shore Drive;<br>Green Bay, WI. 54302 |

06-1154



# Provident Capital Indemnity, Ltd.

## FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND ISSUED ON BEHALF OF

|                                   |
|-----------------------------------|
| Houston Tanglewood Partners, LLC. |
| Katalin Szanlazo                  |
| Kevin Paul Wienkens               |

ACCOUNT REFERENCE: [REDACTED]

Bond No.: [REDACTED]

GF or File Number: [REDACTED]

### X. VENUE

This FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND shall be governed by and construed in all respects in accordance with the laws and the Courts of England. Any dispute under this FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND or arising out of it shall be decided under and pursuant to the laws and the Courts of England. Venue of any action or proceeding hereunder shall be in London, England. The INVESTOR agrees that he, she or it will submit to the general jurisdiction of the courts herein under this section and will comply with all requirements necessary to give such courts jurisdiction and that service of process in such suit may be made upon the parties hereto at the names and addresses listed under the Notices Section contained herein.

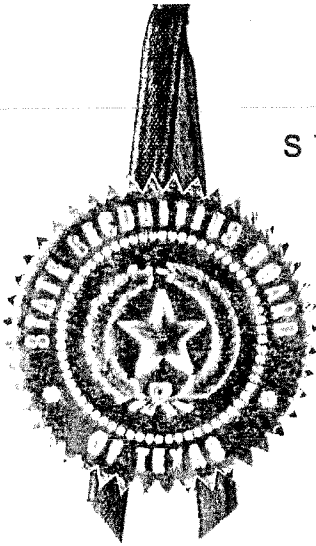
IN WITNESS WHEREOF, PROVIDENT CAPITAL INDEMNITY, LTD., HAS CAUSED THIS FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND INSURANCE POLICY TO BE EXECUTED AND ISSUED THIS \_\_\_ DAY OF FEBRUARY 2006, BY A DULY AUTHORIZED SIGNATORY, BUT THIS FIRST WRITTEN DEMAND FINANCIAL GUARANTEE BOND SHALL NOT BECOME VALID UNTIL THE REQUIRED PREMIUM AND CONSIDERATION IS RECEIVED DIRECTLY BY PCI AND A TRUE COPY OF ALL LIFE SETTLEMENT AGREEMENT PURCHASE DOCUMENTS AND LIFE INSURANCE POLICY ARE ATTACHED HERETO AND A TRUE COPY IS FURNISHED TO PROVIDENT CAPITAL INDEMNITY, LTD. BY COURIER SERVICE OR BY HAND DELIVERY.

PROVIDENT CAPITAL INDEMNITY, LTD.

(Seal)

*David Aguilar*  
David Aguilar  
Vice President





# STATE SECURITIES BOARD

AUSTIN, TEXAS

## CERTIFICATE

I, DENISE VOIGT CRAWFORD, Securities Commissioner of the State of Texas, do hereby certify that I have caused to be made a careful examination of the records of the State Securities Board, which records are kept under my supervision and control, under the provisions of House Bill 521, Chapter 100, Acts of the 44th Legislature, Regular Session, as amended, such Act being effective May 23, 1935, Senate Bill 149, Chapter 67, Acts of the 53rd Legislature, and House Bill 39, Chapter 384, Acts of the 54th Legislature, both Regular Session, as amended, such Acts being effective September 6, 1955, and Senate Bill 294, Chapter 269, Acts of the 55th Legislature, Regular Session, as amended, such Act being effective August 22, 1957, known and cited as "The Securities Act," and from such examination, I do further certify that the attached five pages constitute a true and correct record of information filed with the Securities Commissioner.

IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of the State Securities Board at my office in the City of Austin, this 15<sup>th</sup> day of April, 2010.

Denise Voigt Crawford  
DENISE VOIGT CRAWFORD  
Securities Commissioner



DENISE VOIGT CRAWFORD  
SECURITIES COMMISSIONER

JOHN R. MORGAN  
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167  
AUSTIN, TEXAS 78711-3167

Phone: (512) 305-8300  
Facsimile: (512) 305-8310



## Texas State Securities Board

208 E. 10th Street, 9th Floor  
Austin, Texas 78701-2407  
www.ssb.state.tx.us

JACK D. LADD  
CHAIRMAN

BRYAN K. BROWN  
MEMBER

BETH ANN BLACKWOOD  
MEMBER

WILLIAM F. SMITH  
MEMBER

EDUARDO ESCUDERO  
MEMBER

IN THE MATTER OF  
PROVIDENT CAPITAL INDEMNITY, LTD;  
HAROLD MARIDON; MINOR VARGAS CALVO;  
DAVID AGUILAR; SECURE GROWTH LLC;  
ROBERT P. MCGANN; PATRICIA JANICK;  
HAUSCHILD & KLEIN AND DANIEL KLEIN

Order No. ENF-08-CDO-1647

TO: Provident Capital Indemnity, Ltd.  
Dessarrollos Comerciales Ronim, S.A.  
San Rafael-Heredia, Costa Rica  
and  
P. O.Boxes 189-2000 and 2000  
San Jose, Costa Rica  
and  
C/Michael Bruney  
Virgin Lane 12  
Roseau, St. George  
Dominica

Harold Maridon  
Dessarrollos Comerciales Ronim, S.A.  
San Rafael-Heredia, Costa Rica  
and  
P. O.Boxes 189-2000 and 2000  
San Jose, Costa Rica  
and  
C/Michael Bruney  
Virgin Lane 12  
Roseau, St. George  
Dominica

Minor Vargas Calvo  
Dessarrollos Comerciales Ronim, S.A.  
San Rafael-Heredia, Costa Rica  
and  
P. O.Boxes 189-2000 and 2000  
San Jose, Costa Rica  
and  
C/Michael Bruney  
Virgin Lane 12  
Roseau, St. George  
Dominica

David Aguilar  
Dessarrollos Comerciales Ronim, S.A.  
San Rafael-Heredia, Costa Rica  
and  
P. O.Boxes 189-2000 and 2000  
San Jose, Costa Rica  
and  
C/Michael Bruney  
Virgin Lane 12  
Roseau, St. George  
Dominica

Secure Growth LLC  
930 S. Bell Boulevard, Suite 204  
Cedar Park, Texas 78613

Robert P. McGann  
930 S. Bell Boulevard, Suite 204  
Cedar Park, Texas 78613



Patricia Janick  
930 S. Bell Boulevard, Suite 204  
Cedar Park, Texas 78613

Hauschild & Klein  
2111 Mid Lane #A5  
Houston, Texas 77027

Daniel Klein  
2111 Mid Lane #A5  
Houston, Texas 77027

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2007) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

#### FINDINGS OF FACT

1. Provident Capital Indemnity, Ltd ("Respondent PCI") maintains last known addresses at Dessarrollos Comerciales Ronim, S.A., San Rafael-Heredia, Costa Rica and P.O. Boxes 189-2000 and 2000, San Jose, Costa Rica, and Respondent PCI can be contacted c/o Michael Bruney, Virgin Lane 12, Roseau, St. George, Dominica.
2. Harold Maridon ("Respondent Maridon") maintains last known addresses at Dessarrollos Comerciales Ronim, S.A., San Rafael-Heredia, Costa Rica and P.O. Boxes 189-2000 and 2000, San Jose, Costa Rica, and Respondent Maridon can be contacted c/o Michael Bruney, Virgin Lane 12, Roseau, St. George, Dominica.
3. Minor Vargas Calvo ("Respondent Calvo") maintains last known addresses at Dessarrollos Comerciales Ronim, S.A., San Rafael-Heredia, Costa Rica and P.O. Boxes 189-2000 and 2000, San Jose, Costa Rica, and Respondent Calvo can be contacted c/o Michael Bruney, Virgin Lane 12, Roseau, St. George, Dominica.
4. David Aguilar ("Respondent Aguilar") maintains last known addresses at Dessarrollos Comerciales Ronim, S.A., San Rafael-Heredia, Costa Rica and P.O. Boxes 189-2000 and 2000, San Jose, Costa Rica, and Respondent Calvo can be contacted c/o Michael Bruney, Virgin Lane 12, Roseau, St. George, Dominica.
5. Secure Growth LLC ("Respondent SGL") maintains a last known address at 930 S. Bell Boulevard, Suite 204, Cedar Park, Texas 78613.

6. Robert P. McGann ("Respondent McGann") maintains a last known address at 930 S. Bell Boulevard, Suite 204, Cedar Park, Texas 78613.
7. Patricia Janick ("Respondent Janick") maintains a last known address at 930 S. Bell Boulevard, Suite 204, Cedar Park, Texas 78613.
8. Hauschild & Klein ("Respondent H & K") maintains a last known address at 2111 Mid Lane #A5, Houston, Texas 77027.
9. Daniel Klein ("Respondent Klein") maintains a last known address at 2111 Mid Lane #A5, Houston, Texas 77027.
10. Respondents are offering bonded life contracts, also referred to as line of credit promissory notes with security agreements, and bonds in Texas. Respondents represent that these investments will return 15% per annum for a term of four to seven years. The bonded life contracts are purportedly secured by a bond issued through Respondent PCI.
11. The bonded life contracts and bonds have not been registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
12. Respondents PCI, Maridon, Calvo, SGL, McGann, and Janick have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
13. In connection with the offer for sale of the above-described bonded life contracts and bonds, Respondents PCI and Maridon are intentionally failing to disclose the following material facts:
  - a. That Respondent Maridon was convicted of conspiracy to commit mail and wire fraud in United States of America v. Harold Maridon, Cause No. 8:97CR-149-1, and
  - b. That the State of Florida obtained a receivership, injunction and other relief against Respondent PCI in State of Florida v. Provident Capital Indemnity, Case Number 93-4923, in the Second Judicial Circuit for Leon County, Florida, based in part upon findings that Respondent PCI unlawfully engaged in insurance in Florida, and that a warrant was issued for Respondent Maridon's arrest in connection therewith.
14. In connection with the offer for sale of the above-described bonded life contracts and bonds, Respondents PCI, Maridon, Calvo and Aguilar are intentionally failing to disclose the material fact that on November 6, 2006, Respondent PCI was ordered by the Texas Department of Insurance in Order # 06-1154 to cease and desist engaging in the unauthorized business of insurance in Texas in connection with its issuance of bonds securing contracts similar to those now offered by Respondents.

15. In connection with the offer for sale of the above-described bonded life contracts and bonds, Respondents are intentionally failing to disclose the following material facts:
  - a. Information regarding the names, background and experience of the officers and directors of Respondent SGL;
  - b. Information regarding the operating history of Respondent SGL and its background and experience in offering such investments; and
  - c. The assets and liabilities of Respondent SGL.
16. In connection with the offer for sale of the above-described bonded life contracts and bonds, Respondents represent that Respondent PCI received a 5A rating by Dunn & Bradstreet; that Respondent Maridon is the company underwriter; and that Respondents are offering an "AAA rated corporate bond," which are materially misleading or otherwise likely to deceive the public in light of the above alleged undisclosed facts.

#### CONCLUSIONS OF LAW

1. The above-described bonded life contracts and bonds are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondents PCI, Maridon, Calvo, SGL, McGann and Janick are violating Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. Respondents are engaging in fraud in connection with the offer for sale of securities.
5. Respondents have made an offer containing a statement that is materially misleading or otherwise likely to deceive the public.
6. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondents PCI, Maridon, Calvo, SGL, McGann and Janick immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

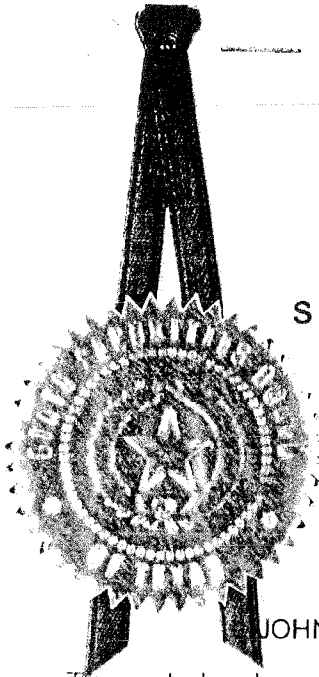
Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 17<sup>th</sup> day of

January, 2008.

*Denise Voigt Crawford*  
DENISE VOIGT CRAWFORD  
Securities Commissioner



## STATE SECURITIES BOARD

AUSTIN, TEXAS

### CERTIFICATE

JOHN R. MORGAN, Deputy Securities Commissioner of the State of Texas, do hereby certify that I have caused to be made a careful examination of the records of the State Securities Board, which records are kept under my supervision and control, under the provisions of House Bill 521, Chapter 100, Acts of the 44th Legislature, Regular Session, as amended, such Act being effective May 23, 1935, Senate Bill 149, Chapter 67, Acts of the 54th Legislature, and House Bill 39, Chapter 384, Acts of the 54th Legislature, both Regular Session, as amended, such Acts being effective September 6, 1955, and Senate Bill 294, Chapter 269, Acts of the 55th Legislature, Regular Session, as amended, such Act being effective August 22, 1957, known and cited as "The Securities Act," and from such examination, I do further certify that the attached three pages constitute a true and correct record of information filed with the Securities Commissioner.

IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of the State Securities Board at my office in the City of Austin, this fifth day of April, 2010.

  
JOHN R. MORGAN  
Deputy Securities Commissioner

EXHIBIT

B-8

DENISE VOIGT CRAWFORD  
SECURITIES COMMISSIONER

JOHN R. MORGAN  
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167  
AUSTIN, TEXAS 78711-3167

Phone: (512) 305-8300  
Facsimile: (512) 305-8310



## Texas State Securities Board

208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
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DERRICK MITCHELL  
MEMBER

E. WALLY KINNEY  
MEMBER

IN THE MATTER OF  
HILL COUNTRY FUNDING, LLC;  
RICHARD H. GRAY

§  
§  
§

TO: Hill Country Funding, LLC  
5945 Broadway Street  
San Antonio, Texas 78209

Richard H. Gray  
5945 Broadway Street  
San Antonio, Texas 78209

### UNDERTAKING FILED WITH THE SECURITIES COMMISSIONER OF TEXAS

Comes now, Hill Country Funding, LLC (a Nevada LLC), by and through Richard H. Gray, in his capacity as Managing Member of Hill Country Funding, LLC and Richard H. Gray, individually, (collectively "Respondents"), who enter into the following Undertaking with the Securities Commissioner of the State of Texas (the "Securities Commissioner") and make the following representations:

1. Respondents agree within 15 days of the execution of this Undertaking to notify any persons who have made loans or any form of investment with Hill Country Funding, LLC that relate to any form of bond or reinsurance to be procured through Provident Capital Indemnity Ltd and advise them of the existence of the Texas Department of Insurance and Texas State Securities Board emergency cease and desist orders regarding Provident Capital Indemnity, Ltd and any other material information regarding their loan/investment.
2. Respondents undertake and agree, in connection with the notification of such persons above specified, to offer to rescind any transactions with them and return their funds, should such investors elect to do so.
3. Respondents agree that they will not offer or make available to potential investors/lenders any program obligating Hill Country Funding, LLC to make periodic payments to such investors/lenders unless there is compliance with all applicable provisions of the Texas Securities Act, including, but not limited to disclosure, in

connection with the offer of any such loan/investment, the assets and liabilities of Hill Country Funding, LLC, as well as compliance with all applicable securities and dealer registration requirements, and in connection with the sale of any bonded life settlements or similar such investments, that they will comply with all applicable provisions of the Texas Securities Act.

4. Respondents agree that it will notify the Texas State Securities Board within ten (10) days when it has completed the notification of investors/lenders with a copy of the letter/communication to such persons.
5. Respondents agree to comply with all provisions of the Texas Securities Act and to cooperate with any future inquiries by the Texas State Securities Board.
6. Respondents execute and file this document with the Securities Commissioner with the understanding that knowingly, making or causing to be made, in any document filed with the Commissioner, any statement which is, at the time and in the light of the circumstances under which it was made, false or misleading in any material respect, may subject Respondents to criminal penalties pursuant to Section 29.E of The Texas Securities Act.

(2)

THIS UNDERTAKING IS BEING  
SIGNED IN A SPIRIT OF  
COOPERATION WITH THE  
TEXAS STATE SECURITIES  
BOARD - BUT IT IS NOT AN  
AGREEMENT ON THE PART  
OF HILL COUNTRY FUNDING,  
LLC, THAT THE PRODUCTS  
WE MARKET ARE A SECURITY.

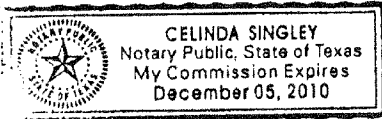
Hill Country Funding, LLC

By: Richard H. Gray  
Richard H. Gray, Managing Member

By: Richard H. Gray  
Richard H. Gray, Individually

**ACKNOWLEDGMENT**

Before me, the undersigned authority, on this 8<sup>th</sup> day of September, 2008, appeared Hill Country Funding, LLC, by and through its Managing Member, Richard H. Gray, who personally appeared before me and voluntarily executed the foregoing Undertaking for the purposes described therein, and Richard H. Gray did duly acknowledge to me that he was authorized to execute the same on behalf of Hill Country Funding, LLC.



[affix notary seal here]

Celinda Singley  
Notary Public in and for  
the State of Texas

My commission expires: 2010



FILED BY

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TENNESSEE  
WESTERN DIVISION

UNITED STATES OF AMERICA,

PLAINTIFF,

vs.

GEORGE KINDNESS,  
AND  
AMSCOT MEDICAL LABS, INC.  
(A CORPORATION)

DEFENDANTS.

Robert R. Di Trolio, Clerk  
U.S. DIST. COURT  
W.D. OF TENNESSEE  
03-204335 V  
CR. NO.

18 U.S.C., § 2  
18 U.S.C., § 371  
21 U.S.C., § 333(a)  
21 U.S.C., § 333(a)(2)

INDICTMENT

THE GRAND JURY CHARGES

COUNT 1:

INTRODUCTION

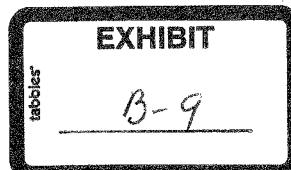
The Food, Drug, and Cosmetic Act

1. The United States Food and Drug Administration (hereinafter "FDA") is the federal agency within the United States Department of Health and Human Services (hereinafter "DHHS") charged with the responsibility for protecting the health and safety of the American public by ensuring that drugs are safe and effective for their intended uses before they may be legally marketed in interstate commerce. In order to legally market a drug in interstate commerce, the drug's manufacturer must comply with all applicable provisions of the Federal Food, Drug, and Cosmetic Act (hereinafter "the Act"), 21 U.S.C. § 321, et seq., and its implementing regulations.

