

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

STATE OF TEXAS,

Plaintiff,

v.

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

Defendants,

AND

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

Relief Defendant.

IN THE 128th

DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

**PLAINTIFF'S FIRST AMENDED, VERIFIED PETITION AND APPLICATION
FOR INJUNCTIVE RELIEF, RESTITUTION, 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 R. Morgan, Deputy Securities Commissioner of the State of Texas (hereinafter referred to as the "Deputy Securities Commissioner"), files this **First Amended Petition and Application**, verified upon information and belief by the Deputy Securities Commissioner, complaining of Defendants Retirement Value, LLC, Richard H. "Dick" Gray, Hill Country Funding, LLC, a Texas Limited Liability Company, Hill Country Funding, a Nevada Limited Liability Company and Wendy Rogers, and makes this application for temporary and permanent injunction, restitution, disgorgement, temporary and permanent receiver and other equitable relief.

The purpose of this First Amended Petition and Application is to join Hill Country Funding, LLC, a Texas Limited Liability Company, Hill Country Funding, a Nevada Limited Liability Company (collectively referred to herein as "Defendant Hill Country

Funding) and Wendy Rogers as Defendants based on information learned by the undersigned since the filing of the State's Original Petition herein.

The State requests that the injunctive relief previously granted against Defendant Gray and Bruce Collins, the Chief Operating Officer of Defendant Retirement Value and a Defendant in the State's Original Petition ("Collins"), be maintained as well as the Court's appointment of Eduardo S. Espinosa of K&L Gates, LLP as Receiver for Defendant Retirement Value, LLC ("Receiver").

The State also seeks to maintain the injunctive relief previously granted 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 distribution 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 ("Escrow Agreement") (**Exhibit A**) without the express written consent of the Receiver or by order of the court. The State has reason to believe that the Relief Defendant held 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.

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 1984 & 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 for which the Court appointed Eduardo S. Espinosa of K&L Gates, LLP as Receiver on May 5, 2010. It may be served with this First Amended Petition and Application pursuant to Rule 21a of the Texas Rules of Civil Procedure by delivering same to the attorney of record for the Receiver of Retirement Value, LLC, Michael D. Napoli, of K&L GATES, LLP, 1717 Main Street, Ste. 2800, Dallas, Texas 75201.
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 a majority interest owner and Managing Member of Defendant Retirement Value and a part owner and Managing Member of Defendant Hill Country Funding. He may be served with this First Amended Petition and Application pursuant to Rule 21a of the Texas Rules of Civil Procedure by delivering same to his attorneys of record, Kevin F. Lee, Jay Thompson and Jeff Otto, at THOMPSON COE COUSINS & IRONS, L.L.P., 701 Brazos Street, Suite 1500, Austin, Texas 78701.
5. **HILL COUNTRY FUNDING, LLC** (hereinafter referred to as "Defendant HCF-Texas") is a Texas Limited Liability Company owned, managed and controlled by Defendant Richard H. "Dick" Gray and which maintains a business and mailing address at the same location as Defendant Retirement Value, 707 N. Walnut, New Braunfels, Texas 78130 and P.O. Box 310635, New Braunfels, Texas 78131. It may be served with process through its Registered Agent, Richard H. "Dick" Gray, which, by agreement, may be served through his attorneys of record, Kevin F. Lee, Jay Thompson and Jeff Otto, at THOMPSON COE COUSINS & IRONS, L.L.P., 701 Brazos Street, Suite 1500, Austin, Texas 78701.
6. **HILL COUNTRY FUNDING, LLC, a Nevada Limited Liability Company** (hereinafter referred to as "Defendant HCF-Nevada") is a Nevada Limited Liability Company owned, managed and controlled by Defendant Richard H. "Dick" Gray and his wife, Catherine Gray, which was formed on February 21, 2008 and dissolved on February 23, 2009. Its registered agent was Laughlin Associates, Inc. located at 2533 N. Carson Street, Carson City, NV 89706. It may be served with process through its former managing member, Richard H. "Dick" Gray, which, by agreement, may be served through his attorneys of record, Kevin F. Lee, Jay Thompson and Jeff Otto, at THOMPSON COE COUSINS & IRONS, L.L.P., 701 Brazos Street, Suite 1500, Austin, Texas 78701.
7. **WENDY ROGERS** (hereinafter referred to as "Defendant Rogers") is a natural person who is a part owner, Managing Member, and former Chief Executive Officer and Vice President of Defendant Retirement Value. She may be served

with process at her residential address at 1312 Havenwood Blvd., New Braunfels, Comal County, Texas 78132.

THE RELIEF DEFENDANT

8. **KIESLING, PORTER, KIESLING, & FREE, P.C.** (hereinafter referred to as "Relief Defendant Kiesling Porter"), a Texas Professional Corporation, is a Law Firm which is a Relief Defendant herein. It may be served with this First Amended Petition and Application pursuant to Rule 21a of the Texas Rules of Civil Procedure by delivering same to its attorneys of record, Matthew Nielsen and Spencer C. Barasch, Esq., at Andrews Kurth, LLP, 1717 Main Street, Suite 3700, Dallas, Texas 75201.

JURISDICTION

9. 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

10. 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

11. Pursuant to §17.47(b) of the DTPA, the Consumer Protection Division of the Office of the Attorney General did not make contact with the Defendants herein to inform them of the unlawful conduct alleged herein prior to filing the Original Petition, for the reason that the undersigned was of the opinion that there was good cause to believe that such an emergency existed that immediate and irreparable injury, loss or damage would have occurred as a result of such delay in obtaining a temporary restraining order, and that Defendants might have evaded service of process, destroyed relevant records and secreted assets if prior notice of the suit had been given.
12. The undersigned informed the attorneys for Defendants Gray and Hill Country Funding on June 18, 2010 of the unlawful conduct alleged herein and the relief being sought. The attorney for Defendant Rogers is unknown at the time of this filing.

BACKGROUND OF THIS SUIT

13. On May 5, 2010, the State filed its Original Petition herein and the Court granted its requests for an *ex parte* temporary restraining order against Defendants Retirement Value, Gray and Collins as well as the appointment of Eduardo S. Espinosa of K&L Gates, LLP as the Receiver for Retirement Value ("First Amended TRO").
14. On May 28, 2010, the Court issued an *Agreed Temporary Injunction Order Against Defendants Retirement Value, LLC and Richard H. "Dick" Gray and the Relief Defendant and Order Appointing Receiver* ("Gray TI and Order Appointing Receiver") which granted the State's request for a temporary injunction against Defendants Retirement Value and Gray and the Relief Defendant, Kiesling Porter and which also continued the appointment of Eduardo S. Espinosa of K&L Gates, LLP as the Receiver for Retirement Value. By its terms, the Gray TI and Order Appointing Receiver dissolved the First Amended TRO to the extent it pertained to Defendants Retirement Value and Gray and the Relief Defendant, Kiesling Porter.
15. On June 2, 2010, the Court signed a *Second Agreed Order to Extend the TRO Against Defendant Bruce Collins* extending the TRO only as it pertained to Defendant Collins until such time as the Court could consider for approval an agreement between the State, the Receiver and Defendant Collins for a permanent injunction and final judgment.
16. On June 17, 2010, the Court entered a *Permanent Injunction and Final Judgment as to Defendant Collins* ("Collins PI"). Upon entry of the Collins PI, the State moved for and the Court agreed to sever the claims against Defendant Bruce Collins from this cause of action and make them the subject of a separate action numbered D-1-GV-10-000802 in the 126th District Court of Travis County, Texas, so that it could proceed to final judgment.
17. Since the filing of the State's Original Petition, the undersigned has learned additional facts which make it necessary to now seek (1) the appointment of a Receiver for Hill Country Funding to conserve and protect the assets thereof for the benefit of its investors; (2) injunctive relief against Defendants Hill Country Funding and Rogers and (3) the disgorgement of economic benefits from Defendant Rogers.
18. Such facts are discussed further herein and include:
 - A. Defendant Gray dissolved Defendant HCF-Nevada on February 23, 2009 with sums remaining due and owing to investors;
 - B. While Defendant HCF-Nevada did not reincorporate, merge or otherwise consolidate with Defendant Texas HCF-Texas, Defendant HCF-Texas has

assumed custody and control of all of HCF-Nevada's funds and administration of life insurance policies it purchased using investor funds.

- C. Other than the value of its policies and any claims to recover funds from Defendant HCF-Texas, Defendant HCF-Nevada has no funds to satisfy investor demands should they exercise their right to accelerate payment based on Defendant HCF-Nevada's default resulting from its dissolution;
- D. Defendant Hill Country Funding has insufficient funds to maintain interest payments due its investors or to pay future premiums that come due on life insurance policies it purchased using investor funds;
- E. Defendant Retirement Value co-mingled its assets and resources with those of Defendant Hill Country Funding;
- F. Defendant Rogers is a part owner, Manager, Member and former Chief Executive Officer of Retirement Value;
- G. Defendant Retirement Value has paid almost \$1 million directly to or for the benefit of Defendant Rogers;
- H. At the direction of Defendants Gray and Rogers, Absolute Betah, LLC, a Delaware Limited Liability Company ("Absolute Betah") and then Special Acquisitions, Inc., a Texas corporation ("Special Acquisitions") were each formed for the purpose of continuing to sell Defendant Gray's and Defendant Rogers' "securitized product"; and
- I. Defendant Rogers and a friend from college, Carie Morales ("Morales"), are the sole signatories on an account in the name of Special Acquisitions to which Defendant Retirement Value transferred approximately \$1.1 million the day after the Texas Securities Commissioner issued an emergency cease and desist order against Defendants Retirement Value, Gray and Collins.

19. Information related to Defendants' fraudulent investment schemes and the use of investors' funds are described further in this verified First Amended Petition and Application and in the sworn affidavits of Rani Sabban and Eduardo S. Esiposa attached hereto, respectively, as **Exhibit B** and **Exhibit C**.

The Gray TI and Order Appointing Receiver includes findings that the assets of Absolute Betah and Special Acquisitions were derived from the operations of Retirement Value, were under the control of Gray and were therefore properly the subject of the Retirement Value receivership estate and constitute receivership assets.

**HISTORY OF COMPANIES OPERATED BY
DEFENDANTS GRAY AND ROGERS**

20. Defendant Gray, with the assistance of Defendant Rogers, has repeatedly engaged in illegal sales of securities through fraudulent investment schemes. They have 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, Defendants Gray and Rogers return to selling illegal securities on behalf of a new or different firm.
21. From January 2007 through March 30, 2010, Defendant Gray, and in most part, with the assistance of Defendant Rogers, formed and operated the following entities:
- A. Beginning as early as 2005 and continuing through as late as August 2007, Defendant Gray, by and through Bancard-Donagan Insurance, sold investments in bonded life settlement contracts issued by Secure Investment Services, Inc. (herein referred to as "SIS") which operated its principle place of business in Redding, California.
 - B. In January 2007, Defendant Gray operated **First Security Trust** against which the Banking Commissioner of Texas issued Emergency Order to Cease and Desist Activity No. 2007-004 on January 25, 2007. In the order, the Banking Commissioner found that Defendant Gray's unauthorized use of the word, "trust" in his business name effectively misrepresented to the public that First Security Trust was a legitimate trust company duly authorized to operate in Texas.
 - C. In or around September 2007, Defendant Gray, with the assistance of Defendant Rogers, operated under the business names of **First Security** and **Texas Funding Associates** to sell bonded life settlements as an agent for American Settlement Associates, LLC ("ASA"), which had previously done business as Secure Investment Services in Houston ("SIS-Houston").
 - D. On February 7, 2008, Defendant Gray and his wife, Catherine H. Gray, formed Defendant **Hill Country Funding, LLC, a Texas Limited Liability Company**, listing its address as New Braunfels, Texas, and, thereafter, with the assistance of Defendant Rogers, sold investments in bonded life settlement contracts issued directly by Defendant Hill Country Funding and as an agent for ASA.
 - E. Two weeks later, on February 21, 2008, Defendant Gray and his wife, Catherine H. Gray, formed **Hill Country Funding, LLC, a Nevada Limited Liability Company**, listing its address as Carson City, Nevada,