2. The Act prohibits causing the introduction or delivery for introduction into

CERTIFIED TRUE COPY  
THOMAS M. GOULD, CLERK  
BY Thomas M. Gould  
DEPUTY CLERK

TSSB 090073



①

interstate commerce of misbranded drugs and introducing or delivering for introduction into interstate commerce misbranded drugs. 21 U.S.C. § 331(a).

3. The Act defines drugs to include articles intended for use in the cure, mitigation, treatment, or prevention of disease in man or other animals or intended to affect the structure or any function of the human body and components of such articles. 21 U.S.C. § 321(g). The term "drug" includes "articles intended for use as a component" of the drug. 21 U.S.C. § 321(g)(1)(D). "Components" are further defined to include "any ingredient intended for use in the manufacture of a drug product." 21 C.F.R. § 210.3(b)(3).

4. Certain autologous vaccines manufactured by Defendant AMSCOT MEDICAL LABS, INC., commonly known as Gene Activated Therapy (GAT) and Theracine, (hereinafter one or more of these substances are sometimes referred to generically as "Defendant AMSCOT's autologous vaccines.") were intended for use in the cure, mitigation, treatment, or prevention of disease in man and were drugs within the meaning of the Act, 21 U.S.C. §§ 321(g)(1)(B);

5. Under the Act, a drug is deemed to be misbranded for any one of a number of reasons. Relevant to this indictment, a drug is misbranded if it fails to bear adequate directions for its use, 21 U.S.C. § 352(f)(1).

6. A drug is "adulterated" if: 1) if it has been prepared, packed, or held under unsanitary conditions whereby it may have been contaminated with filth or whereby it may have been rendered injurious to health; or 2) if the methods used in, or the facilities or controls used for, its manufacture, processing, packing, or holding do not conform to or are not operated or administered in conformity with current good

manufacturing practice to assure that such drug meets the requirements of the Act as to safety and has the identity and strength, and meets the quality and purity characteristics, which it purports or is represented to possess. 21 U.S.C. § 351(a)(2)(B) and (C).

#### **The Defendants**

7. Defendant GEORGE KINDNESS, currently a resident of Middletown, Ohio, was president and part-owner of Defendant AMSCOT MEDICAL LABS, INC., from January 2, 1992, to the date of this indictment. Defendant GEORGE KINDNESS has also been the lab director of Defendant AMSCOT from January 2, 1992, to present and active in the day-to-day operation of the business.

8. From on and after January 2, 1992, to the date of this indictment, Defendant AMSCOT MEDICAL LABS, INC. was an Ohio for-profit corporation part-owned and operated by Defendant GEORGE KINDNESS, with its principal place of business initially in Hamilton, OH and later in Cincinnati, OH.

#### **The Conspiracy Charge**

9. From in or about September 1997, through in or about April 2001 in the Western District of Tennessee, and elsewhere, defendants did knowingly and intentionally combine, conspire, confederate and agree together and with diverse other persons both known and unknown to the Grand Jury to violate laws of the United States, to wit, introducing and delivering and causing the introduction and delivery into interstate commerce of misbranded and adulterated drugs with the intent to defraud or mislead in violation of 21 U.S.C. §§ 331(a) and 333(a)(2).

10. On or about April 12 – 13, 1999, FDA conducted an inspection of Defendant AMSCOT, located at 11365 Williamson Road., Cincinnati, Ohio, pursuant to its regulatory authority, 21 U.S.C. 374. The FDA discovered that Defendant AMSCOT had been and was currently manufacturing autologous vaccines from cancer patients' own tumor tissue and blood samples. The vaccines were intended as a treatment for cancer. The patients were administered these vaccines. The vaccine was being administered to patients as part of a study known as the Gene Activated Therapy (GAT) study.

11. Unnamed co-conspirator 1 was the clinical investigator for the GAT study and had an office located in Memphis, Tennessee.

12. The FDA inspection revealed that unnamed co-conspirator 1 would prescribe the vaccine for the cancer patients. Unnamed co-conspirator 1 would extract or cause to be extracted a blood and/or tumor tissue sample from the patients and subsequently ship the samples in interstate commerce to Defendant AMSCOT. Defendant AMSCOT, under the direction of Defendant GEORGE KINDNESS, would process the blood and tumor samples into a finished vaccine. The vaccine was then shipped in interstate commerce from Defendant AMSCOT in Cincinnati to either unnamed co-conspirator 1 in Memphis or directly to patients and/or others in states other than Tennessee. Defendant AMSCOT and Defendant GEORGE KINDNESS were informed by FDA investigators during the inspection that the GAT study required an Investigational New Drug Application (IND) to be in effect. Defendant GEORGE KINDNESS was informed by FDA investigators that conducting the GAT study without an IND in effect was a violation of the Food, Drug, and Cosmetic Act.

13. On or about April 15, 1999, Defendant AMSCOT submitted an IND application for the GAT study to the FDA. Defendant AMSCOT was listed as the study sponsor and vaccine production site in the IND application. The IND for the GAT study was never approved by FDA.

14. On or about May 14, 1999, FDA placed the IND for the GAT study on clinical hold. A clinical hold requires that all clinical work requested under an IND is either delayed or suspended until the IND is approved. (See 21 CFR 312.42(a)).

15. On or about December 7 – 9, 1999, the FDA inspected unnamed co-conspirator 1's office in Memphis. The FDA learned that after the IND for the GAT study was placed on hold, unnamed co-conspirator 1 continued to treat patients taking part in the GAT study with the same autologous tumor vaccine manufactured by Defendant AMSCOT. The FDA also learned that unnamed co-conspirator 1 had treated patients with an almost identical vaccine called Theracine. Like the GAT study vaccine, the Theracine was also manufactured by Defendant AMSCOT. The FDA had neither received, evaluated nor approved an IND application for the study of the Theracine vaccine.

16. On or about May 2 – 10, 2000, the FDA inspected Defendant AMSCOT and found evidence that since June 1999 Defendant AMSCOT had been manufacturing Theracine. Defendant GEORGE KINDNESS acknowledged in a sworn statement to FDA investigators on May 10, 2000, that an IND for Theracine had not been submitted to the FDA. The inspection also revealed that 63 Theracine vaccines had been processed since November 14, 1999, all of which were shipped to unnamed co-conspirator 1 and others prior to performing sterility, endotoxin and mycoplasma testing.

### OBJECTS OF THE CONSPIRACY

17. It was the object of the conspiracy: (A) to produce and distribute in interstate commerce to health care professionals and consumers misbranded drugs, i.e. one or more autologous vaccines, with the intent to deceive or defraud, and (2) to produce and distribute in interstate commerce to health care professionals and consumers adulterated drugs, i.e. one or more of autologous vaccines, with the intent to deceive or defraud, in violation of 21 U.S.C., Section 331(a) and 333(a)(2).

### OVERT ACTS

18. In furtherance of the conspiracy and to effect the objects thereof, defendants and others known and unknown to the Grand Jury committed and caused to be committed the following overt acts, among others, in the Western District of Tennessee, and elsewhere:

A. On or about April 12, 1999 and during the course of FDA's inspection at Defendant AMSCOT, Defendant GEORGE KINDNESS falsely represented to FDA investigators that he had an M.D. in general medicine.

B. On or about January 5, 2000, unnamed co-conspirator 1 of Memphis, Tennessee, sent a blood sample and tumor biopsy drawn from patient GN to Defendant AMSCOT for the purpose of manufacturing an injectable biologic to be administered to patient GN for the treatment of cancer.

C. On or about January 12, 2000, certain employees at Defendant AMSCOT at the direction of Defendant AMSCOT owner Defendant GEORGE KINDNESS, processed the blood and tumor of patient GN into an injectable biologic

called Theracine.

D. On or about January 12, 2000, Defendant GEORGE KINDNESS caused to be transported via United Parcel Service ("UPS") the Theracine biologic manufactured from the blood and tumor of patient GN to unnamed co-conspirator 1 in Memphis for the purpose of administering it to patient GN for the treatment of cancer.

E. On or about January 6, 2000, unnamed co-conspirator 1 of Memphis, Tennessee, sent a blood sample and tumor biopsy drawn from patient KS to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient KS for the treatment of cancer.

F. On or about January 13, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS, processed the blood and tumor of patient KS into the injectable biologic Theracine.

G. On or about January 17, 2000, Defendant GEORGE KINDNESS caused to be transported via UPS the Theracine manufactured from the blood and tumor of patient KS to unnamed co-conspirator 1 in Memphis for the purpose of administering it to patient KS for the treatment of cancer.

H. On or about February 4, 2000, unnamed co-conspirator 1 of Memphis, Tennessee, sent a blood sample and tumor biopsy from patient KN to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient KN for the treatment of cancer.

I. On or about February 11, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS, processed the blood and tumor of patient KN into the injectable biologic Theracine.

J. On or about February 14, 2000, Defendant GEORGE KINDNESS caused to be transported via UPS the Theracine processed from the blood and tumor samples of patient KN to unnamed co-conspirator 1 in Memphis for the purpose of treating patient KN for cancer.

K. On or about February 8, 2000, unnamed co-conspirator 1 in Memphis, Tennessee, caused to be transported to Defendant AMSCOT a blood sample and tumor biopsy from patient SW for the purpose of manufacturing Theracine to be administered to patient SW for the treatment of cancer.

L. On or about February 16, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient SW into the injectable biologic Theracine.

M. On or about February 16, 2000, Defendant GEORGE KINDNESS caused to be transported via UPS the Theracine processed from the blood and tumor samples of patient SW to unnamed co-conspirator 1 in Memphis, Tennessee, for the purpose of administering the Theracine to patient SW for the treatment of cancer.

N. On or about February 21, 2000, unnamed co-conspirator 1 in Memphis caused a blood sample and tumor biopsy from patient YJ to be transported to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient YJ for the treatment of cancer.

O. On or about February 26, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient YJ into the injectable biologic Theracine.

P. On or about February 29, 2000, Defendant GEORGE KINDNESS



caused to be transported via UPS the Theracine processed from the blood and tumor samples of patient YJ to unnamed co-conspirator 1 in Memphis for the purpose of administering the Theracine to patient YJ for the treatment of cancer.

Q. On or about February 21, 2000, unnamed co-conspirator 1 in Memphis caused a blood sample and tumor biopsy from patient RL to be transported to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient RL for the treatment of cancer.

R. On or about February 27, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient RL into the injectable biologic Theracine.

S. On or about February 29, 2000, Defendant GEORGE KINDNESS caused to be transported via UPS the Theracine processed from the blood and tumor samples of patient RL to unnamed co-conspirator 1 in Memphis for the purpose of administering the Theracine to patient RL for the treatment of cancer.

T. On or about February 29, 2000, unnamed co-conspirator 1 in Memphis caused a blood sample and tumor biopsy from patient DP to be transported to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient DP for the treatment of cancer.

U. On or about March 8, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient DP into the injectable biologic Theracine.

V. On or about March 8, 2000, Defendant GEORGE KINDNESS caused to be transported via UPS the Theracine processed from the blood and tumor samples of

patient DP to unnamed co-conspirator 1 in Memphis for the purpose of administering the Theracine to patient DP for the treatment of cancer.

W. On or about March 23, 2000, unnamed co-conspirator 1 in Memphis caused to be transported to Defendant AMSCOT a blood sample and tumor biopsy from patient SD for the purpose of manufacturing Theracine to be administered to patient SD for the treatment of cancer.

X. On or about March 31, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient SD into the injectable biologic Theracine.

Y. On or about April 3, 2000, Defendant GEORGE KINDNESS caused to be transported via UPS the Theracine processed from the blood and tumor samples of patient SD to unnamed co-conspirator 1 in Memphis for the purpose of administering the Theracine to patient SD for the treatment of cancer.

Z. On or about March 28, 2000, unnamed co-conspirator 1 in Memphis caused to be transported to Defendant AMSCOT a blood sample and tumor biopsy from patient VM for the purpose of manufacturing Theracine to be administered to patient VM for the treatment of cancer.

AA. On or about April 5, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient VM into the injectable biologic Theracine.

BB. On or about April 5, 2000, Defendant GEORGE KINDNESS caused to be transported via UPS the Theracine processed from the blood and tumor samples of patient VM to unnamed co-conspirator 1 in Memphis for the purpose of administering

the Theracine to patient VM for the treatment of cancer.

CC. On or about March 29, 2000, unnamed co-conspirator 1 in Memphis sent a blood sample and tumor biopsy from patient EP to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient EP for the treatment of cancer.

DD. On or about April 6, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient EP into the injectable biologic Theracine.

EE. On or about April 6, 2000, Defendant GEORGE KINDNESS caused to be transported via UPS the Theracine processed from the blood and tumor samples of patient EP to unnamed co-conspirator 1 in Memphis for the purpose of administering the Theracine to patient EP for the treatment of cancer.

FF. On or about June 7, 2000, unnamed co-conspirator 1 in Memphis caused to be transported a blood sample and tumor biopsy from patient GN to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient GN for the treatment of cancer.

GG. On or about June 19, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient GN into the injectable biologic Theracine.

HH. On or about June 27, 2000, Defendant AMSCOT transported via UPS the Theracine from the blood and tumor samples of patient GN to unnamed co-conspirator 1 in Memphis to be administered to patient GN for the treatment of cancer.

II. On or about June 13, 2000, unnamed co-conspirator 1 in Memphis

caused a blood sample and tumor biopsy from patient GK to be transported to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient GK for the treatment of cancer.

JJ. On or about June 21, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient GK into the injectable biologic Theracine.

KK. On or about June 28, 2000, Defendant GEORGE KINDNESS shipped Theracine processed from the blood and tumor samples of patient GK to unnamed co-conspirator 1 in Memphis for the purpose of administering it to patient GK for the treatment of cancer.

LL. On or about June 26, 2000, and July 5, 2000, Defendant GEORGE KINDNESS caused a Defendant AMSCOT employee to ship Theracine via UPS to unnamed co-conspirator 1 in Memphis.

MM. On or about June 30, 2000, unnamed co-conspirator 1 caused to be transported a blood sample and tumor biopsy from patient RB to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient RB for the treatment of cancer.

NN. On or about July 10, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient RB into the injectable biologic Theracine.

OO. On or about June 30, 2000, unnamed co-conspirator 1 in Memphis transported a blood sample and tumor biopsy from patient CH to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient CH for the

treatment of cancer.

PP. On or about July 10, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient CH into the injectable biologic Theracine.

QQ. On or about July 14, 2000, unnamed co-conspirator 1 in Memphis transported a blood sample and tumor biopsy from patient JM to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient JM for the treatment of cancer.

RR. On or about July 25, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient JM into the injectable biologic Theracine.

SS. On or about July 26, 2000, Defendant GEORGE KINDNESS provided the Theracine processed from the blood and tumor samples of patient JM to unnamed co-conspirator 1 in Memphis for the purpose of having it administered to patient JM for the treatment of cancer.

TT. On or about July 20, 2000, unnamed co-conspirator 1 in Memphis transported a blood sample and tumor biopsy from patient JS to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient JS for the treatment of cancer.

UU. On or about July 31, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient JS into the injectable biologic Theracine.

VV. On or about August 7, 2000, Defendant GEORGE KINDNESS caused

to be provided the Theracine processed from the blood and tumor samples of patient JS to unnamed co-conspirator 1 in Memphis for the purpose of administering it to patient JS for the treatment of cancer.

WW. On or about August 2, 2000, unnamed co-conspirator 1 in Memphis transported a blood sample and tumor biopsy from patient AF to Defendant AMSCOT for the purpose of manufacturing Theracine to be administered to patient AF for the treatment of cancer.

XX. On or about August 11, 2000, certain employees at Defendant AMSCOT at the direction of Defendant GEORGE KINDNESS processed the blood and tumor sample of patient AF into the injectable biologic Theracine.

YY. On or about August 18, 2000, Defendant GEORGE KINDNESS caused to be provided the Theracine processed from the blood and tumor samples of patient AF to unnamed co-conspirator 1 in Memphis for the purpose of administering it to patient JS for the treatment of cancer.

ZZ. On or about August 3, 2000, Defendant GEORGE KINDNESS caused to be shipped via UPS Theracine processed from the blood and tumor tissue of patient RL to unnamed co-conspirator 1 in Memphis for the purpose of administering the Theracine to patient RL for the treatment of cancer.

AAA. On or about November 3, 2000, and during the course of an FDA inspection of Defendant AMSCOT, Defendant GEORGE KINDNESS falsely stated to FDA investigators that he had only manufactured Theracine for previous Theracine patients and that he did not maintain certain records documenting the manufacture of Theracine batches after approximately May 10, 2000.

BBB. During the course of the FDA inspection of Defendant AMSCOT from on or about October 29 to November 3, 2000, Defendant GEORGE KINDNESS instructed a Defendant AMSCOT employee to conceal vaccine log pages documenting the manufacture of Theracine from after May 19, 2000, from the FDA investigators. The vaccine logs were not inspected by the FDA during the inspection.

All in violation of 18 U.S.C. § 371

**COUNTS 2 THROUGH 11**

19. The allegations as set forth in paragraphs 1 through 8 and 10 through 16 in Count 1 of this Indictment are incorporated by reference as if fully rewritten herein.

20. On or about the following dates as set forth for each count, within the Western District of Tennessee, and elsewhere, Defendant AMSCOT and Defendant GEORGE KINDNESS, being aided and abetted by others, known and unknown to the grand jury, did, with the intent to defraud and mislead, introduce and deliver for introduction into interstate commerce and cause to be introduced and delivered for introduction into interstate commerce, a drug that was misbranded within the meaning of 21 U.S.C. § 352(f)(1), in that its labeling did not bear adequate directions for use:

| <u>Count Number</u> | <u>Date of Violation</u> |
|---------------------|--------------------------|
| 2                   | January 12, 2000         |
| 3                   | January 17, 2000         |
| 4                   | February 14, 2000        |
| 5                   | February 16, 2000        |

|    |                   |
|----|-------------------|
| 6  | February 29, 2000 |
| 7  | March 8, 2000     |
| 8  | April 3, 2000     |
| 9  | April 5, 2000     |
| 10 | April 6, 2000     |
| 11 | August 3, 2000    |

All in violation of 21 U.S.C. §§ 331(a) and 333(a)(2) and 18 U.S.C. § 2.

**COUNTS 12 THROUGH 21**

21. The allegations as set forth above in this indictment in paragraphs 1 through 8 and 10 through 16 in Count 1 of this indictment are incorporated by reference as if fully rewritten herein.