and, thereafter, with the assistance of Defendant Rogers, sold bonded life settlement contracts issued directly by Defendant Hill Country Funding and as an agent for ASA. Defendant HCF-Nevada was dissolved on February 23, 2009 and was not reincorporated in Texas, nor did it merge into or otherwise consolidate with Defendant HCF-Texas.

- F. On January 13, 2009, Defendants Gray and Rogers, together, with Catherine H. Gray, David A. Gray, and Elizabeth O. Gray, formed Defendant **Retirement Value, LLC, a Texas Limited Liability Company**, and began selling the re-sale life insurance policy program described further herein.
 - G. On March 1, 2010, Defendants Gray and Rogers, together with Catherine H. Gray and Carrie Morales, formed **Absolute Betah, LLC, a Delaware Limited Liability Company**, to sell a form of their "securitized product" in the death benefits of life insurance policies.
 - H. On March 30, 2010, Defendants Gray and Rogers directed the formation of **Special Acquisitions, Inc.** by Morales, to take the place of Absolute Betah to sell a "securitized product" in the death benefits of life insurance policies.
22. Defendants Gray and Rogers have shown clear intent and ability to form new companies whenever necessary to continue selling their investment scheme. While there is currently both an administrative order⁷ and the May 28, 2010 Gray TI and Order Appointing Receiver prohibiting Defendant Gray from continuing such practice, there are no such orders directly prohibiting Defendant Rogers from continuing to form yet another entity to sell the same or similar investment scheme as that of Defendants Retirement Value or Hill Country Funding. The State is therefore seeking injunctive relief against Defendant Rogers as set forth below.

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

- 23. Beginning as early as 2005 and continuing through as late as August 2007, Defendant Gray, by and through Barnard-Donagan Insurance, sold investments in bonded life settlement contracts issued by SIS.
- 24. Defendant Gray sold approximately ninety-two of these investments in bonded life settlements as an agent of SIS. Investors tendered approximately \$3 million for the purchase of the investment and Defendant Gray received in excess of \$400,000.00 in commissions for these sales.

⁷On March 29, 2010, the Securities Commissioner entered Emergency Cease and Desist Order ENF-10-CDO-1686 ("Securities Emergency Order"), styled in the Matter of Retirement Value et al. The order was issued against Retirement Value, Gray and Collins.

25. Investors in SIS 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.
26. 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 Indemnity Ltd., SALGI, Sino Reinsurance, Internazionale SpA, and Union Credit Finanziaria had also purportedly issued a bond to secure the investment.
27. 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").
28. 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.
29. 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.

HCF DEFENDANTS'
ILLEGAL SALES OF SECURITIES ISSUED BY
AMERICAN SETTLEMENT ASSOCIATES, LLC

30. As an associate of three of Defendant Gray's companies, First Security, Texas Funding Associates and Defendant Hill Country Funding, all of which shared the same business address located at 5945 Broadway in San Antonio, Texas 78209, Defendant Rogers assisted Defendants Gray and Hill Country Funding in the

sale of investments in bonded life settlement contracts issued by SIS-Houston, also known as ASA. See **Exhibit D** attached hereto (correspondence from all three said companies relating to investments in the same life insurance policy signed by Defendants Gray and/or Rogers).

31. SIS-Houston, which was purportedly formed by former sales agents of SIS, began operating as a d/b/a in Texas at or near the time the SEC filed its action against SIS described in paragraph 27 above. Soon thereafter, SIS-Houston changed its name to ASA. As discussed further below, on March 19, 2010, the SEC filed a complaint against ASA and its principals alleging they 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.
32. Approximately one month after the SEC filed its suit against SIS in August 2007, Defendant Gray notified his clients who had invested in SIS-Houston of its "long-sought and long-awaited name change to [ASA]." Without discussing the SEC's pending suit against SIS, for which SIS-Houston's principals and Defendant Gray had previously been agents. See **Exhibit E** attached hereto.
33. Investors in ASA 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.
34. Investors were also allegedly told that Provident Capital Indemnity Ltd. had also purportedly issued a bond that secured the investment.
35. At the time Defendants Gray, Hill Country Funding and Rogers (collectively referred to herein as the "HCF Defendants") offered for sale and sold bonded life settlement contracts issued by ASA, the Texas Department of Insurance and the Texas State Securities Board had already taken actions against Provident Capital and Indemnity, Ltd. to wit:
 - A. On or around November 6, 2006, the Insurance Commissioner of Texas entered an 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.
36. The Enforcement Division of the Texas State Securities Board conducted an investigation of Defendants Gray and Hill Country Funding. On or about September 8, 2008, Defendant Gray, both individually and in his capacity as Managing Member of Defendant Hill Country Funding filed an Undertaking with the Securities Commissioner wherein he:
- A. Agreed to notify all persons who made loans or any forms of investment with Defendant Hill Country Funding 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 Defendant Hill Country Funding 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.
37. 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.