22. On or about the following dates as set forth for each count, within the Western District of Tennessee, and elsewhere Defendant AMSCOT and Defendant GEORGE KINDNESS, being aided and abetted by persons known and unknown to the grand jury, did, with the intent to defraud and mislead, introduce and deliver for introduction into interstate commerce and cause to be introduced and delivered for introduction into interstate commerce, a drug that was adulterated within the meaning of 21 U.S.C. § 351(a)(2)(B), in that the methods used in, and the facilities and controls used for, its manufacture, processing, packing and holding did not conform to and were not operated and administered in conformity with then current good manufacturing practices to assure that such drug met the requirements of the Act as to safety and had the identity and



strength, and met the quality and purity characteristics, which it was purported and represented to possess:

| <u>Count Number</u> | <u>Date of Violation</u> |
|---------------------|--------------------------|
| 12                  | January 12, 2000         |
| 13                  | January 17, 2000         |
| 14                  | February 14, 2000        |
| 15                  | February 16, 2000        |
| 16                  | February 29, 2000        |
| 17                  | March 8, 2000            |
| 18                  | April 3, 2000            |
| 19                  | April 5, 2000            |
| 20                  | April 6, 2000            |
| 21                  | August 3, 2000           |

All in violation of 21 U.S.C. §§ 331(a) and 333(a)(2) and 18 U.S.C. § 2.

A TRUE BILL:

Harmon (Jim) Gossett  
Grand Jury Foreperson

DATED: 11-19-03

Lawrence J. Hawkey  
Assistant United States Attorney  
Western District of Tennessee

FILED IN OPEN COURT

DATE: 7/6/05

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TENNESSEE  
WESTERN DIVISION

TIME: 1:45 pm

INITIALS: ME

UNITED STATES OF AMERICA,

PLAINTIFF,

vs.

CR. NO. 03-20433-B

GEORGE KINDNESS

AND

AMSCOT MEDICAL LABS, INC.,

DEFENDANTS.

PLEA AGREEMENT

The United States of America ("United States") and George Kindness ("Kindness") and Amscot Medical Labs, Inc., ("Amscot") the defendants in this action, hereby agree to the following terms, conditions and understandings:

1. Defendant Kindness agrees to enter a plea of guilty to Count 11 of the indictment, to wit, being aided and abetted in the introduction of a misbranded drug into interstate commerce with the intent to mislead the drug being misbranded within the meaning of 21 U.S.C. § 352(f)(1) in that its labeling did not bear adequate directions for use, in violation of 21 U.S.C. §§ 331(a) and 333(a)(2). The United States and defendant Kindness stipulate and agree that the factual basis for the guilty plea in this instance is contained in the Stipulation of Facts, which has been signed by both parties and is specifically incorporated herein as Exhibit A.

CERTIFIED TRUE COPY  
THOMAS M. GOULD, CLERK  
BY [Signature]  
DEPUTY CLERK

2. Defendant Amscot agrees to enter a plea of guilty to Count 11 of the indictment, to wit, being aided and abetted in the introduction of a misbranded drug into interstate commerce with the intent to mislead, the drug being misbranded within the meaning of 21 U.S.C. § 352(f)(1) in that its labeling did not bear adequate directions for use, in violation of 21 U.S.C. §§ 331(a) and 333(a)(2). The United States and defendant Amscot stipulate and agree that the factual basis for the guilty plea in this instance is contained in the Stipulation of Facts, which has been signed by both parties and is specifically incorporated herein as Exhibit A.

3. As to defendant Kindness, the parties agree that the maximum penalty for a violation of 21 U.S.C. §§ 331(a) and 333(a)(2) is imprisonment for no more than three (3) years, see 21 U.S.C. § 333(a)(2), a fine of no more than \$250,000.00, see 18 U.S.C. § 3571(b)(4), a period of supervised release of no more than one (1) year, see 18 U.S.C. § 3583(b)(3), and a mandatory special assessment of \$100.00, see 18 U.S.C. § 3013(a)(2)(A).

4. As to defendant Amscot, the parties agree that the maximum penalty for a violation of 21 U.S.C. §§ 331(a) and 333(a)(2) is imprisonment for no more than three (3) years, see 21 U.S.C. § 333(a)(2), a fine of no more than \$500,000.00, see 18 U.S.C. § 3571(c)(3), a period of supervised release of no more than one (1) year, see 18 U.S.C. § 3583(b)(3), and a mandatory special assessment of \$400.00, see 18 U.S.C. § 3013(a)(2)(B).

5. As to defendants Kindness and Amscot, the United States agrees that it will recommend the dismissal of counts 1 through 10 and 12 through 21 of the indictment, pursuant to Fed. R. Crim. P. 11(c)(1)(A), following sentencing in this case.

6. Pursuant to Fed. R. Crim. P. 11(c)(1)(B), the United States agrees that it will recommend that defendant Kindness be sentenced to the low end of the applicable guideline sentencing range. The United States and Kindness further agree that this provision of the plea agreement shall not be binding upon the district court.

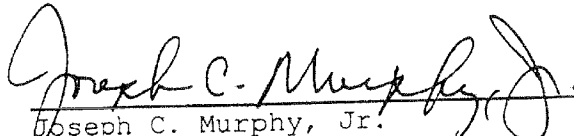
7. The United States agrees that if the defendants admit their guilt and comply with the provisions of United States Sentencing Guidelines § 3E1.1, it will not oppose the defendants receiving an appropriate reduction for acceptance of responsibility pursuant to United States Sentencing Guidelines § 3E1.1.

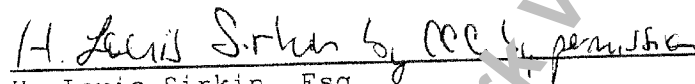
8. The parties hereto agree that the conduct described in Paragraph 8 of the Stipulation of Facts, which is attached hereto as Exhibit A, and which is attributable to defendant Kindness, does not constitute obstruction of justice as defined by United States Sentencing Guidelines § 3C1.1 in that the described conduct did not obstruct or impede the administration of justice during the course of the investigation and prosecution of this case.

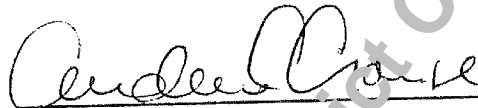
9. The parties hereto agree that this agreement constitutes the parties' entire agreement and that this agreement may only be

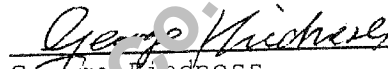
amended in a writing signed by all the parties hereto.


The undersigned parties do hereby consent and agree to the terms herein this 6th day of July, 2005.

  
Joseph C. Murphy, Jr.  
Assistant U.S. Attorney

  
H. Louis Sirkin, Esq.  
Attorney for Defendants  
George Kindness and Amscot Medical Labs, Inc.

  
Candace C. Crouse, Esq.  
Attorney for Defendants  
George Kindness and Amscot Medical Labs, Inc.

  
George Kindness  
Defendant

  
Authorized Agent of Amscot Medical Labs, Inc.

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IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TENNESSEE  
WESTERN DIVISION

UNITED STATES OF AMERICA,

PLAINTIFF,

vs.

CR. NO. 03-20425-B

GEORGE KINDNESS

AND

AMSCOT MEDICAL LABS, INC.,

DEFENDANTS.

STIPULATION OF FACTS

The United States of America ("United States") and George Kindness ("Kindness") and Amscot Medical Labs, Inc., ("Amscot") the defendants in this action, hereby stipulate to the following facts:

1. Defendant Kindness is currently the president and part-owner of defendant Amscot Medical Labs, Inc., and has held the position of president of the corporation and been part-owner of the corporation since January, 1992. Kindness has been the lab director for Amscot and has been active in the day-to-day operation of the business since January, 1992.

2. Amscot is an Ohio corporation engaged in the business of performing laboratory medical tests of various types and kinds. It has also engaged in the business of producing certain "vaccines" as further described herein. Amscot is incorporated in the State of Ohio and its principal place of business has been

EXHIBIT

A

located in the Cincinnati, Ohio area at all times relevant to this case.

3. On April 12 and 13, 1999, the Food and Drug ("FDA") Administration conducted a regulatory inspection of defendant Amscot's lab facility, which was then located at 11365 Williamson Road, Cincinnati, Ohio. During the inspection FDA inspectors discovered that Amscot was producing autologous vaccines from blood and tumor samples provided to Amscot by a medical doctor practicing in Memphis, Tennessee. The vaccine was intended to treat cancer, and the blood and tumor samples were processed by Amscot into a vaccine which was specific as to each patient. Once the production process was complete, the vaccine was shipped from Cincinnati, Ohio, to Memphis, Tennessee, via interstate common carrier. Upon arrival in Memphis, the vaccine was delivered to a medical doctor and administered to patients.

4. The vaccine described in Paragraph 3, above, was part of a study known as the Gene Activated Therapy study or "GAT." During the FDA inspection of the Amscot facility in Cincinnati, Ohio, FDA inspectors informed defendants Kindness and Amscot that FDA rules and regulations required that an Investigatory New Drug Application had to be filed with the FDA in order for the GAT study to continue. Defendant Kindness was also advised by the FDA inspectors that conducting the GAT study without an IND was in effect a violation of the Food, Drug and Cosmetic Act.



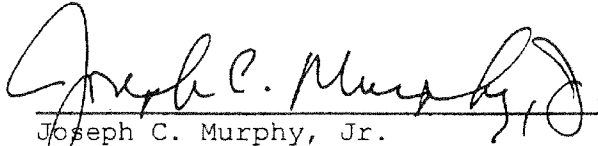
5. On or about April 15, 1999, defendant Amscot submitted an IND application to the FDA for the GAT study. The IND listed defendant Amscot as a sponsor and vaccine producer for the study. The IND was never approved by the FDA and the FDA placed a clinical hold on the GAT study. A clinical hold requires that all clinical work requested under the IND is either delayed or suspended until the IND is approved.

6. On December 7, 1999, through December 9, 1999, the FDA inspected the medical office of the medical doctor in Memphis, Tennessee, who had been receiving the GAT vaccines and administering them to his patients. During the inspection the FDA inspectors discovered that the medical doctor in Memphis, Tennessee, had treated some patients with Theracine, a vaccine produced by Amscot and which was almost identical to the GAT vaccine. The Theracine vaccine, just like the GAT vaccine, was manufactured from blood and tumor samples from a patient, and then injected into the patient. The FDA had never received or approved an IND for the Theracine vaccine. Kindness, through the employees of Amscot, directed the development and production of the Theracine vaccine at the Amscot lab.

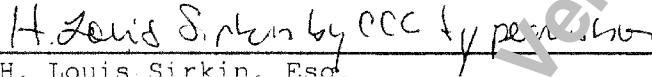
7. Title 21, United States Code, § 352(f)(1) provides that a drug is "misbranded" if it fails to bear adequate directions for its use. Title 21, Code of Federal Regulations, Part 201 requires, among other things, that the label on each bottle or vial containing an investigatory new drug include information identifying the drug, directions for use and the dosage.

8. On or about August 3, 2000, defendants Kindness and Amscot caused a container containing Theracine to be shipped from Cincinnati, Ohio, to Memphis, Tennessee, via United Parcel Service. The shipment was delivered to a United Parcel Service facility by an Amscot employee and the employee paid for the shipping out of employee's personal funds. Once the FDA had discovered that Amscot was continuing to produce a second autologous vaccine for which an IND had not been filed, Amscot began shipment of the vaccine outside the normal course of their business. Prior to the FDA's discovery of the shipment of the new vaccine, Amscot had shipped the vaccine directly from their offices using a company account. The Theracine vaccine had been produced by Amscot from blood and tumor samples provided by the medical doctor in Memphis, Tennessee, and was intended to be used to treat cancer. The label on the container of the Theracine vaccine did not include the identity of the drug, directions for use or the dosage.

The undersigned parties do hereby stipulate to the facts set forth herein this 6th day of July, 2005.



Joseph C. Murphy, Jr.  
Assistant U.S. Attorney



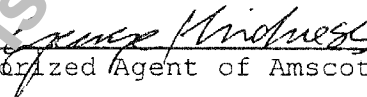
H. Louis Sirkin, Esq.  
Attorney for Defendants  
George Kindness and Amscot Medical Labs, Inc.



Candace C. Crouse, Esq.  
Attorney for Defendants  
George Kindness and Amscot Medical Labs, Inc.



George Kindness  
Defendant



Authorized Agent of Amscot Medical Labs, Inc.

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UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TENNESSEE  
WESTERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

GEORGE KINDNESS and AMSCOT  
MEDICAL LABS, INC.

Defendants.

Case No. CR03-20433BV

**WAIVER OF CONFLICT OF INTERESTS  
OF AMSCOT MEDICAL LABS, INC.**

The undersigned, the President and the secretary of Amscot Medical Labs, Inc. ("Amscot"), hereby advise the Court that Amscot has been informed that it has the right to be represented by counsel independent of any obligations owed by the law firm of Sirkin, Pinales & Schwartz, LLP to Defendant, George Kindness, and while Amscot does not believe that a conflict of interest exists, Amscot hereby specifically waives its right to be represented by separate counsel in these proceedings.

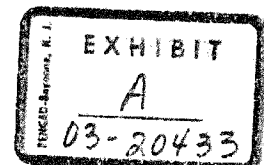
George Kindness  
GEORGE KINDNESS,  
President of Amscot Medical Labs, Inc.

Date: 5<sup>th</sup> July 2005

Sandra Kindness  
SANDRA KINDNESS,  
Secretary/Treasurer of Amscot Medical Labs, Inc.

Date: 7/5/05

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UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TENNESSEE  
WESTERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

GEORGE KINDNESS and AMSCOT  
MEDICAL LABS, INC.

Defendants.

Case No. CR03-20433BV

WAIVER OF CONFLICT OF INTEREST  
OF GEORGE KINDNESS

I, George Kindness, Defendant in the above captioned criminal action, hereby advise the Court that I have been informed that I have the right to be represented by counsel independent of any obligations owed by the law firm of Sirkin, Pinales & Schwartz, LLP to Defendant, Amscot Medical Labs, Inc., and while I do not believe that a conflict of interest exists, I hereby specifically waive my right to be represented by separate counsel in these proceedings.

George Kindness  
GEORGE KINDNESS

Date: 5<sup>th</sup> July 2005

GEORGE KINDNESS\conflict\wv2.wpd

**RESOLUTION AND DECLARATION  
OF  
AMSCOT MEDICAL LABS, INC.**

The undersigned, the President and the Secretary/Treasurer of Amscot Medical Labs, Inc. (the "Company"), in accordance with the laws of the State of Ohio, hereby take the following actions and adopt the following recitals and resolutions, effective as of the date hereof.

**DECLARATION OF GOOD STANDING**

WHEREAS, the Company is in good standing in the State of Ohio and shall take all steps necessary to maintain good standing in the State of Ohio.

**WRITTEN CONSENT AND RESOLUTION**

WHEREAS, the Company desires to plead guilty to Count 11 of the Indictment in the matter entitled *United States of America v. George Kindness and Amscot Medical Labs, Inc.*, Case No. 03-20433-B.

FURTHER, the Company authorizes George Kindness to execute any documents necessary to enter into the plea of guilty as stated above.

NOW, THEREFORE, BE IT RESOLVED, the Company shall consent to the plea of guilty to Count 11 of the Indictment in the matter entitled *United States of America v. George Kindness and Amscot Medical Labs, Inc.*, Case No. 03-20433-B, and authorizes George Kindness to represent the Company and to execute any documents necessary to enter into the plea of guilty as stated above.

Dated: 5<sup>th</sup> July, 2005

Dated: 7/5/05

George Kindness  
George Kindness, President

Sandra Kindness  
Sandra Kindness, Secretary/Treasurer

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UNITED STATES DISTRICT COURT - WESTERN DISTRICT OF TENNESSEE



## Notice of Distribution

This notice confirms a copy of the document docketed as number 64 in case 2:03-CR-20433 was distributed by fax, mail, or direct printing on July 7, 2005 to the parties listed.

US Marshals  
Memphis, TN

US Pretrial Office  
Memphis, TN

US Probation Office  
Memphis, TN

Honorable J. Breen  
US DISTRICT COURT

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TENNESSEE  
WESTERN DIVISION

FILED BY *[Signature]* D.C.

05 JUL -7 AM 8:56

THOMAS M. GOULD  
CLERK, U.S. DISTRICT COURT  
W/D OF TENNESSEE

UNITED STATES OF AMERICA,

Plaintiff,

VS.

GEORGE KINDNESS,  
AMSCOT MEDICAL LABS,

Defendants.

CR. NO. 03-20453-B

ORDER ON CHANGE OF PLEA  
AND SETTING

CERTIFIED TRUE COPY  
THOMAS M. GOULD, CLERK  
BY *[Signature]* DEPUTY CLERK

This cause came to be heard on July 6, 2005, the United States Attorney for this district, Joe Murphy, appearing for the Government and the defendant, George Kindness, appearing in person on his own behalf and as representative for Amscot Medical Labs, and with counsel, Candace Crouse, who represented the defendants.

With leave of the Court, the defendant withdrew the not guilty plea heretofore entered and entered a plea of guilty to Count 11 of the Indictment.

Plea colloquy was held and the Court accepted the guilty plea.

**SENTENCING** in this case is **SET** for **THURSDAY, OCTOBER 6, 2005, at 1:30 P.M.,** in **Courtroom No. 1, on the 1<sup>st</sup> floor before Judge J. Daniel Breen.**

Defendant is allowed to remain released on present bond.

ENTERED this the 6<sup>th</sup> day of July, 2005.

*[Signature]*  
J. DANIEL BREEN  
UNITED STATES DISTRICT JUDGE

This document entered into the court's records in compliance  
with Rule 58 and/or 62 of the Federal Rules of Civil Procedure 7-7-05



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UNITED STATES DISTRICT COURT - WESTERN DISTRICT OF TENNESSEE

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## Notice of Distribution

This notice confirms a copy of the document docketed as number 65 in case 2:03-CR-20433 was distributed by fax, mail, or direct printing on July 7, 2005 to the parties listed.