**HCF DEFENDANTS' SALES
OF ILLEGAL SECURITIES ISSUED BY
DEFENDANT HILL COUNTRY FUNDING**

38. On February 7, 2008 and February 21, 2008, Defendant Gray formed Defendant Hill Country Funding, LLC, a Texas Limited Liability Company, and Defendant Hill Country Funding, LLC, a Nevada Limited Liability Company, respectively, and with the assistance of Defendant Rogers, began issuing investments in Defendant Hill Country Funding's own bonded life settlement contracts variously referred to as the "Re-Insured Re-Sale Insurance Policy" Program or the "Re-Sale Insurance Policy" Program (hereinafter referred to as the "HCF Bonded Program"). Investments in this program were purportedly secured by a mortality bond issued by various bonding companies, including Provident Capital Indemnity, Ltd. out of Costa Rica ("Provident Capital"), Internazionale SpA out of Genoa, Italy ("Internazionale"), Union Credit Finanziaria SpA out of Torino, Italy ("Credit Union"), and Condor Guaranty, Inc. out of Freeport, Grand Bahama, Bahamas ("Condor").
39. The basic structure of the HCF Bonded Program was to use investor funds to purchase re-sale life insurance policies by promising investors a guaranteed return payable from either the proceeds of the re-sale life insurance policies upon the death of the insureds or from the bond carrier. Basic components and representations of the HCF Bonded Program include:
- A. Investors were told their funds would be used to purchase re-sale life insurance policies and a mortality bond purportedly guaranteed investors' return. Investors would become "irrevocable beneficiaries" on the insurance carrier's permanent records.
 - B. Once enough investor funds were received for a particular re-sale life insurance policy, Defendant Hill Country Funding would complete the purchase of the policy, change ownership of the policy to Defendant Hill Country Funding and assign irrevocable beneficiary interests to the investors and secured the mortality bond.
 - C. The re-sale life insurance policies offered in the HCF Bonded Program were accompanied with life expectancies of the insureds which predicted the date the insureds would die and further set the date of maturity for the investment.
- Investors were told investments in the HCF Bonded Program were purportedly secured with a mortality bond issued by at least one of the aforementioned bonding companies that purportedly guaranteed the promised return to investors should the insured live past the stated life expectancy.

- E. Based on the purported mortality bond, Defendant Hill Country Funding told investors from the outset the lowest annualized yield for their participation. However, investors were further told that should the insured pass away before life expectancy, their net annualized yield would be higher.
- F. Investors in the HCF Bonded Program signed a "Loan Agreement" and a "Supplemental Agreement" wherein Defendant Hill Country Funding agreed to pay investors their principal investment plus a specified rate of return or "yield" on either the death of the insured, or by the bond carrier after life expectancy of the insured is reached.
- G. Hill Country Funding investors were told the "total preservation" of their principal in the HCF Bonded Program was achieved by:

"having Tax Lawyers Exchange receive & distribute client funds to: (1) purchase the policy through an escrow account at Pacific Northwest Title Co. of Oregon; (2) purchase the re-insurance mortality or surety bond; and (3) function as the third-party fiduciary to make all the premium payments for [their] policy on a quarterly basis through the time-line of the policy, issuing quarterly policy-status reports."

- H. The HCF Bonded Program was represented as a "Secure Money Idea" because investors would purportedly receive a guaranteed return on their investment payable from the proceeds of the insurance policies upon the death of the insured or from the bond carrier if the insured lived past the stated life expectancy.

40. At the time the HCF Defendants offered for sale and sold bonded life settlement contracts issued by Defendant Hill Country Funding, the Texas Department of Insurance and the Texas State Securities Board had already taken actions against Provident Capital Indemnity, Ltd., one of the aforementioned bonding companies, to wit:

- A. On or around November 6, 2008, 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.

41. The Enforcement Division of the Texas State Securities Board conducted an investigation of Defendants Gray and Hill Country Funding. On or about September 8, 2008, Defendant Gray, both individually and in his capacity as Managing Member of Defendant Hill Country Funding filed an Undertaking with the Securities Commissioner wherein he:
- A. Agreed to notify all persons who made loans or any forms of investment with Defendant Hill Country Funding 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 Defendant Hill Country Funding 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.

SUMMARY OF RETIREMENT VALUE SCHEME

42. While still operating Defendant Hill Country Funding, Defendants Gray and Rogers organized Defendant Retirement Value to fraudulently sell securities to the investing public. From in or about April 2009, through February 28, 2010, Defendants Retirement Value, Gray and Rogers (collectively referred to herein as the "RV Defendants") collectively raised approximately \$65 million from over

800 investors through the sale of fraudulent investments in the death benefits of life insurance policies.

43. 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.
44. RV 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.
45. The analyses determined the anticipated maturity of the investment because investors are not entitled to receive a return on the 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 are required to pay for the ongoing premium payments for the life insurance policies until the insured dies or lose their entire investment.
46. RV Defendants, directly or indirectly, 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 herein, the estimated life expectancies of the insureds are the critical factors used to determine the anticipated maturity of the investments and assess whether investors need to pay additional funds to satisfy ongoing premium obligations.
47. RV 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 were 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.
48. RV 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 more than \$65 million to Defendants based upon these fraudulent representations and nondisclosures.

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

49. Beginning in or about April 2009, and continuing through March 28, 2010, RV Defendants offered for sale and sold investments in the death benefits of life insurance policies. RV Defendants marketed and referred to the investments as Retirement Value's Re-Sale Life Insurance Policy Program (the "RSLIP Program").
50. RV Defendants told investors that their purchase of an investment in the RSLIP Program would entitle them to "base-line expected income" of an annual rate of 16.5% that would be payable upon maturity of the investment. Individuals who invest \$100,000 in the RSLIP Program will therefore expect to receive "base-line expected income" in the amount of approximately \$74,800 upon maturity. Investors should therefore expect to receive \$174,800, representing the "base line expected income" and the original principal contribution, upon the maturity of the investment.
51. RV Defendants told investors they could realize the "base-line expected income" by using investor funds to purchase interests in re-sale life insurance policies. RV Defendants **represented** the structure of the transaction as follows:
- A. Investors were provided with a "portfolio" of re-sale life insurance policies selected by Defendant 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 purported escrow accounts maintained by Wells Fargo.
 - E. The investors' funds were managed by Relief Defendant Kiesling Porter in its purported capacity as "an independent escrow agent" and "third party fiduciary". RV Defendants told investors that the use of Relief Defendant Kiesling Porter "assure[d] the total safeguarding and preserving of [the] basis and targeted income" because "[a]t no time do any [of the] funds come to, pass through, or get handled by anyone at Retirement Value." These were described as "essential components" of the RSLIP Program.
 - F. The investors' funds were used to purchase the re-sale life insurance policies identified on the aforesaid portfolio from a "policy aggregator."

- G. Funds were purportedly maintained in "escrow" to cover all premium payments for the life insurance policies that 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 receive 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, was purportedly responsible for processing all premium payments.
- H. Investors would be required to advance additional funds to cover a pro-rata portion of future premiums if the insured lived past his or her projected date of death plus a term of twenty-four (24) months. Investors who were unable to advance these funds under those circumstances would forfeit their interests and lose their expected returns.
- I. Defendant Retirement Value became the owner of the re-sale life insurance policies.
- J. As owner of the re-sale life insurance policies, RV Defendants said Defendant Retirement Value would name Kiesling Porter as the beneficiary and surrender its rights and authority to change the beneficiary thereafter.
- K. Investors were told that Kiesling Porter, as the beneficiary, would be required to pay investors, as "irrevocable co-beneficiaries," a pro-rata distribution of the death benefit of the selected policies upon the maturity of the policy due to the death of the insured.

52. RV Defendants touted the business repute and qualifications of Defendants Gray and Rogers. For example:

- A. RV Defendant 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. 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. RV Defendants also promoted Defendant Rogers as being credible and qualified by representing:

[Defendant Rogers] supervises our Client Service 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. [Defendant Rogers] manages the massive data accumulation an operation we ours generates and assures client privacy, while providing timely on-line access for licensees and clients to all information needed for a satisfying business relationship with us. [Defendant Rogers] combines 10 years of service in the insurance, financial planning, and banking industries with several years of re-sale policy sales experience. [Defendant Rogers] B.S. in Agribusiness was earned at Texas A & M University – College Station, and she has also earned a Masters of Business Administration.

53. RV 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. RV 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. RV Defendants 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." RV 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 RSLIP Program.

- B. RV Defendants represented that all policies are accompanied with a life expectancy certificate. However, RV Defendants failed to disclose that these life expectancy certificates are received by Defendant Retirement Value 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.

RV Defendants touted the accuracy of the life expectancy estimates. For example, RV Defendants told investors that 95% of insureds die at or before their estimated date of death. RV 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**

54. Although RV Defendants represented to investors that Defendant Retirement Value received three life expectancy evaluations and always selected the longest, in truth and in fact, RV Defendants relied upon life expectancy reports that were provided solely by Midwest Medical.
55. 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 guilty to one count of the indictment and is a convicted felon.
56. 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. Pure Investment Services Inc. et al., Case No. 2:07-cv-01724-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.
57. Midwest Medical retained HMM Consulting to perform a detailed audit of its life expectancy estimate process and analysis of its result. On or about February 22, 2010, HessMorganHoule Consulting ("HMH") 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.

58. AWS Underwriting, LLC, and 21st Services, LLC conducted life expectancy evaluations for at least 43 of the same insureds covered under the life insurance policies offered in the RSLIP 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.

RELIEF DEFENDANT KIESLING PORTER
AS THE "ESCROW AGENT"

59. RV Defendants represented that an essential component of the Re-SIP Program is that Relief Defendant Kiesling Porter served as the "independent" escrow agent and "[a]t no time do any [investor] funds come to, pass through, or get handled by anyone at [Defendant Retirement Value]." In truth and in fact, Relief Defendant Kiesling Porter owed no duty to anyone other than Defendant Retirement Value and investors were specifically excluded as beneficiaries to the Escrow Agreement.
60. The Escrow Agreement between Defendant Retirement Value and Relief Defendant Kiesling Porter sets forth, among other things, the following responsibilities and duties as it pertains to Relief Defendant Kiesling Porter:
- A. Relief Defendant Kiesling Porter is not obligated to perform any independent, objective or fiduciary duties, to include independently verify commissions, administrative fees, and the purchase price, premiums or terms of the life insurance policies;
 - B. Relief Defendant Kiesling Porter is only obligated to follow Defendant Retirement Value's instructions for the use of investor funds even if it receives conflicting instructions from any third party, which would include any investor;
 - C. Relief Defendant Kiesling Porter owes no duty to anyone other than Defendant Retirement Value except for instances of wilful misconduct;
 - D. Neither investors nor licensees are intended to be a party or a third-party beneficiary of the Escrow Agreement;
 - E. Relief Defendant Kiesling Porter has no legal obligation to negotiate, mediate, arbitrate or litigate any contestable matters that relate to the life insurance policies or the payment of claims thereon; and
 - F. Relief Defendant Kiesling Porter is not required to continue to serve as the escrow agent and can relinquish its duties by canceling the Escrow Agreement at any time.
61. RV Defendants represented to investors that Relief Defendant Kiesling Porter deposited investor funds in separate policy escrow accounts to cover the specific policy purchase price and premium payments. However, the accounts are not

held in "escrow" since Relief Defendant Kiesling Porter owes no duty to anyone other than Defendant Retirement Value. Moreover, Defendant Retirement Value directed Relief Defendant to co-mingle investor funds by using funds from one policy account to pay the purchase price or the premiums for other policies.