---

Joseph C. Murphy  
U.S. ATTORNEY'S OFFICE  
167 N. Main St.  
Ste. 800  
Memphis, TN 38103

H. Lewis Sirkin  
SIRKIN PINALES MEZIBOV & SCHWARTZ  
105 W. 4th Street  
Ste. 920  
Cincinnati, OH 45202

Candace C. Crouse  
105 West Fourth Street  
Suite 920  
Cincinnati, OH 45202--277

Martin S. Pinales  
105 West Fourth Street  
Ste. 920  
Cincinnati, OH 45202

Honorable J. Breen  
US DISTRICT COURT

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF TENNESSEE  
MEMPHIS DIVISION

UNITED STATES OF AMERICA

-v-

2:03CR20433-01-B

GEORGE KINDESS

H. Louis Sirkin, Retained  
Defense Attorney  
920 4<sup>th</sup> & Race Tower 103 W. 4<sup>th</sup>  
Street  
Cincinnati, OH 35202-2776

CERTIFIED TRUE COPY  
THOMAS M. GOULDY, CLERK  
BY [Signature]  
DEPUTY CLERK

**JUDGMENT IN A CRIMINAL CASE**  
(For Offenses Committed On or After November 1, 1987)

The defendant pleaded guilty to Count 11 of the Indictment on July 06, 2006. Accordingly, the court has adjudicated that the defendant is guilty of the following offense:

| <u>Title &amp; Section</u>                                  | <u>Nature of Offense</u>  | <u>Date<br/>Offense<br/>Concluded</u> | <u>Count<br/>Number</u> |
|---|---|---------------------------------------|-------------------------|
| 21 U.S.C. §§ 331 (a) and<br>333 (a)(2) and<br>18 U.S.C. § 2 | Aiding and Abetting Introduction and<br>Delivery for Introduction Into Interstate<br>Commerce a Misbranded Drug with<br>Intent to Mislead the Food and Drug<br>Administration | 08/03/2000                            | 11                      |

The defendant is sentenced as provided in the following pages of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984 and the Mandatory Victims Restitution Act of 1993.

Counts 1-10 and 12-21 are dismissed on the motion of the United States.

**IT IS FURTHER ORDERED** that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs and special assessments imposed by this judgment are fully paid.

Date of Imposition of Sentence:  
September 28, 2006

S/ J. Daniel Breen  
J. DANIEL BREEN  
UNITED STATES DISTRICT JUDGE

September 29, 2006

Defendant's Date of Birth: 3/1/1947  
Defendant's Soc. Sec. No. 291-82-8932  
Def't's U.S. Marshal No.: none

Defendant's Mailing Address:  
7207 Stonebrook Court  
Middletown, OH 45044

Unofficial copy Travis Co. District Clerk Velda L. Price

## PROBATION

The defendant is hereby placed on probation for a term of **1 Year**.

While on probation, the defendant shall not commit another federal, state, or local crime and shall not illegally possess a firearm, ammunition, destructive device, or dangerous weapons. The defendant shall also comply with the standard conditions that have been adopted by this court (set forth below). If this judgment imposes a fine or a restitution obligation, it shall be a condition of probation that the defendant pay any such fine or restitution.

The defendant shall refrain from any unlawful use of a controlled substance. The defendant shall submit to one drug test within 15 days of release from placement on probation and at least two periodic drug tests thereafter, as directed by the probation officer.

The defendant shall comply with the following standard conditions that have been adopted by this court.

### STANDARD CONDITIONS OF SUPERVISION

1. The defendant shall not leave the judicial district without the permission of the court or probation officer;
2. The defendant shall report to the probation officer as directed by the court or probation officer and shall submit a truthful and complete written report within the first five days of each month;
3. The defendant shall answer truthful all inquiries by the probation officer and follow the instructions of the probation officer;
4. The defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons;
5. The defendant shall notify the probation officer **ten(10) days prior** to any change in residence or employment;
6. The defendant shall refrain from the excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any narcotic or other controlled substance, or any paraphernalia related to such substances, except as prescribed by a physician, and shall submit to periodic urinalysis tests as directed by the probation officer to determine the use of any controlled substance;
7. The defendant shall not frequent places where controlled substances are illegally sold, used, distributed, or administered; The defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer;
8. The defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view by the probation officer;
9. The defendant shall notify the probation officer within **72 hours** of being arrested or questioned by a law enforcement officer;
10. The defendant shall not enter into any agreement to act as an informer or a special agent of a law

enforcement agency without the permission of the court;

11. As directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.
12. If this judgment imposes a fine or a restitution obligation, it shall be a condition of supervised release that the defendant pay any such fine or restitution in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

### **ADDITIONAL CONDITIONS OF PROBATION**

The defendant shall also comply with the following additional conditions of probation:

1. Cooperate with DNA collection as directed by the Probation Officer.
2. Provide the Probation Officer with access to any requested financial information.
3. Defendant shall not represent himself as a medical doctor.

### **CRIMINAL MONETARY PENALTIES**

The defendant shall pay the following total criminal monetary penalties in accordance with the schedule of payments set forth in the Schedule of Payments. The defendant shall pay interest on any fine or restitution of more than \$2,500, unless the fine or restitution is paid in full before the fifteenth day after the date of judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options in the Schedule of Payments may be subject to penalties for default and delinquency pursuant to 18 U.S.C. § 3612(g).

#### **Total Assessment**

**\$100.00**

#### **Total Fine**

**\$1000.00**

#### **Total Restitution**

The Special Assessment shall be due immediately.

#### **FINE**

A Fine in the amount of \$ 1000.00 is imposed.

#### **RESTITUTION**

No Restitution was ordered.

### **SCHEDULE OF PAYMENTS**

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties shall be due as follows:

E. Special instructions regarding the payment of criminal monetary penalties:

Fine shall be payable through the U.S. Probation Office.

Unless the court has expressly ordered otherwise in the special instructions above, if this judgment imposes a period of imprisonment, payment of criminal monetary penalties shall be due during the period of imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program, are made to the clerk of the court, unless otherwise directed by the court, the probation officer, or the United States attorney.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF TENNESSEE  
MEMPHIS DIVISION

UNITED STATES OF AMERICA

-v-

GEORGE KINDESS

2:03CR20433-01-B

(Redacted Version)

H. Louis Sirkin, Retained  
Defense Attorney  
920 4<sup>th</sup> & Race Tower, 105 W. 4<sup>th</sup>  
Street  
Cincinnati, OH 35202-2776

CERTIFIED TRUE COPY  
THOMAS M. GOULD, CLERK  
BY Debra L. Price  
DEPUTY CLERK

JUDGMENT IN A CRIMINAL CASE  
(For Offenses Committed On or After November 1, 1987)

The defendant pleaded guilty to Count 11 of the Indictment on July 06, 2006. Accordingly, the court has adjudicated that the defendant is guilty of the following offense:

| <u>Title &amp; Section</u>                                  | <u>Nature of Offense</u>   | <u>Date<br/>Offense<br/>Concluded</u> | <u>Count<br/>Number</u> |
|---|--|---------------------------------------|-------------------------|
| 21 U.S.C. §§ 331 (a) and<br>333 (a)(2) and<br>18 U.S.C. § 2 | Aiding and Abetting Introduction and<br>Delivery for Introduction Into Interstate<br>Commerce a Misbranded Drug with<br>Intent to Molester the Food and Drug<br>Administration | 08/03/2000                            | 11                      |

The defendant is sentenced as provided in the following pages of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984 and the Mandatory Victims Restitution Act of 1996.

Counts 1-10 and 12-21 are dismissed on the motion of the United States.

**IT IS FURTHER ORDERED** that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs and special assessments imposed by this judgment are fully paid.

Date of Imposition of Sentence:  
September 28, 2006

S/ J. Daniel Breen  
J. DANIEL BREEN  
UNITED STATES DISTRICT JUDGE

September 29, 2006

Defendant's Date of Birth: 1947  
Defendant's Soc. Sec. No. xxx-xx-8932  
Def't's U.S. Marshal No.: none

Defendant's Mailing Address:

Middletown, OH

Unofficial copy Travis Co. District Clerk Velda L. Price



## PROBATION

The defendant is hereby placed on probation for a term of **1 Year**.

While on probation, the defendant shall not commit another federal, state, or local crime and shall not illegally possess a firearm, ammunition, destructive device, or dangerous weapons. The defendant shall also comply with the standard conditions that have been adopted by this court (set forth below). If this judgment imposes a fine or a restitution obligation, it shall be a condition of probation that the defendant pay any such fine or restitution.

The defendant shall refrain from any unlawful use of a controlled substance. The defendant shall submit to one drug test within 15 days of release from placement on probation and at least two periodic drug tests thereafter, as directed by the probation officer.

The defendant shall comply with the following standard conditions that have been adopted by this court.

### STANDARD CONDITIONS OF SUPERVISION

1. The defendant shall not leave the judicial district without the permission of the court or probation officer;
2. The defendant shall report to the probation officer as directed by the court or probation officer and shall submit a truthful and complete written report within the first five days of each month;
3. The defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer;
4. The defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons;
5. The defendant shall notify the probation officer **ten(10) days prior** to any change in residence or employment;
6. The defendant shall refrain from the excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any narcotic or other controlled substance, or any paraphernalia related to such substances, except as prescribed by a physician, and shall submit to periodic urinalysis tests as directed by the probation officer to determine the use of any controlled substance;
7. The defendant shall not frequent places where controlled substances are illegally sold, used, distributed, or administered; The defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer;
8. The defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view by the probation officer;
9. The defendant shall notify the probation officer within **72 hours** of being arrested or questioned by a law enforcement officer;
10. The defendant shall not enter into any agreement to act as an informer or a special agent of a law

enforcement agency without the permission of the court;

11. As directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.
12. If this judgment imposes a fine or a restitution obligation, it shall be a condition of supervised release that the defendant pay any such fine or restitution in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

### **ADDITIONAL CONDITIONS OF PROBATION**

The defendant shall also comply with the following additional conditions of probation:

1. Cooperate with DNA collection as directed by the Probation Officer.
2. Provide the Probation Officer with access to any requested financial information.
3. Defendant shall not represent himself as a medical doctor.

### **CRIMINAL MONETARY PENALTIES**

The defendant shall pay the following total criminal monetary penalties in accordance with the schedule of payments set forth in the Schedule of Payments. The defendant shall pay interest on any fine or restitution of more than \$2,500, unless the fine or restitution is paid in full before the fifteenth day after the date of judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options in the Schedule of Payments may be subject to penalties for default and delinquency pursuant to 18 U.S.C. § 3612(g).

#### **Total Assessment**

**\$100.00**

#### **Total Fine**

**\$1000.00**

#### **Total Restitution**

The Special Assessment shall be due immediately.

#### **FINE**

A Fine in the amount of \$ 1000.00 is imposed.

#### **RESTITUTION**

No Restitution was ordered.

### **SCHEDULE OF PAYMENTS**

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties shall be due as follows:

E. Special instructions regarding the payment of criminal monetary penalties:

Fine shall be payable through the U.S. Probation Office.

Unless the court has expressly ordered otherwise in the special instructions above, if this judgment imposes a period of imprisonment, payment of criminal monetary penalties shall be due during the period of imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program, are made to the clerk of the court, unless otherwise directed by the court, the probation officer or the United States attorney.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF TENNESSEE  
MEMPHIS DIVISION

UNITED STATES OF AMERICA

-v-

2:03CR20433-02-B  
(Redacted Version)

AMSCOT MEDICAL LABS, INC.,  
A CORPORATION

H. Louis Sirkin, Retained  
Defense Attorney  
920 4<sup>th</sup> & Race Tower, 105 4<sup>th</sup> Street  
Cincinnati, OH 45202-2776

CERTIFIED TRUE COPY  
THOMAS M. GOULD, CLERK  
BY [Signature]  
DEPUTY CLERK

JUDGMENT IN A CRIMINAL CASE  
(For Offenses Committed On or After November 1, 1987)

The defendant pleaded guilty to Count 11 of the Indictment on July 06, 2005. Accordingly, the court has adjudicated that the defendant is guilty of the following offense:

| <u>Title &amp; Section</u>                                  | <u>Nature of Offense</u>  | <u>Date<br/>Offense<br/>Concluded</u> | <u>Count<br/>Number</u> |
|---|---|---------------------------------------|-------------------------|
| 21 U.S.C. §§ 331 (a) and<br>333 (a)(2) and<br>18 U.S.C. § 2 | Aiding and Abetting Introduction and<br>Delivery for Introduction Into Interstate<br>Commerce a Misbranded Drug with<br>Intent to Mislead the Food and Drug<br>Administration | 08/03/2000                            | 11                      |

The defendant is sentenced as provided in the following pages of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984 and the Mandatory Victims Restitution Act of 1993.

Counts 1-10 and 12-21 are dismissed on the motion of the United States.

**IT IS FURTHER ORDERED** that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs and special assessments imposed by this judgment are fully paid.

Date of Imposition of Sentence:  
September 28, 2006

S/ J. Daniel Breen  
J. DANIEL BREEN  
UNITED STATES DISTRICT JUDGE

September 29, 2006

Defendant's Mailing Address:

Cincinnati, OH

Unofficial copy Travis Co. District Clerk Velda L. Price

## PROBATION

The defendant is hereby placed on probation for a term of **1 Year**.

While on probation, the defendant shall not commit another federal, state, or local crime and shall not illegally possess a firearm, ammunition, destructive device, or dangerous weapons. The defendant shall also comply with the standard conditions that have been adopted by this court (set forth below). If this judgment imposes a fine or a restitution obligation, it shall be a condition of probation that the defendant pay any such fine or restitution.

The defendant shall comply with the following standard conditions that have been adopted by this court.

### STANDARD CONDITIONS OF SUPERVISION

1. The defendant shall not leave the judicial district without the permission of the court or probation officer;
2. The defendant shall report to the probation officer as directed by the court or probation officer and shall submit a truthful and complete written report within the first five days of each month;
3. The defendant shall answer truthful all inquiries by the probation officer and follow the instructions of the probation officer;
4. The defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons;
5. The defendant shall notify the probation officer **ten(10) days prior** to any change in residence or employment;
6. The defendant shall refrain from the excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any narcotic or other controlled substance, or any paraphernalia related to such substances, except as prescribed by a physician, and shall submit to periodic urinalysis tests as directed by the probation officer to determine the use of any controlled substance;
7. The defendant shall not frequent places where controlled substances are illegally sold, used, distributed, or administered; The defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer;
8. The defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view by the probation officer;
9. The defendant shall notify the probation officer within **72 hours** of being arrested or questioned by a law enforcement officer;
10. The defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the court;
11. As directed by the probation officer, the defendant shall notify third parties of risks that may be

occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

12. If this judgment imposes a fine or a restitution obligation, it shall be a condition of supervised release that the defendant pay any such fine or restitution in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

### **ADDITIONAL CONDITIONS OF PROBATION**

The defendant shall also comply with the following additional conditions of probation:

1. Make full financial disclosure to the Probation Officer.
2. Be prohibited from incurring any new credit charges or opening additional lines of credit without the prior approval of the Probation Officer unless the defendant is in compliance with the payment schedule.

### **CRIMINAL MONETARY PENALTIES**

The defendant shall pay the following total criminal monetary penalties in accordance with the schedule of payments set forth in the Schedule of Payments. The defendant shall pay interest on any fine or restitution of more than \$2,500, unless the fine or restitution is paid in full before the fifteenth day after the date of judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options in the Schedule of Payments may be subject to penalties for default and delinquency pursuant to 18 U.S.C. § 3612(g).

#### **Total Assessment**

**\$100.00**

#### **Total Fine**

**\$388,498.00**

#### **Total Restitution**

The Special Assessment shall be due immediately.

#### **FINE**

A Fine in the amount of \$ 388,498.00 is imposed.

#### **RESTITUTION**

No Restitution was ordered.

### **SCHEDULE OF PAYMENTS**

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties shall be due as follows:

**E. Special instructions regarding the payment of criminal monetary penalties:**

Defendant shall pay restitution in regular monthly installments of not less than 10% of gross monthly income. Interest requirement is waived. Defendant shall notify the U.S. Attorney and the Court of any material change in economic circumstances that may affect defendant's ability to pay restitution.

Unless the court has expressly ordered otherwise in the special instructions above, if this judgment imposes a period of imprisonment, payment of criminal monetary penalties shall be due during the period of imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program, are made to the clerk of the court, unless otherwise directed by the court, the probation officer, or the United States attorney.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.



1

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF TENNESSEE  
MEMPHIS DIVISION

UNITED STATES OF AMERICA

-v-

2:03CR20433-02-B

AMSCOT MEDICAL LABS, INC.,  
A CORPORATION

H. Louis Sirkin, Retained  
Defense Attorney  
920 4<sup>th</sup> & Race Tower, 105 4<sup>th</sup> Street  
Cincinnati, OH 35202-2776

JUDGMENT IN A CRIMINAL CASE  
(For Offenses Committed On or After November 1, 1987)

The defendant pleaded guilty to Count 11 of the Indictment on July 06, 2005. Accordingly, the court has adjudicated that the defendant is guilty of the following offense:

| <u>Title &amp; Section</u>                                  | <u>Nature of Offense</u>  | <u>Date<br/>Offense<br/>Concluded</u> | <u>Count<br/>Number</u> |
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| 21 U.S.C. §§ 331 (a) and<br>333 (a)(2) and<br>18 U.S.C. § 2 | Aiding and Abetting Introduction and<br>Delivery for Introduction Into Interstate<br>Commerce a Misbranded Drug with<br>Intent to Mislead the Food and Drug<br>Administration | 08/03/2000                            | 11                      |

The defendant is sentenced as provided in the following pages of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984 and the Mandatory Victims Restitution Act of 1996.

Counts 1-10 and 12-21 are dismissed on the motion of the United States.

**IT IS FURTHER ORDERED** that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs and special assessments imposed by this judgment are fully paid.

Date of Imposition of Sentence:  
September 28, 2006

S/ J. Daniel Breen  
J. DANIEL BREEN  
UNITED STATES DISTRICT JUDGE

September 29, 2006

CERTIFIED TRUE COPY  
BY THOMAS M. GOULD, CLERK  
DEPUTY CLERK

Defendant's Mailing Address:

11258 Cornell Park Drive  
Suite 600  
Cincinnati, OH 45242

Unofficial copy Travis Co. District Clerk Velda L. Price

## PROBATION

The defendant is hereby placed on probation for a term of **1 Year**.

While on probation, the defendant shall not commit another federal, state, or local crime and shall not illegally possess a firearm, ammunition, destructive device, or dangerous weapons. The defendant shall also comply with the standard conditions that have been adopted by this court (set forth below). If this judgment imposes a fine or a restitution obligation, it shall be a condition of probation that the defendant pay any such fine or restitution.

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| <u>Total Assessment</u> | <u>Total Fine</u> | <u>Total Restitution</u> |
|-------------------------|-------------------|--------------------------|
| \$100.00                | \$388,498.00      |                          |

The Special Assessment shall be due immediately.

#### **FINE**

A. Fine in the amount of \$ 388,498.00 is imposed.

#### **RESTITUTION**

No Restitution was ordered.

### **SCHEDULE OF PAYMENTS**

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties shall be due as follows:

**E. Special instructions regarding the payment of criminal monetary penalties:**

Defendant shall pay restitution in regular monthly installments of not less than 10% of gross monthly income. Interest requirement is waived. Defendant shall notify the U.S. Attorney and the Court of any material change in economic circumstances that may affect defendant's ability to pay restitution.

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The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

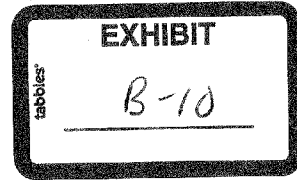


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## Richard Gray - Founder / President / CEO

Mr. Gray has held these positions since company start-up and remains very active in guiding the public presentation of the proprietary re-sale life insurance policy model he helped pioneer. Dick has helped clients make wise money decisions in hard financial times for the past 35 years and has been a licensed insurance agent for over 18 years. Personal participation in the re-sale life insurance policies for his own retirement planning reinforces his credibility when assisting numerous clients in doing the same. After earning an A. B. degree in political science and a Master of Divinity degree - and prior to the start of his business career - Dick proudly completed four years of U.S. Army active duty as a Chaplain, which included 13 months of decorated field duty in Viet Nam.

[http://www.retirementvalue.com/richard\\_gray.asp](http://www.retirementvalue.com/richard_gray.asp)

TSSB 060049

3/22/2010

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Retirement Value, LLC is formed by a group of professionals with understanding how to help their clients make wise money decisions in hard financial times...

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## Wendy Rogers - Vice President, Administration and Services

Mrs. Rogers supervises our Client Services Department while contributing personally to the development, design and implementation of all marketing and print materials; she also coordinates all computer and information technology needs. Wendy manages the massive data accumulation an operation like ours generates and assures client privacy, while providing timely on-line access for licensees and clients alike to all information needed for a satisfying business relationship with us. She combines 10 years of service in the insurance, financial planning, and banking industries with several years of re-sale life insurance sales experience. Wendy's B.S. in Agribusiness was earned at Texas A&M University - College Station, and she also has earned a Masters of Business Administration.

### Who We Are...

Retirement Value, LLC is formed by a group of professionals who understand how to help their clients make wise money decisions in hard financial times...

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## Bruce Collins - Chief Operating Officer

Mr. Collins brings to this crucial position many years of success and achievement in the general financial services industry, including work as a registered rep, and over five years of directly-relevant success with our re-sale / life settlement industry as a Master Licensee and top-level player for our product line with another company. Mr. Collins coordinates all Licensee administration, policy-making decisions, and implementing execution for all "field" activities. He currently holds a Series 62, 6, and 7 licensing. Mr. Collins resides in Grand Prairie, TX, placing him at the financial epicenter of so much of the explosive growth and success at Retirement Value, LLC.

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There really are no mistakes about or any complicated moving parts with re-sale life insurance policies owned by Retirement Value, LLC...

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## Katie Hensley – Director of Finance

Mrs. Hensley is the primary point of contact for all Licensee commission matters at Retirement Value, LLC. Ongoing administration of all commissions and invoicing of all commission payments to the Escrow Agent; coordinating development of sales hierarchies; placing client funds on the specific policies your Clients select; recommending new policies to be placed on the bouquet – these are just a few of the duties she performs efficiently and accurately. Katie holds a Bachelor of Business Administration from Texas A&M University-Kingsville.

### Who We Are...

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### Exclusive Products...

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## Jeremy Gray – Director of Policy Administration

Mr. Gray coordinates all policy acquisition and is the point of contact between our policy supplier and Kiesling, Porter, Kiesling & Free, P.C. He also maintains constant communication with all life insurance carriers that have issued policies that Retirement Value currently owns. He continually negotiates premium payments to cover the cost of insurance with these carriers for each policy and invoices the premium payments through our Escrow Agent to be paid to the applicable life insurance carriers.

### Who We Are...

Retirement Value, LLC is formed by a group of professionals who understand how to help their clients make wise money decisions in hard financial times...

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There really are no mysteries about or any complicated moving parts with re-sale life insurance policies owned by Retirement Value, LLC...

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At Retirement Value, LLC, you and your client must thoroughly understand the re-sale life insurance program available...

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## DeAnne Lewis — Manager of Client Services

Mrs. Lewis and her expanding staff "scrubs" all in-bound client paperwork sent to us by the Escrow Agent. She coordinates the flow of all applications with the Licensees, Escrow Agent, and the selected Clerk of Court for all qualified funds. Mrs. Lewis joined our team with over 6 years of experience in the legal field with the two largest law firms in Austin, Texas, both as a Word Processing Supervisor and as a Legal Secretary in Insurance Defense Litigation.

### Who We Are...

Retirement Value, LLC is formed by a group of professionals who understand how to help their clients make wise money decisions in hard financial times...

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### Exclusive Products...

There really are no mysteries about our very complicated moving parts with re-sale life insurance policies owned by Retirement Value, LLC...

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### Start Today...

At Retirement Value, LLC, you stand to benefit from thoroughly transparent re-sale life insurance policy program available...

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## Re-Sale Life Details

There really are no mysteries about or any complicated moving parts with re-sale life insurance policies owned by **Retirement Value, LLC**. We buy the death benefit of a life insurance policy at a deep-discount from the full "face amount". This "spread" or leveraging of our funds generates significant gains upon the passing of the insured - in which you participate on a pro-rata basis. This decades-old idea is just that straight-forward. Nothing more; nothing less!

Simply put, for almost twenty years "retail" or individual financial decision-makers have been able to enjoy the same spectacularly high gains previously realized for decades by only the very wealthy or by institutional / "wholesale" players in the secondary market for life insurance. These profit levels from the "spread" in such cases have been realized ever since selling the "death benefit" within a life insurance policy to an assignee was declared "legal" by the U. S. Supreme Court in 1911.



Client-participants in our re-sale life insurance policy program are "irrevocable co-beneficiaries". As an **irrevocable co-beneficiary**, upon maturity of the policy due to the death of the insured, you receive a pro-rata distribution of the death benefit. All policies in which you participate have been sold by individuals or companies who no longer wanted or needed the policy. The specific amount you receive at maturity is determined by your original participation amount plus your base-line targeted gain.

### **Who We Are...**

Retirement Value, LLC is formed by a group of professionals who understand how to help their clients make wise money decisions in hard financial times...

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
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3/22/2010

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**Digital Recording 1**

**Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Bruce Collins  
03-11-10**

**0:00**

**M: Good morning Retirement Value, this is Michelle**

**RS: Hi Michelle I got a flyer and I was calling to uh hear a little about what ya'll have.**

**M: Yes, do ya...uh...who did you get the flyer from do you know?**

**RS: Just a ahh... I met some guy on the golf course and he gave me like a two page flyer.**

**M: Yeah**

**RS: and he said he was ahh...that it was a pretty good investment for him and I want to call and hear a little bit about it.**

**M: Absolutely...what was his name?**

**RS: ahhh? I didn't ... you know on the golf course... his name was Brian but I didn't....**

**M: Brian Spavenka (Spelling N) I bet... Well that is cool. Golf courses are the best place to do business...laughs**

**RS: (Laughs)**

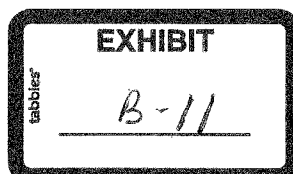
**M: (Laughs) but I'm going to direct your call to Bruce Collins he's our Chief Operating Officer and he will be able to help you out.**

**RS: Okay**

**1:05**

**(TRANSFERS CALL)**

**BC: This is Bruce may I help you?**



TSSB 030000

RS: Hi Bruce I got a flyer uh actually from a guy on the golf course and it's just a little two page flyer talking about a investment program ya'll are offering and I wanted to see if could hear a little about it?

BC: Yeah sure, sure are you...are you ahhh in the...in the...in the area?

RS: Yeah, I live up in Pflugerville.

BC: Okay, Hold on just a second... you got a two page flyer?

RS: Yeah...

BC: (laughs)

RS: Maybe I didn't get the whole thing?

BC: (laughing) I didn't know we had one of those....

RS: It ahhh...It has a section where it says your local...ahhhh retirement value license.

BC: Okay

RS: But it's blank, so...

BC: Okay, okay that's fine. Give me your name?

RS: Uh...Cody Walker

2:04

BC: Cody what's your address?

RS: Um...2705

BC: Okay

RS: Kickapoo Drive - K-I-C-K-A-P-O-O

BC: You ever get any jokes about that? No, don't I'm just kidding...

RS: Man...all the time!

BC: (Laughs) In Pflugerville...ump there's a good one too...spell that for me man.

RS: uhhh..P-F...sometimes I have to... P-F-U...Pflugerville...I have to write it down usually...

BC: Take your time...

RS: (Laughs) Uh...P-F-U-L....Pflugerville...Uh I don't have it in front of me man...

BC: I can find....Texas?

RS: Yeah, yeah... Its PF...everything in Pflugerville is PF

BC: Right everything is PF...(laughs)...What's your zip code?

RS: 78660

BC: 7-8-6-6-0 and ahh give me your ah telephone number please?

RS: um... (512)...

BC: Okay

RS: 391-

BC: Okay

RS: 1787

BC: 87... and your email address?

3:03

RS: It's ah... codywalker49@yahoo.com

BC: And Cody what...can I call you Cody is that okay?

RS: Yeah, Yeah

BC: What kinda work do you do?

RS: Um I do a little bit of you know consulting type stuff for ah DELL

BC: Okay, okay we got some Dell people.... Do ya..do ya have an understanding of what the product is or how it works? Or sorta go over that with ya?

RS: You know... you know like I said a guy gave it to me on a golf course and it sounded like he made an investment and he was happy...but you know he said something about uh...he kinda explained to me a little bit what a life settlement type thing is, but you know I really have no idea...ahhhh...you know I don't know very much.

3:47

BC: Let me....let me do this...let me email you a couple of things...let me drop a priority mail package in the mail to you with a brochure that will give you all the information you will need and once you've looked it over I'll call you like on Monday or Tuesday will talk about it some more and if you want to get together that's certainly fine. As it turns out you're talking to the Chief Operating Officer of the company so, you got to the top right away.

RS: WOW...

BC: (Laughing)

RS: What is your name again?

BC: My name is Bruce Collins. I'll put a card in there for ya...

RS: Okay great.

BC: Alright good... ahhi. I think that's it for now...let me get that in today's mail and we'll talk next week.

RS: Okay, did you say you were going to send me an email as well?

BC: I will, I'm gonna send you some stuff about the asset class in general

RS: Okay

BC: Alright?

RS: Alright sounds good.

BC: Thanks

RS: Very Good, Bye.

4:35

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**Digital Recording 2**

**Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Michelle  
03-12-10**

**00:00**

**M: Good morning Retirement Value this is Michelle**

**RS: Hi Michelle I was calling for Bruce.**

**M: He is unavailable, is there something I can help you with.**

**RS: Sure he just sent me a little package in the mail. My name is Cody**

**M: Yes sir**

**R: and uh I was just giving him a call back...uh...**

**M: Okay perfect, uh a good way to reach him today would be on his cell phone. Did...do you have his card enclosed?**

**RS: No actually um...**

**M: Okay**

**RS: it didn't enclose his card...**

**M: That's fine.**

**RS: it was somebody else's.**

**M: Oh okay that's fine...I can go ahead and give you Bruce's cell phone number...or was there...did you need to talk about something else?**

**RS: No, he had just emailed me and uh...**

**M: Okay**

**RS: Wanted me to call him after I got this.**

**1:00**

**M: Okay absolutely, here is his number (214) 732-5422.**

**RS: Okay**

---

**M: Okay**

**RS: Alright, Thank you very much.**

**M: Uh-huh bye-bye**

**RS: Bye**

**1:21**

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**Digital Recording 3**

**Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Bruce Collins  
03-15-10**

**00:00**

**BC: This is Bruce Good Morning**

**RS: Hey Bruce this is ahh Cody you sent me a package over the weekend**

**BC: How are you? I actually called you this morning and your phone just kept on ringing so, I didn't know if I had the right number**

**RS: Ohh really?**

**BC: Yes, yes**

**RS: Oh I'm sorry**

**BC: that's okay**

**RS: Well I just called the office and they said to call you at this number so, uh, you know I kinda looked through the package and ahhh... I had a lot of questions and my wife had a lot of questions and ummm I really just realized that I have no idea what the hell I'm looking at...so...**

**BC: Okay, Let me...Let me ask you this did you read the material that I sent you by the way of E-mail?**

**RS: Um really the main thing that I looked at you know ahh...I read a little bit...ahh but the main thing that I was looking at is what looks to be a power point?**

**BC: Okay**

**RS: and I looked at that and I actually printed that out and have it in front of me.**

**BC: Okay**

**RS: um so you know I guess the main thing that my wife kept asking me is what do you know about this company and that sorta thing and um, I guess if you could tell me a little bit about it and um....**

**BC: Sure.... (pause) You want me to go right now? Are you there?**



RS: Yeah...Yeah sure

BC: Sure, Sure, Sure... I mean Retirement Value was formed about eighteen months ago and it was actually based on another company up in Waco called Life Partners and all it is...is just a fractionalized life insurance policy that we get and from a source of variety of independent people who sell them. The important thing to remember about the asset class and the product it self is that your partner in the transaction is going to be the insurance company and the escrow agent. If you read all the material you'll find out that everything is actually sent to the escrow agent they are the fractional beneficiary of the product and the policy and once it is actually completed, the transaction is completed Retirement Value is not really involved at all we are just sorta like you could say the real-estate company REMAX ..uh we do the deal and it is...it is all pushed over to someone else once the transaction is completed and you just wait for the maturity of the policy and are actually paid by the escrow agent.

RS: Okay...so like ahh you know my investment I think the minimum was what like twenty-five thousand?

BC: Five thousand dollars

RS: and so what exactly would I be investing in and what's my return and that sorta thing?

BC: you are actually investing in the fractional portion of a death benefit of a life insurance policy which has been sold into the investment market.

RS: Okay

BC: the amount of money that you will receive is known in advance, but the actual yield on it or the return expressed as the percentage is not known until the person passes away. You know how much money you're gonna make which is commonly called a spread. Which is the difference of the acquisition cost and the fractional portion of the death benefit.

RS: Okay, so...Okay...So, I would you know kinda make an investment with you, with Retirement Value and ya'll hold this policy? Is that...

BC: Right. We are the owner of the policy, but the beneficiary is the escrow agent.

RS: Okay

BC: So, let's say for example you have twenty-five thousand dollars that you wanted to invest you would buy five fractions of people who have sold their death benefits to someone and when they pass away that's when you get the money, but they are all old and they're all sick you just have to take a look at what is available. For an example, the last one we did the gentleman was Eighty-Eight years old and has a thirty-three month life expectancy. We escrow for life expectancy plus two years. When the person passes away you just get the amount of money...the amount of money is predetermined in advance.

RS: Okay

BC: Because we know what you bought the policy for, we know how much it's gonna pay we just don't know precisely when it's gonna pay and that's how the opportunity for the yield exists because of the variable of the life expectancy.

5:00

RS: Right

BC: if there was no variable it would just be a CD and it would pay at a point and half or whatever a CD is paying

RS: Right

BC: But by any objective measure it is an extremely safe investment. They are all A+ rated life insurance carriers and (inaudible), I mean John Hancock is going to pay the claim. I've been doing this a long, long time I've got a significant amount of money and it's been an institutional investment for many, many years it's just that someone came up with the idea of fractionalizing to allow someone to be able to participate with smaller amounts of money. I sorta describe it as like as owning a condo but not owning the building.

RS: Right

BC: You have all the rights and privileges of your individual fraction and just think...have you ever invested in a Mutual Fund?

RS: Yes, yeah

BC: Well think of it that way. You are a fractional owner of a very, very large Mutual Fund same, same basic idea.

RS: So, I guess you know, um how do ya'll pick these...these....these... these insurance policies? Cause, basically I'm depending on them to pass away...That kinda sounds bad...(Inaudible) I kinda listen to myself saying that, but um how do I know that they're gonna.... they're gonna actually die within this period of time? I mean...

BC: They, They may not die in that period of time however, here is what happens no matter how much you bracket in a life expectancy, eventually everybody defaults to the mortality tables. In other words you take a look at...I'll send you this since I have your email address...I'll send you what's called a current bouquet of policies. We always have ten that are available at any time. They go from life expectancy from Sixty months all the way down into like the thirty to thirty-five month range and depending on the length of the life expectancy is how much the discount is to say, the longer the life expectancy the greater the spread.

RS: Right

BC: Because everything is based on a time value of money, but it was explained to me one time the insurance industry is based on a law of large numbers not the law of tech numbers. My wife is... I actually work out of the house... My wife is an MBA and she told me a couple of weeks ago she said "Bruce looking at this thing, this guy is Eighty – Eight years old he's 5'9 and weights two hundred and thirty pounds for every dollar in a dollar forty five out, buy some of that" (laughs)

RS: (forces Laugh)

BC: I mean and that's really what it's based on, so the way that you ameliorate that actuarial is not if you're gonna get paid precisely when it's by buying multiple fractions. So, a couple may have passed away sooner or a couple may not and if they pass away sooner you actually get the unused premiums. So it's higher than sixteen and half percent. I mean it just sorta depends you're always gonna make a double digit rate of return which is almost you know unheard of anymore in these recent times

RS: mmm-mmm

BC: How old are you?

RS: Ummm...I'm ahh thirty

BC: Okay, here's the example we do about fifty percentage of all the business we do is IRA money because IRA's by definition people have decided that liquidity is not really an issue okay, so they'll put the money in the IRA and they'll let the thing roll and what people like about this is that there is no market risk, there is no Oil price risk, no world event risk, no interest risk and it doesn't have to be managed because it's not about timing it's just about time.

RS: Right

BC: That's, that's all it's really based on. So, I think what you may want to consider is that if you think something that interest you and you have read all the material over I'm more than happy to drive down there and visit with you and go over the material in person, but it should make perfect sense. Assuming you think it's something that might interest you?

RS: Yeah, I definitely think it's something that might interest me and ahh that's really why I'm calling today is cause me and my wife were able to sit down and kinda of look at it and ah she has all these questions for me and you know I just heard from somebody that it might look, that it seemed like a good investment um actually you know on the golf course and so, you know....

BC: Here is something else to consider too, I actually have to see someone in about thirty minutes and this guy has a fair amount of money and here's the question that people always have on their mind and is probably on your wife's mind: Why haven't I heard about it before?; If it's so good why are you bringing it to me?; I can't believe the rate of return or any combination of too good to be true; and I don't want to make money on people dying. I don't care what anybody says, that's what it is. The one of the things I'm bringing to this guy in half an hour is a white piece of paper from the Wharton school of Business which, I'm sure you've heard of. That says that secondary life insurance is actually benefits society at large because it's most competitive on equity and in order for us to have a product for you to invest in we have had to have paid more than what the life insurance company was willing to offer. So, you can feel absolutely good about it, that you helped someone out and that you did a good thing because the reason that people sell their policy is because their beneficiary predeceased them and they just don't need it anymore. So, it's not about taking advantage of old ladies or anything like that, it's just not. What is your schedule like during the week?