62. RV Defendants told investors that 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 death of the insured. However, neither Relief Defendant Kiesling Porter nor investors are listed as "irrevocable beneficiaries or irrevocable co-beneficiaries" on any of the policies and Defendant Retirement Value retains the rights and authority under the policies to change the beneficiary or beneficiaries at any time.

**OTHER REGULATORY ACTIONS AGAINST
DEFENDANTS RETIREMENT VALUE AND GRAY**

63. On March 29, 2010, the Securities Commissioner entered Emergency Cease and Desist Order ENF-10-CDO-1686 (hereinafter referred to as the "Securities Emergency Order"), styled In the Matter of Retirement Value et al. The Securities Commissioner found therein that Defendants Retirement Value Gray and Collins 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.
64. 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.
65. As of the entry of the Securities Emergency Order and the Insurance Emergency Order, Defendant Retirement Value received approximately \$65 million from over 800 investors who collectively made approximately 1100 investments in the RSLIP Program. Defendant Retirement Value used these funds in part as follows:

- A. Defendant Retirement Value paid approximately \$9.3 million as commissions to unregistered sales agents;

Defendant Retirement Value, and subsequently the RV Defendants, retained approximately \$8.4 million in purported "profits", including more than \$3 million that was paid to or for the benefit of Gray; \$600,000.00 that was paid to Collins and almost \$1 million that was paid to or for the benefit of Rogers; and

- C. Defendant Retirement Value used \$20.2 million to acquire the life insurance policies, approximately \$1.2 million to pay life insurance premiums, almost \$1.3 million 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.

**FACTS IN SUPPORT OF JOINING DEFENDANTS
HILL COUNTRY FUNDING AND WENDY ROGERS**

66. Since the State filed the Retirement Value Lawsuit on May 5, 2010, the undersigned has learned many of the following facts that make it necessary for the State to now seek injunctive relief against Defendants Hill Country Funding and Rogers, as well as the disgorgement of economic benefits from Defendant Rogers and the appointment of a Receiver for Defendant Hill Country Funding to conserve and protect the assets for the benefit of its investors:

- A. Defendant HCF-Nevada entered into "Loan Agreements" and "Supplemental Agreements" with investors wherein it obligated itself to pay investors the principal amount loaned to HCF-Nevada plus interest upon the maturity thereof. See **Exhibit B-11**.
- B. Defendant HCF-Nevada's "Loan Agreement" provides that an investor may declare the unpaid principal balance, earned interest and any other amounts owed on the agreement immediately due if Defendant HCF-Nevada defaults in the performance of an obligation in any instrument safeguarding or collateral to the agreement. See **Exhibit B-11**.
- C. Defendant HCF-Nevada's "Supplemental Agreement" provides that a default exists, *inter alia*, if Defendant HCF-Nevada is dissolved. See **Exhibit B-11**.
- D. On February 23, 2009, Defendant Gray dissolved Defendant HCF-Nevada and declared that all debts, obligations and liabilities had been paid and discharged or that adequate provisions had been made therefore. See **Exhibit C-2**.
- E. Defendant HCF-Nevada was not re-incorporated in Texas, merged with or otherwise consolidated with Defendant HCF-Texas. See **Exhibit C** (Affidavit of Eduardo S. Espinosa).
- F. Defendant HCF-Texas has assumed custody and control of all of Defendant HCF-Nevada's funds and the administration of the life

insurance policies Defendant HCF-Nevada purchased using funds loaned to it by investors. See **Exhibit C**.

- G. Other than the liquidation value of its policies and any claims to recover funds from Defendant HCF-Texas, Defendant HCF-Nevada has no funds with which to satisfy the investors demands should they exercise their right to accelerate payment based on Defendant HCF-Nevada's default. See **Exhibit C**.
- H. Defendants Hill Country Funding and Retirement Value were commonly owned and managed. In addition, the two companies co-mingled their assets and resources, including the sharing of office space, utilities, staff, supplies, and other business expenses in addition to the transfer of funds discussed in sub-paragraphs I and W below. See **Exhibit C**.
- I. Between February 23, 2010 and April 13, 2010, Defendant Retirement Value transferred \$2,075,000.00 to, and received \$824,893.79 back from, Defendant Hill Country Funding, thereby resulting in a net transfer of \$1,150,106.21 from Defendant Retirement Value to Defendant Hill Country Funding during that time period. See **Exhibit C**.
- J. Defendant Hill Country Funding currently still owns at least five (5) life insurance policies it purchased using investor funds for which premiums are or will become due within the next few months. The Receiver for Retirement Value has already, at the request of Gray, made quarterly premium payments in excess of \$35,000.00 on Defendant Hill Country Funding's policies. See **Exhibit C**.
- K. Defendant Hill Country Funding currently owes monthly interest payments to investors totaling almost \$5,000.00 per month. See **Exhibit C**.
- L. As of May 1, 2010, Defendant Hill Country Funding had approximately \$375,000 available to pay operating expenses, monthly interest payments due investors and premiums necessary to keep the five life insurance policies in force. See **Exhibit C**.
- M. Defendant Hill Country Funding has insufficient funds to meet its anticipated obligations for monthly interest payments and policy premiums for the benefit of investors. If Defendant Hill Country Funding makes the monthly interest payments to investors, as requested by Defendant Gray, and pays the insurance premiums to maintain the policies, it will deplete its available funds by or about May 2011. Or if Defendant Hill Country Funding does not make the monthly interest payments and pays only the premiums necessary to keep the policies in force, it will deplete its available funds by or about July 2011. However, the earliest any funds from any of the bonds purportedly securing payment to investors would

become available in January 2012, approximately six months after Defendant Hill Country Funding will have depleted its available funds and the life insurance policies will have lapsed. See **Exhibit C**.