RS: Um it just depends, I just kinda started a project here and uhh...

BC: Okay

RS: ...you know me and my wife are actually in the middle of moving so that's getting our phone set up and that kinda stuff but, I definitely like to possibly meet up with you and if not...

11:03

BC: Can you bring your wife along?

RS: Yeah and the other thing is if not maybe me and my wife can just get on a conference call with you?

BC: Okay...I would be happy to do that but it usually is better to do it in person. In other words because I'm in Texas you're in Texas and I have not problem driving to Pflugerville at all

RS: Sure, Sure

BC: I mean that's what I do. Let me tell you my schedule for the week and then you can talk your wife and see. I'm going to be in the Dallas area today, I'm available tomorrow, we have a large meeting up in Dallas on Thursday, I'm available on Friday, I'm available Saturday and Sunday. I'm leaving town for the entire week actually go on a cruise.

RS: Okay

BC: So, if you could find some time in that area where you want to get together I'm more than happy to drive down there and meet you at the local Golden Coral. Whatever works for ya!

RS: Sure, Sure Okay then... we'll definitely ummm... talk about that ahhhh...now if you know if ahhh...yeah I'll ask my wife for her schedule that's really what it depends on, I can really disappear whenever. If I...let's say I write a check or do whatever for my twenty-five thousand can you tell me what actually happens. What do I need to do from there?

BC: Here is exactly...let's assume that it's a cash account

RS: Okay

BC: not an IRA

RS: Okay

BC: What you do is, I bring you some paperwork and you decide what policies you want to invest in. I will actually show you I, myself and all the companies officers are personally invested in every policy. I'm a seven figure investor in this asset class, I'm sixty years old at this point in my life I can work, I can wait, but I can't loose money.

RS: mmm-mmm

BC: Hey John Hancock is going to pay the claim. I don't care if I have to keep working for a couple more years it's fine with me. So, you thought working (inaudible) I'm sure what's called a J-T-R-O-S, which is you and your wife, joint tendency with the right to survivorship; you make the check out to Keisling Porter Keisling and Free which is the licensed bonded escrow agent. All the paperwork goes to them, they take the money and they divide it...they send it to Wells Fargo they divide it into five accounts that you would choose to investment in, and then you get a set of closing documents. I will show all that to you when you I mean when I come to see you, I have absolutely no expectation that you will decide what to do right then.

RS: mmm-mmm

BC: that's foolish, I'm gonna show you everything. You decide, you go home and you talk to your wife and you decide what you wanna do.

RS: Yeah, is there a way that we could actually look at that? I think, you know I had mentioned to my wife that well the best thing for us to do is to sit down and one of the things that she like, she doesn't like to high pressure stuff that's why she's a little bit nervous about sitting down with anyone. Is there anyway that we could look at that stuff prior to meeting with you and then...

BC: Uh-huh, Absolutely, I'll send it all to you by email it's perfectly fine, sure.

RS: Okay, well that sounds good and uh you know she's pretty standoffish about this. I'm kinda like let's throw...it looks pretty interesting like let's throw some money at it and see what happens you know.

BC: Here's the other thing it's a fully disclosed and fully transparent transaction. You know who the insured is, you know who the life insurance company is, policy number, everything.

RS: mmm-mmm

BC: I mean you get everything you need to know because they have consented to that when they sold the product. It's been done a hundred years. It's just in the last twenty years or so that someone came up with this idea called fractionalization and that's a long word but it's just splitting it up.

RS: Who is the president of Retirement Value?

15:00

BC: Dick Gray(sp?)

RS: Dick Gray(sp?) Okay

BC: All of that stuff is in the brochure

RS: I'm flipping threw it right now... oh yeah it's actually on the last page...okay...there is so much stuff here to look at you know so, that would be good for us to meet and you can kinda point me through all that stuff

BC: and here's the other part of it, if you want to meet without your wife I'm okay with that.

RS: Yeah sure

BC: Sure

RS: Uhh... yeah I think she'll probably want to be there just to ahhh... to see it all, but we'll work that out, with the scheduling and everything. Now is there some kind of agreement that I'm gonna have fill out?

BC: Some sorta agreement? Yeah there is a fairly significant amount of paperwork, account documents. Certain disclosures that are made, it's like if you did any you know if you bought an insurance policy or if you bought whatever it is, I mean yeah, there is a fair amount of paperwork.

RS: Okay

BC: But here's the good news, you just have to do it once...and it's auto pilot once we have your name, address and phone number I mean, I hit a thing and (crashing sound effect was made) it puts it all right on there. And I'll send you a copy of that, you'll see it all.

RS: Okay, great, great, okay

BC: Let me do all that, I've got this meeting to go to and I've got a conference call, but by the end of day you can expect more than few email files and again it's a lot to absorb and I completely understand that, but It's very, very simple an old person that wants to sell their life insurance policy and when they pass away and everyone passes away... you get paid (laughs)

RS: yeah

BC: and you help them out because, believe me there are a lot of people that bought an insurance policy, the typical reason that someone sells their policy is the person that is the original beneficiary passes away and they don't need it anymore. Wealthy guy bought a life insurance policy with his wife is the beneficiary fully expecting her to out live him, tragedy strikes and she gets cancer and passes away. His kids have grown and made there way in the world he does not need it anymore.

RS: Yeah, yeah

BC: He just wants his money; he wants to stop paying the premium and whatever it is, is fine. We want, you want them to get a fair amount of money you're a young guy, but I mean my mom is eighty three years old...

RS: mmm-mmm

BC: ...depression era, if you went in there and low balled her on a price for something she would just let it lapse. Eighty percent of all insurance policies lapse for not paying the premium.

RS: Yeah. Yeah

BC: so, all it is...let's say for example, I'll just use a number someone has a three hundred-thousand...three Million dollar policy lets say they would get six hundred thousand dollars on the policy. They don't have to pay the premium anymore, in most cases its tax free and they just spend the money and enjoy themselves. The kids don't want it; they don't want to pay it.



RS: Yeah

BC: Yeah it's very easy, but I'll send you all that and if you want to meet just you and me first I'm fine with that and if it takes two or three times, whatever way you're comfortable with works is fine with us.

RS: Well I appreciate that and I'm pretty excited about it, it should be a good thing.

BC: Great, hey listen I'll get that stuff to you and we'll talk later.

RS: Okay sounds great, thank you.

BC: Bye

RS: Bye-bye

18:24

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**Digital recording 4**

**Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Bruce Collins  
03-17-10**

**00:00**

**BC: You have reached the cell phone of Bruce Collins. I'm not here right now but your call is being recorded so, please leave your name and number and I'll get back to you as soon as I can. Thanks so much and have a great day!**

**(Automated Message)**

**RS: Hey Bruce this Cody ahhh I was waiting for some emails from you a couple of days ago and I never got'em. I was calling to check in with you ahh give me a call back when you can 512-391-1787 thanks man bye.**

**1:01**

**Digital Recording 5**

**Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Bruce Collins  
03-17-10**

**00:00**

**RS: This is Cody**

**BC: Hey Cody this is Bruce Collins at Retirement Value. How are you?**

**RS: Good, How are you doing?**

**BC: (inaudible)... I sent everything to you at your Yahoo address from my Yahoo address. So, you might find it in your spam. I just don't know it should all be there.**

**RS: When did you send it?**

**BC: Ahhh...I sent it a couple days...yesterday and I sent it about twenty minutes ago as well.**

**RS: Okay, let me check again, You sent it took codywalker49@yahoo?**

**BC: Correct**

**RS: Okay, well let me check again and if I don't have it I'll give you a call back.**

**BC: Do that, it..Right it hasn't bounce back so, I'm sure it should be there. Just check it over and I'll check in with you tomorrow.**

**RS: Okay, sounds good man**

**BC: Thanks, bye-bye**

**RS: bye-bye**

**BC: Yup**

**Digital Recording 6**

**Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Bruce Collins  
03-17-10**

**00:00**

**BC: This is Bruce**

**RS: Hey Bruce, this is Cody**

**BC: Yes**

**RS: Hey I just check and I don't have anything from you. I looked in my spam box and everything. You know I got that first email from you, but that's the only one I've received is maybe three or four days ago.**

**BC: That's very strange it's not bouncing back**

**RS: huh**

**BC: Hang on just a second let me check one more thing buddy. Hold on.... I'm walking away from my Bluetooth just a second...**

**RS: (Laughs)**

**BC: It gets all wacky, hold on...(inaudible) did you say you worked at Dell?**

**1:30**

**RS: Yeah, I do some consulting**

**BC: Okay, hold on...just trying to refresh my memory...hold on I ahhh...no bounce back, sent.**

**RS: What ah...no**

**BC: C-O-D-Y-W-A-L-K-E-R49@YAHOO.COM**

**RS: 49**

**BC: 49 that's what I have**

**RS: codywalker49@yahoo.com?**

BC: yup

RS: Well, I definitely don't have it and I'm looking at it

BC: Man, I'm stumped, I'm stumped. Ummm, let me try it with the Retirement Value one and see if that comes through. Hold on...ummm let me...let me try it again and if not we'll figure something else out or we'll have to give it to you personally or something I'm not sure.

RS: Okay

BC: Hold on let me give it a try...I'll send it to you in a couple of minutes

RS: Okay

BC: Thanks

RS: Alright, Thank you

2:43

Unofficial copy Travis Co. District Clerk Velva Price

**Digital Recording 7**

**Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Bruce Collins  
03-19-10**

**00:00**

**RS: This is Cody**

**BC: (inaudible noise)**

**RS: Hello?**

**BC: (inaudible noise)**

**RS: Hello?**

**BC: (inaudible noise)**

**RS: Hello?**

**BC: (inaudible noise)**

**1:00**

**RS: Hello?**

**BC: (inaudible noise) Hey Cody its Bruce Collins I was calling to see if we solved the mystery of the email?**

**RS: Yeah, I don't know I got'em I think...**

**BC: Great**

**RS: Yeah, yeah I think,,, (inaudible)... I went through them I got ahhh...I guess six. Six things I haven't been able to stop and read through them yet.**

**BC: Ohhh that's fine just do this again I've got a company wide meeting all day tomorrow up in Dallas and if you want to get together for lunch or something on Friday I would be happy to do that.**

**RS: Okay**

**BC: Just you and me, you could either bring your wife or anybody like that and will just talk**

RS: Okay, that sounds good man and uh are you going to be available tomorrow?

BC: Yeah, just call me and leave a message for me and we'll look up a place in I35 in Pflugerville (inaudible)

RS: Okay

BC: Yeah (inaudible) we'll talk tomorrow

RS: Sounds good man

BC: Thank you bye-bye

RS: Bye-Bye

2:24

Unofficial copy Travis Co. District Clerk Velda L. Price

**Digital Recording 8**

**Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Bruce Collins  
03-19-10**

**00:00**

**BC: You have reached the cell phone of Bruce Collins. I'm not here right now but your call is being recorded so, please leave your name and number and I'll get back to you as soon as I can. Thanks so much and have a great day!**

**(Automated Message)**

**RS: Hey Bruce this is Cody give me a call when you get a chance 512-391-1787. Thank you.**

**00:53**

Unofficial copy Travis Co. District Clerk Verna L. Price



**Digital Recording 9**

**Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Bruce Collins  
03-19-10**

**00:00**

**BC: This is Bruce can I help you?**

**RS: Hey Bruce this is Cody**

**BC: Hey Cody how are you man?**

**RS: Doing alright how are you?**

**BC: Good. Doing great!**

**RS: Hey, I got your email, you know I was just hoping to uhhh...I don't know man... to get something...get something moving here and not really wait a week. Is there, you know uhhh...I mean I guess I could talk to you over the phone. When are you going to be back in...?**

**BC: Well I'll be back...let me ask you...let me ask you this I'm not leaving till Sunday do you want to get together tomorrow morning for breakfast or something? Does that work for ya?**

**RS: Not really, I'm doing kinda an anniversary thing in San Antonio...**

**1:00**

**BC: Right**

**RS: ...and uhhh, that's why I was kinda hoping Monday or something, but ahhh I know how it is.**

**BC: Yeah, (inaudible) next week is what it's gonna be man. I'm trying to help you and you're trying to help me, but we're leaving town and so, it will be the week after next.**

**RS: Okay, so there's nobody else with Retirement Value that I can meet with?**

**BC: Yeah, not really not on the client side.**

**RS: Okay, Okay well, ummm I gotcha. So, okay I guess I know...**

BC: Go ahead

RS: What's that?

BC: I said go ahead

RS: I guess I know where I kinda stand and uhhh we'll just I guess take it from there.

BC: Alright good, I'll call you when I get back and if you want to get together we can certainly do that.

RS: Okay

BC: Alright

RS: Alright, thank you

BC: Bye

2:04

Unofficial copy Travis Co. District Clerk Velva L. Price



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|---|-------------------|---|
| <b>P</b>  | usps.com          | 9405 5036 9930 0189 4929 74 0047 5000 0627 86                                     |
|   | <b>\$4.75</b>     |   |
|   | <b>US POSTAGE</b> |   |
|   | Flat Rate Env     |  |
| Commercial Base Pricing                           |                   |   |
| 03/11/10 0 lb 6 oz Mailed from 78130 071V00552023 |                   |   |

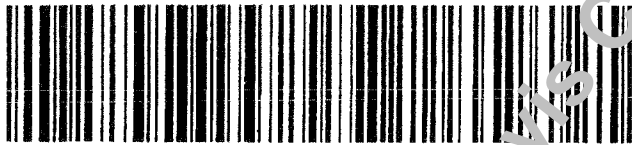
## USPS PRIORITY MAIL®

MICHELLE MUELLER  
RETIREMENT VALUE, LLC  
707 N WALNUT AVE STE 101  
NEW BRAUNFELS TX 78130-7951

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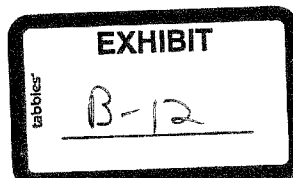
SHIP  
TO: CODY WALKER  
PFLUGERVILLE TX 78660-7742

ZIP - e/ USPS DELIVERY CONFIRMATION™

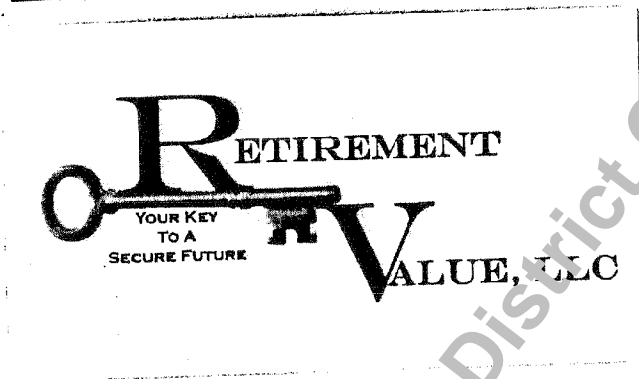
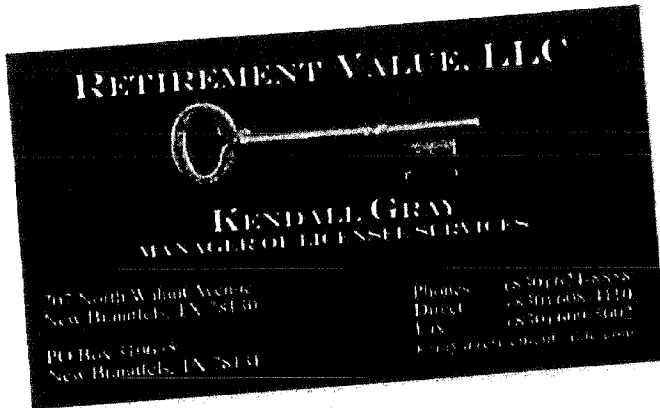


420 78660 9405 5036 9930 0189 4929 74

Electronic Rate Approved # 38555749



TSSB 060000



Unofficial copy Travis Co. District Clerk Velda L. Price



## Re-Sale Life Insurance Policies

**Retirement Value, LLC**  
707 North Walnut Avenue  
New Braunfels, TX 78130

PO Box 310635  
New Braunfels, TX 78131

Phone: 830-624-8858  
Fax: 830-609-6063

RV@retirementvalue.com  
[www.retirementvalue.com](http://www.retirementvalue.com)

*The information contained in this handout does not constitute investment advice, and is not an offer to sell or a solicitation to buy any security or any insurance product.*



Thank you for the privilege of allowing us to share our proprietary re-sale life insurance policy program with you. We believe both prospective Licensees and prospective Client-participants will want to know:

- All Client-participant funds are deposited in escrow accounts at **Wells Fargo Bank, NA** with a rich, storied, near-mythic legacy dating back to 1852. Naturally, their agreement to accept our deposits cannot be interpreted as and is not an endorsement of our program.
- All Client-participant funds are managed by **Kiesling, Porter, Kiesling & Free, P.C.** a 40+ year-old law firm in New Braunfels, Texas, functioning as Escrow Agent. Retirement Value, LLC never handles any Client-participant funds at any stage of this program.
- Premium payments will be escrowed to cover **Life Expectancy ("LE") plus 24 months**. This means if an insured has an LE of 60 months, premiums will be escrowed for 84 months – and upon the death of the insured, all un-used premiums will be distributed on a pro-rata basis to all Client-participants in addition to the return of their initial basis plus expected gains.
- The fundamental data required in any Life Expectancy Report is thoroughly underwritten by and provided to us by as many as three (3) independent and totally objective LE sources. We always select the longest.
- The re-sale policies exhibited by Retirement Value, LLC as immediately available for Client-participant selection are exactly that – they are available immediately. Each case in our "portfolio" has been sourced from a policy aggregator who has been buying policies in the life insurance Secondary Market for over 15 years. On average, he and his staff review \$500 million in face amount / death benefit each week to make their selections; then execute formal policy purchase agreements to take ownership of each case; finally re-sell some of those policies to us after completion of their thorough due diligence.
- For potential Licensees reading this summary sheet – our policy source promises us up to \$30 million in face amount each week if needed, thus assuring your ability to meet the demands of even your very largest individual and institutional Client-participants.
- Our high policy purchase volume assures Retirement Value, LLC exceptionally low policy purchase prices – thereby increasing the margin or "spread". We pass through to Client-participants outstanding base-line targeted gains as a result of this lower overhead.

We welcome this special opportunity to introduce you to a true "win-win" program and look forward to the privilege of serving you. Thank you for allowing us to "visit" with you this way!

Dick Gray  
President / CEO  
**Retirement Value, LLC**

## Re-Sale Life Insurance Policies

## An Overview

There really are no mysteries about or any complicated moving parts with re-sale life insurance policies owned by **Retirement Value, LLC**. We buy the death benefit of a life insurance policy at a deep-discount from the full "face amount". This "spread" or leveraging of our funds generates significant gains upon the passing of the insured - in which you participate on a pro-rata basis. This decades-old idea is just that straight-forward. Nothing more; nothing less!

Simply put, for almost twenty years "retail" or individual financial decision-makers have been able to enjoy the same spectacularly high gains previously realized for decades by only the very wealthy or by institutional / "wholesale" players in the secondary market for life insurance. These profit levels from the "spread" in such cases have been realized ever since selling the "death benefit" within a life insurance policy to an assignee was declared "legal" by the U. S. Supreme Court in 1911.

Client-participants in our re-sale life insurance policy program are "irrevocable co-beneficiaries". As an irrevocable co-beneficiary, upon maturity of the policy due to the death of the insured, you receive a pro-rata distribution of the death benefit. All policies in which you participate have been sold by individuals or companies who no longer wanted or needed the policy. The specific amount you receive at maturity is determined by your original participation amount plus your base-line targeted gain.

**HERE'S THE BOTTOM-LINE:** When an insured passes away, you are re-paid your original participation amount plus a gain, which we call your "base-line targeted gain". Your total at maturity could be higher if there are any un-used premiums to be refunded. These payments are made to you by **Kiesling, Porter, Kiesling & Free, P.C.**, our Escrow Agent — a 40+ year-old Texas law firm that independently manages all monies used for your participation.

## Re-Sale Life Insurance Policies

## Legal Foundation

One of the questions most frequently asked by someone considering participation in a re-sale life insurance policy is: "*Is this legal?*" Justice Oliver Wendell Holmes, Jr. [b.1841 d.1935] of the U.S. Supreme Court [appointed December 8, 1902, by President Theodore Roosevelt] answered 'Yes' when he penned the majority opinion for **GRIGSBY V. RUSSELL**, 222 U.S. 149 (1911) December 4, 1911. Justice Holmes stated with clarity on behalf of the entire high bench:

*"...it is desirable to give life policies the ordinary characteristics of property; to deny the right to sell... is to diminish appreciably the value of the contract in the owner's hands. It has been decided that a valid policy is not avoided by the cessation of the insurable interest..."*

**FOR 2008 THE RE-SALE LIFE INSURANCE MARKET WAS VALUED AT OVER \$12 BILLION.**

## Re-Sale Life Insurance Policies

## Financing Entity

Retirement Value ("RV") was selected by their exclusive Policy Financing entity to penetrate the re-sale market for reasons of integrity, professionalism, an unyielding pursuit for compliance, and an unsurpassed focus on detail.

RV's Financing Entity is one of the earliest participants in the Life Settlement market and has been one of the most consistent and largest private partakers since 1995. They were one of the leading estate planners and producers for the most prominent Life Insurance issuers in the US throughout the 1980s and 1990s and their entry into Life Settlements was by pure accident (as is the case with most of history's innovations). No one "created" Life Settlements; they just happened.

Their entry was a result of one of his estate planning clients wanting to let a policy lapse due to money constraints. Concerned about his client's plight, he went and met with her. She conveyed her financial situation and he offered her a substantial sum of money on the spot. The client was ecstatic as this was an option not previously open to her or anyone at that time. Leaving with the policy he'd just bought, and wondering aloud "what have I just done?" - this may have been the first "Life Settlement" ever transacted.

Since that date, they became active planners in developing the first wave of policies for secondary harvest. This came about as the result of many years as a prominent estate planner and seeing and analyzing the various life products on the market for the benefit of his prominent and wealthy clientele. The policies that were first presented (after contestability) were from life insurers that had been strategically selected for several characteristics, one of them being the lowest cost of insurance ("COI" charges). This led to a rapid increase in policies being written across a wide spectrum of elderly in the US as they went on road-shows across America to present the Life Settlement option for increasing life insurance sales.

Since then the Financing Entity has been selected to consult, underwrite, and perform the warehousing function for numerous funds involved in the management of public employee pensions and other international investment banking engagements. They never have been a target of any regulatory inquiry or litigation.

RV's Financing Entity has provided prefunded, policy warehousing at 0% interest for the re-sale life insurance policies we offer to clients.



## Re-Sale Life Insurance Policies

## Escrow Agent

Safeguarding and preserving both a Client-participant's basis and targeted income in a re-sale life insurance policy are essential components of our program. **Retirement Value, LLC** assures the total safeguarding and preserving of your basis and targeted income by using an independent Escrow Agent, **Kiesling, Porter, Kiesling & Free, P.C.**

### OUR ESCROW AGENT AS THIRD-PARTY FIDUCIARY

**Retirement Value, LLC** assures the total safeguarding and preserving of your money by using **Kiesling, Porter, Kiesling & Free, P.C.** in New Braunfels, Texas, a 40+ year-old law firm that functions as Escrow Agent to receive and process all funds for our re-sale life insurance policy cases.

The Escrow Agent also pays all premiums due on all policies and refunds to you on a pro-rata basis any un-used premiums remaining in escrow when the insured passes away.

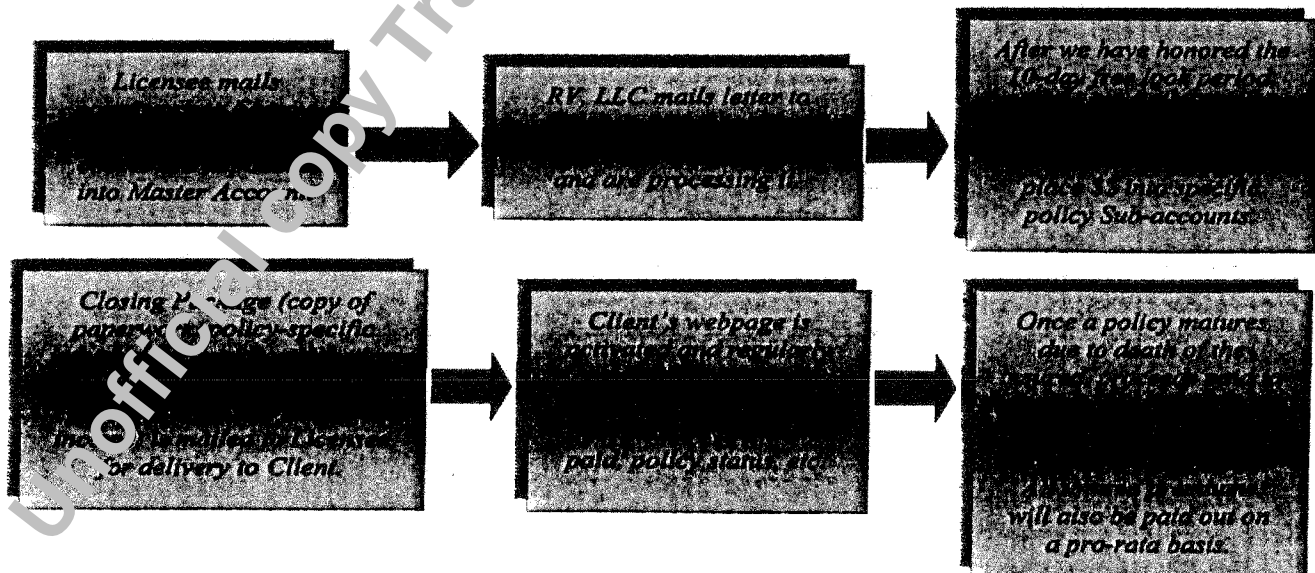
All monies processed by **Kiesling, Porter, Kiesling & Free, P.C.** are deposited in escrow accounts held at **Wells Fargo Bank, N.A.** in New Braunfels, Texas. Kiesling as Escrow Agent is independently bonded by a licensed bond carrier.

At no time do any Client-participant funds come to, pass through, or get handled by anyone at **Retirement Value, LLC**. Also, participants in our re-sale life insurance policy program receive reports on a regular basis from **Retirement Value, LLC** and the Escrow Agent to verify that the proper premiums have been paid and the policies remain in-force.

## Re-Sale Life Insurance Policies

## What Happens Next?

Once the paperwork is mailed in, what can your Clients expect?



## Re-Sale Life Insurance Policies

## "The Spread"

### TOP OF "THE SPREAD" = INCOME

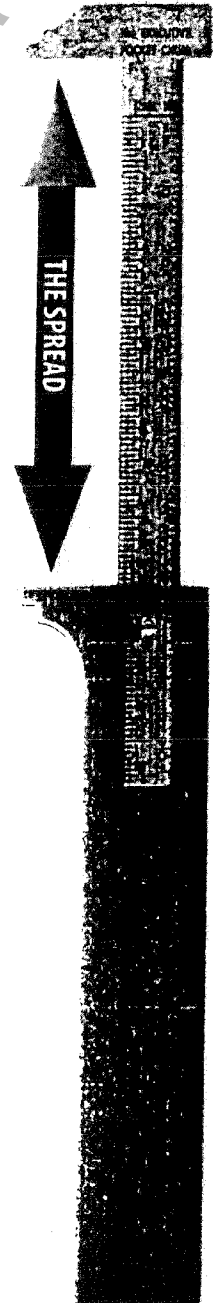
All death benefit pay-outs from the re-sale policies are paid out by to *Kiesling, Porter, Kiesling & Free, P.C.* as beneficiary to protect you.

### BOTTOM OF "THE SPREAD" = EXPENSES

- Cost of buying the policy
- Ongoing premium payments to maintain the policy
- Application fees for qualified-funds accounts
- Escrow Agent fees and bank costs
- Administrative and referral fees

Re-sale life insurance policies have few "moving parts". Client-participants are paid back all of their basis plus their pro-rata portion of "The Spread", or the difference between costs and the final pay-out when an insured dies.

Your funds allow *Retirement Value, LLC* to purchase and to own re-sale life insurance policies that already have been sold to a policy aggregator by the original policy owner(s) or the original insured(s). "The Spread" shows graphically how *Retirement Value, LLC* is able to pay you such a high income on your funds. Pay-back of all monies in a re-sale life insurance program occurs when the insured passes away. All un-used premiums held in escrow by *Kiesling, Porter, Kiesling & Free, P.C.* are refunded to Client-participants.





## Re-Sale Life Insurance Policies

## Life Expectancies

All life expectancy (LE) underwriting reports are a well-informed combination of art, science, and statistics. All life expectancy reports are carefully crafted, deliberate estimates, driven by the medical records provided. Therefore, it should not be surprising that there can be significant variations even when similar statistical methodologies are employed. What follows is a specific example:

For the same 79-year old male, based on the same medical history, **Retirement Value, LLC** received three evaluations, and each was different. One was for 47 months; another for 49 months; and a third report was for 67 months.

The important point is that **Retirement Value, LLC** selected the 67-month evaluation and added an additional 24 months of premium in the escrow account to protect our clients. How did this protect our clients? By choosing the longest available LE timeline and still adding 24 additional months of premium to the premium escrow account, **Retirement Value, LLC** reduced as much as reasonable the future risk of a premium call.

LE Source #1

### Life Expectancy Certificate

Subject: [REDACTED]

D.O.B: 12/31/1930

Evaluation date: 02/12/2010

Smoking Status: Former smoker

Age: 79

S.S. #: [REDACTED]

Gender: Male

Life Expectancy 67 Months

LE Source #2

### LIFE EXPECTANCY CERTIFICATE

Case: 25012

Certificate Date: 2/12/2010

Insured: [REDACTED]

Requested By: Client 1

Date of Birth: 12/31/1930

Age: 79 Gender: M

Life Style: Non Smoker

SSN: Not Available

**Median Life Expectancy for this Patient is 47 Months, 3.9 years**

(The above Median Life Expectancy is based on information provided and is an ESTIMATION of longevity only!)

LE Source #3

### Life Expectancy Certificate

DATE: 10/26/2009

PATIENT: [REDACTED]

SSN: [REDACTED]

D.O.B.: 12/31/1930

AGE: 79

SEX: MALE

Given the Age of the Subject and his Medical Management with

Compliance, his projected LE would be 49 Months on available information. This does not mean that Mr. [REDACTED] will not die sooner nor live longer than the time frame indicated. Clearly the factors outlined above have mortality implications.

TSSB 060008



# RETIREMENT VALUE, LLC

Last updated: 02-26-2010

## FOR REFERENCE ONLY:

Current 10-case Portfolio available for client participation



| POLICY CODE      | POLICY DEATH BENEFIT FACE AMOUNT | ISSUING INSURANCE CARRIER | INSURED GENDER | INSURED AGE IN YEARS | PROJECTED LIFE EXPECTANCY | REPORT DATE | AVAILABLE FOR PARTICIPANTS AS OF 02-26-2010 | Base-line Targeted Gain for Participants | Total Base-line Targeted Gain for Participants |
|------------------|----------------------------------|---------------------------|----------------|----------------------|---------------------------|-------------|---|--|--|
| LFG081-021710-RC | \$1,250,000                      | Lincoln Financial         | FEMALE         | 80                   | 64 months                 | 12/23/2009  | \$321,631                                   | 16.50%                                   | 88.00%   |
| LBL361-021710-SW | \$2,085,000                      | Lincoln Benefit           | MALE           | 77                   | 60 months                 | 1/27/2010   | \$678,262                                   | 16.50%                                   | 82.50%   |
| LBL918-022410-RW | \$1,000,000                      | Lincoln Benefit           | MALE           | 73                   | 57 months                 | 2/11/2010   | \$452,340                                   | 16.50%                                   | 78.38%   |
| AXA335-022410-PS | \$3,000,000                      | AXA Equitable             | MALE           | 74                   | 57 months                 | 2/18/2010   | \$1,533,395                                 | 16.50%                                   | 78.38%   |
| LFG117-021710-HW | \$2,000,000                      | Lincoln Financial         | FEMALE         | 77                   | 52 months                 | 1/19/2010   | \$676,762                                   | 16.50%                                   | 71.50%   |
| LFG248-012610-HM | \$3,000,000                      | Lincoln Financial         | FEMALE         | 76                   | 52 months                 | 1/20/2010   | \$588,154                                   | 16.50%                                   | 71.50%   |
| AXA091-012110-PC | \$5,000,000                      | AXA Equitable             | FEMALE         | 81                   | 45 months                 | 12/18/2009  | \$1,844,970                                 | 16.50%                                   | 61.88%   |
| LFG183-111109-MR | \$5,000,000                      | Lincoln National          | MALE           | 82                   | 40 months                 | 10/30/2009  | \$219,712                                   | 16.50%                                   | 55.00%   |
| PLI140-111109-DM | \$10,000,000                     | Pacific Life              | MALE           | 83                   | 38 months                 | 11/11/2009  | \$1,886,187                                 | 16.50%                                   | 52.25%   |
| AGL130-012110-PM | \$2,000,000                      | American General          | MALE           | 88                   | 33 months                 | 1/11/2010   | \$245,968                                   | 16.50%                                   | 45.38%   |
|                  | <b>\$34,335,000</b>              |                           |                |                      |                           |             | <b>\$8,447,381</b>                          | *16.5% annually x total LE in years      |  |

Sample of a recent portfolio.

NOT FDIC/NCUA INSURED • NO BANK/CREDIT UNION GUARANTEE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • MAY REQUIRE ADDITIONAL CONTRIBUTIONS

| RETIREMENT VALUE, LLC - CLIENT PARTICIPATION EXAMPLE AND BASE-LINE TARGETED INCOME DURING TEN YEARS  |                      |                      |                      |                      |                      |                      |                      |                      |                       |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Case: LFG061-021710-RC (age 80) @ 6% monthly 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 first 54 months Life Expectancy = 88.00% 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 84 months - plus pro-rata premium of funds / 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 | 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 |
| 106.79%  | 103.83%              | 100.86%              | 97.88%               | 94.92%               | 93.83%               | 93.83%               | 93.83%               | 93.83%               | 93.83%                |
| \$20,678   | \$20,343             | \$20,006             | \$19,788             | \$19,462             | \$19,303             | \$19,303             | \$19,303             | \$19,303             | \$19,303              |
| Client income is higher than the "base-line targeted income" of 16.5% all the way through year seven because of the pro-rata distribution of the un-vested premiums in the factor account when the insured dies. |                      |                      |                      |                      |                      |                      |                      |                      |                       |
| \$19.1%  |                      |                      |                      |                      |                      |                      |                      |                      |                       |
| \$20,343   |                      |                      |                      |                      |                      |                      |                      |                      |                       |
|  | 31.62%               |                      |                      |                      |                      |                      |                      |                      |                       |
|  | \$20,886             |                      |                      |                      |                      |                      |                      |                      |                       |
|  |                      | 24.47%               |                      |                      |                      |                      |                      |                      |                       |
|  |                      | \$19,788             |                      |                      |                      |                      |                      |                      |                       |
|  |                      |                      | 16.96%               |                      |                      |                      |                      |                      |                       |
|  |                      |                      | \$19,303             |                      |                      |                      |                      |                      |                       |
|  |                      |                      |                      | 17.61%               |                      |                      |                      |                      |                       |
|  |                      |                      |                      | \$19,196             |                      |                      |                      |                      |                       |
|  |                      |                      |                      |                      | 15.33%               |                      |                      |                      |                       |
|  |                      |                      |                      |                      | \$18,800             |                      |                      |                      |                       |
|  |                      |                      |                      |                      |                      | 12.71%               |                      |                      |                       |
|  |                      |                      |                      |                      |                      | \$18,800             |                      |                      |                       |
|  |                      |                      |                      |                      |                      |                      | 12.00%               |                      |                       |
|  |                      |                      |                      |                      |                      |                      | \$18,800             |                      |                       |

\* Percentages of funds through year seven reflect a required pro-rata refund of unvested premiums. At percentages of dollar after month 88 reflect a pro-rata payment of a share of premium by this client. In this example, deducting at the end of year 4, would result in \$1,279 (0.01%) for this client as a refund of unvested premiums. 1st year total return is then 106.79% shown rather than 106.00%.

| <b>RETIREMENT VALUE, LLC</b> - Client part 4 in example and base-line expected income during ten years   |                      |                      |                      |                      |                      |                      |                      |                      |                       |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Case: AGL 130-012110-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 at maturity = 9.7269% share of the face amount = \$376.85 annual pro-rata premium share > 57 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 | 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 |
| 78.26% \$17,426  | 80.49% \$18,949      | 82.92% \$16,282      | 80.72% \$16,872      | 81.90% \$15,196      |                      |                      |                      |                      |                       |
| Client income is higher than the "base-line expected income" of 16.5% at the very first year because of the pro-rata re-distribution of the unused premium in the account when the insured dies.   |                      |                      |                      |                      |                      |                      |                      |                      |                       |
| 34.75% \$16,949  | 20.97% \$16,282      | 17.35% \$16,072      | 12.99% \$15,196      |                      |                      |                      |                      |                      |                       |
| * Percentages of Return - Through year four (four) a required pro-rata refund of unused premiums. All percentages or dollar value month 57 reflect a pro-rata payment of a share of premiums by the client. Each year in the next four years (years 5, 6, 7, 8, 9, 10) would result in a 78.26% shown above that 45.38%. |                      |                      |                      |                      |                      |                      |                      |                      |                       |



## Re-Sale Life Insurance Policies

## Our Management Team

### **Dick Gray** – Founder / President / CEO

Mr. Gray has held these positions since company start-up and remains very active in guiding the public presentation of the proprietary re-sale life insurance policy model he helped pioneer. Dick has helped clients make wise money decisions in hard financial times for the past 35 years and has been a licensed insurance agent for over 18 years. Personal participation in the re-sale life insurance policies for his own retirement planning reinforces his credibility when assisting numerous clients in doing the same. After earning an A. B. degree in political science and a Master of Divinity degree — and prior to the start of his business career — Dick proudly completed four years of U.S. Army active duty as a Chaplain, which included 13 months of decorated field duty in Viet Nam.