- N. Defendants Gray and Rogers formed Defendant Retirement Value merely as a vehicle to continue to sell life settlement contracts, but without a bond. Defendants Gray and Rogers offered Defendant Retirement Value's RSLIP Program for sale to investors on Defendant Hill Country Funding's letterhead. See **Exhibit F**.
- O. Defendant Rogers is a 20% interest owner and founding Managing Member of Defendant Retirement Value and has held the positions of Vice President and Chief Executive Officer. See **Exhibit C**.
- P. Almost \$1 million of Retirement Value funds were paid directly to or for the benefit of Defendant Rogers, including \$12,300.00 that was paid to her in commissions from her sale of the RSLIP Program. See **Exhibit C**.
- Q. Defendant Rogers executed, on behalf of Defendant Retirement Value, many of the informational and substantive documents that were delivered to the investor-victims at or about the time of their investment, including a "Welcome Packet" that was conveniently delivered after the investors' 10-day "free look" period had expired. See **Exhibit C**.
- R. Defendants Gray and Rogers, together with Gray's wife, Catherine H. Gray, and Morales, formed Absolute Betah (which purportedly means "security" in Hebrew) in Delaware on March 1, 2010. See **Exhibit C**.
- S. Defendant Retirement Value's "policy aggregator", James Settlement Services, refused to do business with Defendant Gray following the Securities Emergency Order that was issued on March 29, 2010; and therefore Defendants Gray and Rogers had to abandon their plans to use Absolute Betah as the next company under which they would offer for sale and sell a "securitized product" involving the death benefits of life insurance policies. See **Exhibit C**.
- T. Morales, a friend Defendant Rogers met in college and a part-time employee of Defendant Retirement Value, set up a new company in the name of Special Acquisitions to take the place of Absolute Betah and under which Defendants Gray and Rogers intended to offer for sale and sell a "securitized product" involving the death benefits of life insurance policies. See **Exhibit C**.
- U. Special Acquisitions was incorporated by Morales on March 30, 2010, the day after the Securities Emergency Order was entered against Retirement Value, Gray and Collins. See **Exhibit G**.

- V. More than \$1 million of Retirement Value's funds were transferred to an account at Chase bank in the name of Special Acquisitions for which Defendant Rogers and Morales were the only signatories. See **Exhibit C**.
- W. Special Acquisitions opened a bank account at Chase Bank on March 31, 2010 with \$1,482,000 which was funded with \$1,075,000 from Defendant Hill Country Funding, \$75,000 from an as-yet unidentified source and \$342,000 from Defendant Retirement Value. See **Exhibit C**.
- X. Special Acquisitions returned \$250,000 to Defendant Retirement Value during the month of April 2010. See **Exhibit C**.
- Y. Defendant Rogers provided the Receiver for Defendant Retirement Value with the following three explanations as for the purpose of diverting more than \$1 million of Defendant Retirement Value funds to Special Acquisitions on March 30, 2010 (**Exhibit C**):
- 1) to fund a "war chest" so that money could be set aside for attorneys to fight the regulatory action brought by the Texas State Securities Board;
 - 2) to continue funding development of a "securitized" product; and
 - 3) to repay Defendant Gray's clients who had invested through Defendant Gray in bonded life settlements from SIS, a prior vehicle utilized to sell interest in the death benefits of life insurance policies that was sued by the United States Securities and Exchange Commission in August 2007 for, *inter alia*, operating a Ponzi scheme.
- Z. Defendants Gray and Rogers planned to create yet another entity by which they intended to continue selling an investment scheme, a "NON-security" if possible, after "jettison[ing]" Defendants Gray, Rogers and Collins and finding a suitable "composite replacement" therefor. See **Exhibit C-5**.

**DEFENDANTS RETIREMENT VALUE, GRAY AND ROGERS
OFFERED FOR SALE AND SOLD SECURITIES**

67. 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).

68. Section 4.A of the Texas Securities Act defines the term "securities" to include investment contracts.

69. The investments in the RSLIP 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 Searsy v. Commercial Trading Corp., 560 S.W.2d 637, 640 (Tex. 1978).
70. An application of this definition to the investments in the RSLIP Program demonstrates that these investments are "investment contracts," and these instruments are therefore securities.

**DEFENDANTS HILL COUNTRY FUNDING GROUP AND ROGERS
OFFERED FOR SALE AND SOLD SECURITIES**

71. 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).
72. Section 4.A of the Texas Securities Act defines the term "securities" to include bonds, evidences of indebtedness, and investment contracts.
73. Investments in the HCF Bonded Program are securities in the form of "investment contracts."
- A. 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 Searsy v. Commercial Trading Corp., 560 S.W.2d 637, 640 (Tex. 1978).
- B. An application of this definition to the HCF Bonded Program the Hill Country Funding Defendants demonstrates that these investments are "investment contracts" and these instruments are therefore securities.
74. Investments in the HCF Bonded Program are securities in the form of "evidences of indebtedness."
- A. The Texas Securities Act provides that instruments that constitute "evidences of indebtedness" are securities. The Texas Supreme Court has defined the term "evidences of indebtedness" to be (1) all contractual obligations to pay in the future (2) for consideration presently received. See Searsy v. Commercial Trading Corp., 560 S.W.2d 637, 642 (Tex. 1978).

B. An application of this definition to the HCF Bonded Program offered for sale and sold by the Hill Country Funding Defendants demonstrates that these investments are "evidences of indebtedness" and these instruments are therefore securities.