### **Wendy Rogers** – Vice President, Administration and Services

Mrs. Rogers supervises our Client Services Department while contributing personally to the development, design and implementation of all marketing and print materials; she also coordinates all computer and information technology needs. Wendy manages the massive data accumulation an operation like ours generates and assures client privacy, while providing timely on-line access for licensees and clients alike to all information needed for a satisfying business relationship with us. She combines 10 years of service in the insurance, financial planning, and banking industries with several years of re-sale policy sales experience. Wendy's B.S. in Agribusiness was earned at Texas A&M University – College Station, and she also has earned a Masters of Business Administration.

### **Bruce Collins** – Chief Operating Officer

Mr. Collins brings to this crucial position many years of success and achievement in the general financial services industry, including work as a registered rep, and over five years of directly-relevant success within our re-sale / life settlement industry as a Master Licensee and top-level player for our product line with another company. Mr. Collins coordinates all Licensee administration, policy-making decisions, and implementing execution for all "field" activities. He currently holds a Series 62, 6, and 7 licensing. Mr. Collins resides in Grand Prairie, TX, placing him at the financial epicenter of so much of the explosive growth and success at Retirement Value, LLC.

### **Katie Hensley** – Director of Finance

Mrs. Hensley is the primary point of contact for all Licensee commission matters at Retirement Value, LLC. Ongoing administration of all commissions and invoicing of all commission payments to the Escrow Agent; coordinating development of sales hierarchies; placing client funds on the specific policies your Clients select; recommending new policies to be placed on the bouquet -- these are just a few of the duties she performs efficiently and accurately. Katie holds a Bachelor of Business Administration from Texas A&M University-Kingsville.

### **Jeremy Gray** – Director of Policy Administration

Mr. Gray coordinates all policy acquisition and is the point of contact between our policy supplier and Kiesling, Porter, Kiesling & Free, P.C. He also maintains constant communication with all life insurance carriers that have issued policies that Retirement Value currently owns. He continually negotiates premium payments to cover the cost of insurance with these carriers for each policy and invoices the premium payments through our Escrow Agent to be paid to the appropriate insurance carriers.

### **DeAnne Lewis** – Manager of Client Services

Mrs. Lewis and her expanding staff "scrubs" all in-bound client paperwork sent to us by the Escrow Agent. She coordinates the flow of all applications with the Licensees, Escrow Agent, and the selected Custodian for all qualified funds. Mrs. Lewis joined our team with over 6 years of experience in the legal field with the two largest law firms in Austin, Texas, both as a Word Processing Supervisor and as a Legal Secretary in Insurance Defense Litigation.

## FRANKLIN TEMPLETON FIXED INCOME INVESTMENT INSIGHT

## An Introduction to the Life Settlements Asset Class

## KEY HIGHLIGHTS

- Life settlements may offer investors the potential for diversification and attractive returns
- The asset class offers investors the opportunity to allocate capital to an asset class with historically low correlation to traditional equity and fixed income
- The market has grown in potential to an estimated \$240 to \$600 billion

Life settlements represent the rapidly developing secondary market for life insurance policies issued in the United States.

## INVESTMENT CHARACTERISTICS

Investors are attracted to the market due to the following primary investment characteristics:

**Attractive Expected Returns<sup>1</sup>**—The asset class offers the potential for attractive returns relative to investment grade fixed income assets, due in part to it being a new and developing capital marketplace. Projected returns may be similar to those that investors can expect to achieve in other higher-risk asset classes, including equity markets.

**High Credit Quality**—Life policies typically sit at the top of the capital structure of investment grade insurance companies. This makes them attractive to investors with high credit quality constraints in their investment guidelines.

Chart 1: Policies are Typically at the Top of the Capital Structure

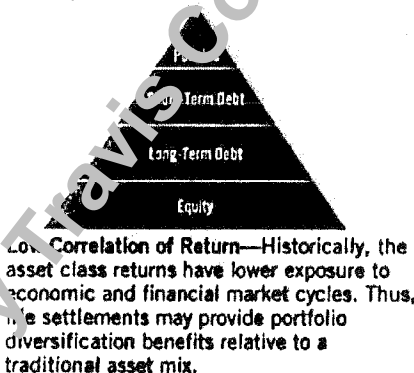
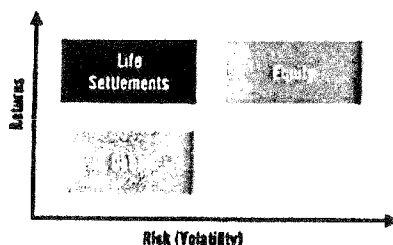


Chart 2: Life Settlements May Offer Attractive Returns with Lower Risk than Traditional Asset Classes



## THE DEVELOPING MARKET

Processes and technologies came together in the late 1990s, allowing for more efficient transfer of life policies. At the same time, a growing, older segment of Americans found themselves holding life insurance policies that they no longer needed. The life settlements market developed and began to provide liquidity to the boomer population. Though individuals have many reasons for exiting their policies, few are aware of the life settlements marketplace and either accept the cash surrender value from the insurance company (often between a quarter and a half of what can be found in the life settlement market) or let the policy lapse. The fundamental reason for the rapid growth of the life settlements market is consumer value. The life settlements investor can pay more than cash surrender value and still expect a competitive internal rate of return (IRR) on their investment.

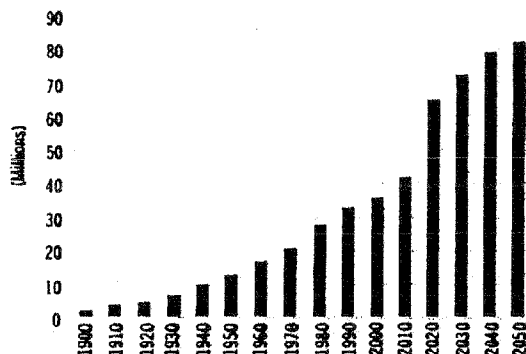
In recent years, the life settlements market has developed to give competitive market pricing, rather than just the cash surrender value, to policyholders for insurance policies they may no longer want or need. In the life settlement transaction, a policyholder sells a life insurance policy to an investor. The investor pays the subsequent premiums and is entitled to receive the policy's benefit upon the demise of the insured.

We believe that regulation, demographics and a low national savings rate will drive the expansion of supply to the life settlement market. The demographic wave of the baby boomer generation—those born in the U.S. between 1945 and 1965—is well known. This generation is now moving towards retirement with minimal savings relative to expected post-retirement expenditures. The cohort of those 65 or older is expected to grow at a rate of three times that of the general population. As this cohort grows, those wanting or needing to sell life insurance will grow as well.



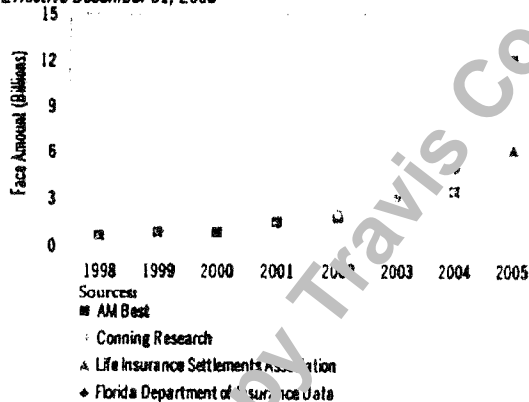
According to the 2005 American Council of Life Insurers Fact Book, there is about \$16 trillion worth of face value of life insurance in the United States. While the United States life insurance market accounts for almost 30% of the worldwide market, only a portion of the total \$16 trillion of outstanding life insurance in the United States is suitable for a life settlement transaction. Estimates place the U.S. life settlement market potential between \$240 and \$600 billion.

**Chart 3: The Market of Policies Available for Sale is Increasing Due to Demographic Trends**  
65-Plus Population by Year



Sources: U.S. Census Bureau, 1996, Dychtwald, Tarcher Putnam Publishing, 1999

**Chart 4: The Estimated Size of the Life Settlement Marketplace is Growing**  
Effective December 31, 2005



## ASSET CLASS RISK AND THE INVESTMENT PROCESS

An effective life settlements investment process integrates several key investment and risk management functions. These include maximizing the opportunity set of available investments through a policy acquisition network. Life settlements investment research should include the analysis of complex instruments with uncertain cash flows, insurance company credit risk, health care trends and biotechnology industry developments. Finally, robust portfolio and risk management systems tailored specifically to the life settlement asset class are required to monitor and effectively manage life settlement portfolios. Failure to properly manage the cash flow, insurance company credit

and healthcare/biotechnology risks will potentially result in permanent loss of capital.

### Inputs Into the Life Settlement Valuation Process

- Actuarial tables derived from life settlement population
- Minimum cost of insurance
- Mortality debits
- Policy structure
- Credit spreads
- Conditional credit default frequency specific to policy obligations
- Recovery rates adjusted for state guaranty levels
- Life settlement risk premiums

### Opportunity Set and Asset Acquisition

Investment managers use a network of life settlement brokers and providers to intermediate the sale of life insurance policies by policyholders wishing to sell them to investors wishing to buy them. Successful managers will continue to expand relationships across this developing industry to remain informed when suitable policies are being brought to market. As a part of its initial review, the investment manager considers available policies, associated policy illustrations, medical records and life expectancy underwriting reports relating to the underlying insureds in order to arrive at a valuation. In the asset acquisition phase of the program, the investment manager relies on internally developed pricing and valuation models.

### Portfolio and Risk Management

As the portfolio is assembled, risk is monitored and managed on the existing investments. At the same time, selected assets are segregated and set aside in a premium reserve with the aim of maintaining sufficient cash flow to meet ongoing expected premium payments on the portfolio of policies. The investment manager seeks to minimize the premiums paid to an insurance company, while returning the most money back to investors as it flows in, without jeopardizing the premium reserve required to keep un-matured policies in force.

The cost of premiums due on the life settlements is minimized because of a particular feature of universal life policies that allows policyholders to set the premium level to achieve their desired level of cash value accumulation. By obtaining policy illustrations from the insurance company that issues each life settlement, the manager can "reverse engineer" the policy illustration to calculate the projected minimum amount of premium required. The investment manager repeats this process on an annual basis, since cash flows are typically subject to change based on changes in the interest rate environment.

The premium reserve level for each year is estimated by matching the net present value of future premiums to a desired confidence level, with a certain portion assumed to come from future death benefits. As policy benefits come in, the premium reserve is filled to the stated level and the surplus passed back to the investor. The premium reserve is invested principally in high quality, short-term debt.

**Chart 5: Relative to Other U.S. Fixed Income Investments, Life Settlements May Offer Attractive Target IRRs Over a Long-Term Horizon  
As of May 31, 2006**



The successful manager will construct a diversified portfolio of life settlements. In particular, these investment opportunities have the potential to capture life insurance policies primarily issued by highly-rated insurance companies. Investments should be diversified across key industry impairment classifications, credit counterparties, and demographic profiles. The developing market for life settlements offers investors the opportunity to allocate capital to a high quality, attractive return asset class that has low historical correlations to traditional equity and fixed income financial markets.

1. Source: Bloomberg, Franklin Templeton Investments, 9.30.06. Market information on life settlements provided by Milestone Managers and Providers, LLC and Berkshire Settlements, Inc., and assumes a 10% discount rate.

#### Important Information

This article reflects the analysis and opinions of Franklin Templeton's Fixed Income Group, an affiliate of Franklin Templeton Institutional, as of November 2006. Because market and economic conditions are often subject to rapid change, the analysis and opinions provided may change without notice. The analysis and opinions should not be relied upon as investment advice.

Statements of fact are from sources considered reliable, but no representation or warranty is made as to their completeness or accuracy. There is no assurance that the employment of this strategy would result in the intended target IRR being achieved.

This material is intended for the use of investment consultants and other institutional/professional investors only, and is not directed at private individuals.

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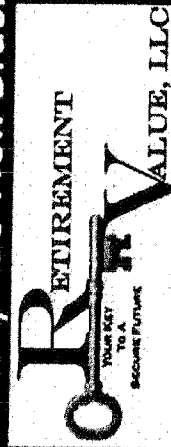


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Unofficial Copy  
An Introduction to Re-  
Sale Life Policies for  
Individual Participants

Presented by Bruce G. Collins  
Chief Operating Officer

Retirement Value, LLC New Braunfels, Texas



EXHIBIT

B-13

## Disclosure Statement

- The information contained herein is for general informational purposes only. Participation in resale life policies is not suitable for everyone and contains certain risks of gains or losses. Participants should carefully consider their time horizon and liquidity requirements. A resale life policy is illiquid in nature. This presentation should not be construed as personalized investment advice. Performance targets outlined herein are not guaranteed and are not FDIC insured.

# What is a Re-sale Life Insurance Policy?

- Sale or transfer of a life insurance contract as property.
- Based on a 1911 US Supreme Court Case  
Grigsby v. Russell

Oliver Wendell Holmes:

*"It is desirable to give life policies the ordinary characteristics of property; to deny the right to sell...is to diminish appreciatively the value of the contract."*

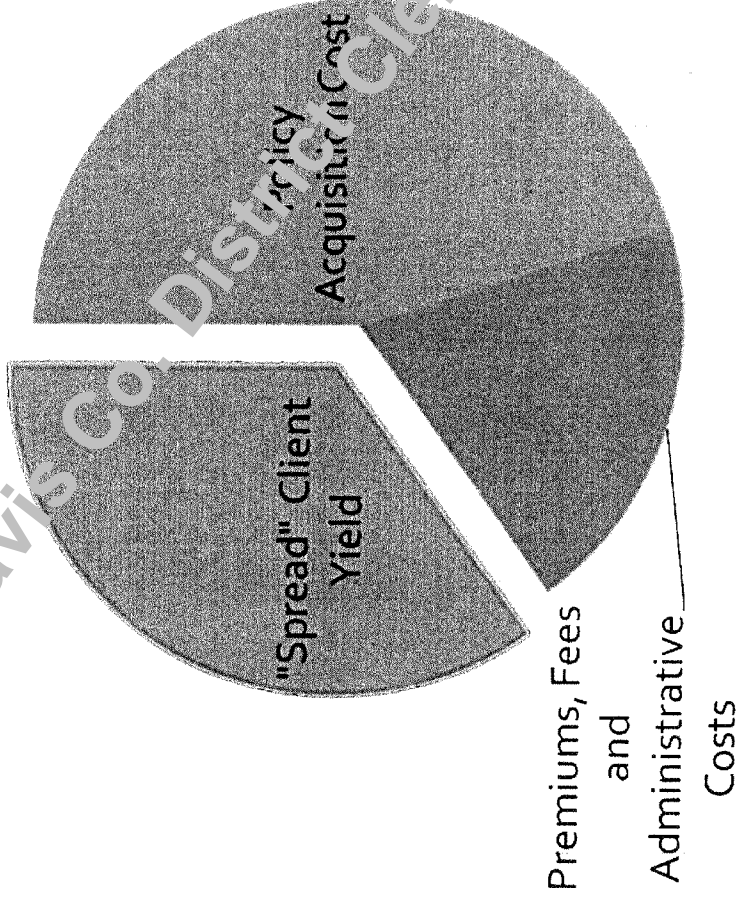
- Retirement Value, LLC uses participants funds to purchase life insurance policies at a deep discount compared to the face value
- RV, LLC becomes the **Owner** of the policy
- Participants become **IRREVOCABLE Co-Beneficiaries**
- Upon the triggering event and policy maturity, you receive a pro-rata distribution of the policy proceeds based upon your original participation amount plus any of your unused premiums
- RV organizes a diversified bouquet of policies for participants to acquire

## RV Policy Criteria

- Insured's **LE is 36-70 months**, evaluated by a 3<sup>rd</sup> party underwriter
- Policy can be acquired at a deep discount
- Targeted To Yield **16.5%** per year at life expectancy

# The RV Financial Model

When The Policy Matures  
The Proceeds Include :





# Unofficial copy Travis Co. District Clerk Velva L. Price

## Survivability and Risk Considerations

- Accuracy of Life Expectancy Evaluations
- Client Time Horizon

# Sufficiency and Risk Considerations

## Accuracy of Life Expectancy Evaluations

- Independent LE evaluations from three companies per insured, we use the longest life expectancy report time
- Historical LE track record: **90%** of policies mature at or before projected LE
- **95%** of policies mature at or before LE plus 12 months
- Individual participants portfolios will vary

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## Suitability and Risk Considerations

### Client Time Horizon

#### Life Insurance Re-Sale Holdings:

- Have No Ongoing Dividends or Cash Flow
- Policies Range in Duration from 36 to 70 Month LE's
- Available for Qualified or Non-Qualified Placements
- Suitable for pensions, 401K's and non-Profits

# Unofficial Risk Management

- Independent LE Evaluations- Accurate at **95% LE plus 12 Months**
- RV Offers an Ongoing Bouquet of 10 Policies With Diversified LE's
- **RV Financial Model Escrows Maintenance Costs to LE plus 24 months**

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# The RV Bouquet

100 Policies

Multiple "A" Rated Insurance Carriers

LE Range from 36 to 70 Months

# Doing Business with RV...

- Program is offered through a network of RV authorized licensees
- Minimum Client Participation is \$25,000 or \$5,000 per individual policy
- Participation available for Qualified or Non-Qualified Funds

# Unofficial Copy Introduction to Re-Sale Life

## Insurance Policies for Individual Participants

For More Information Contact...

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