75. Investments in the HCF Bonded Program are securities in the form of "bonds."

A. The Texas Securities Act provides that instruments that constitute "bonds" are securities. The term bond is not specifically defined in the Texas Securities Act or in any relevant case law. Black's Law Dictionary includes in its definition specific examples of bonds to include a "guarantee bond." A guarantee bond is a type of bond which combines the features of both the fidelity and surety bond and which is given to secure payment and performance."

B. An analysis of this definition to HCF Bonded Program offered for sale and sold by the Hill Country Funding Defendants demonstrates that these investments are "bonds" and these instruments are therefore securities.

CAUSE OF ACTION NO. 1
DEFENDANTS OFFERED AND SOLD
UNREGISTERED SECURITIES

76. 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. . . .

77. The RSLIP 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. See **Exhibit B-4**.

78. The HCF Bonded 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

79. 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.

80. Defendants and various sales agents were not registered as dealers, agents or salesmen required by Section 12.A of the Texas Securities Act. See Exhibits B-1, B-2 and B-3.

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

81. 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 4.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.

82. In connection with the offer for sale and sale of the RSLIP Program, RV 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 RV 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 RSLIP 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 RV 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."

83. In connection with the offer for sale and sale of the RSLIP Program, RV Defendants engaged in fraud by **misrepresenting one or more of the following 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:

- A. RV Defendants, directly or indirectly, misrepresented, for example, that in excess of 90% of insureds die within their estimated life expectancy and that 25% of insureds die within their estimated life expectancy plus a term of twelve (12) months. However, Midwest Medical has been accused in other regulatory actions of providing life expectancies that are too short.
- B. RV Defendants, directly or indirectly, misrepresented that setting aside premiums for the insured's life expectancy plus 24 months "insur[ed] that Retirement Value's projections missing target [life expectancy was] less than 2%." However, there was at least a 15% chance, if not greater, that insureds would not die within the purported life expectancy plus a term of 24 months.

84. In connection with the offer for sale and sale of the RSLIP Program, RV Defendants 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 Defendant Gray:

A. True and accurate information about Defendant Gray's sale of bonded life settlements through SIS, as well as true and accurate information related to SEC v. Secure Investment Services, Inc. et al., Case No. 2:07-cv-01724-LEW-CMK, in the Eastern District of California - Sacramento Division, which was based upon a complaint that alleged therein 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 Defendant 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 2005 and continuing through at least 2007, Defendant Gray sold approximately ninety-two investment in bonded life settlement contracts as an agent of Secure Investment Services;
- ii. Investments tendered approximately \$3 million to Secure Investment Services for the purchase of these investments in bonded life settlements;
- iii. Defendant Gray received in excess of \$400,000.00 in commissions for his sale of these bonded life settlement contracts, and
- iv. Defendant 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 Defendant Gray, both individually and in his capacity as Managing Member of Defendant Hill Country Funding, of which Defendant Rogers was an associate, thereafter sold investments in bonded life settlement contracts purportedly secured by Provident Capital Indemnity, Ltd. and

subsequently filed an Undertaking with the Securities Commission wherein he represented the following:

- L. Agreed to notify all persons who made loans or any form of investment with Defendant 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.
 - i. Agreed to offer to rescind any transactions with persons who made loans or any form of investment with Defendant Hill County Funding, that related to any form of bond or reinsurance to be procured from Provident Capital Indemnity, Ltd., and
 - ii. 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-01724-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 Defendant Hill Country Funding.
85. In connection with the offer or sale and sale of the RSLIP Program, RV 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 RSLIP 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 RSLIP 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 RSLIP 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.

- vii. The fact that Defendant Retirement Value does not maintain sufficient capital, funds or other assets to pay for any litigation involving contestable matters relating to the life insurance policies or payments of claims thereon.
- viii. The fact that any audit or bond requested of Relief Defendant Kiesling Porter would be paid for by funds from Defendant Retirement Value, and
- ix. The fact that Relief Defendant Kiesling Porter is not required to continue to serve as the escrow agent and can relinquish its duties by canceling the Escrow Agreement at any time.
- D. Information relating to the legal effect and consequence of Relief Defendant Kiesling Porter being named only as a beneficiary, but not as an "irrevocable" beneficiary of the life insurance policies offered in the RSLIP Program, such as:
- i. The fact that investors cannot be "irrevocable co-beneficiaries" if Relief Defendant Kiesling Porter is not an irrevocable beneficiary,
- ii. The fact that Relief Defendant Kiesling Porter owes no duty to investors as "irrevocable co-beneficiaries" pursuant to the terms of its Escrow Agreement with Defendant Retirement Value,
- iii. The fact that Relief Defendant Kiesling Porter has no legal obligation, ability or wherewithal to litigate any contestable matters that relate to said life insurance policies or the payment of claims thereon, and
- iv. The fact that Relief Defendant Kiesling Porter is not required to continue to serve as the escrow agent, or as the beneficiary of the policies, and that it can relinquish its duties by canceling the Escrow Agreement at any time.
- E. The fact that the investors are not named as "irrevocable co-beneficiaries" or as any type of beneficiary with the insurance carriers; but rather, are completely unknown by the carriers, and are therefore not entitled to receive the death benefits of the life insurance policies from the issuing insurance carrier when the insured dies.

The assets, liabilities or capitalization of Defendant Retirement Value and Relief Defendant Kiesling Porter, or any information that would allow a prospective investor to assess or verify that Defendant Retirement Value and Relief Defendant Kiesling Porter could continue to operate through the maturity of investments in the RSLIP Program.

- G. The identity of and information about the "Policy Financing Entity," the "Policy Aggregator," and persons and entities who perform managerial efforts in regard to the RSLIP Program.
- H. Information relating to the methodology used to track the insured and determine when he or she dies.
- I. 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 Retirement Value and its agents, and the salaries or other payments made to management, the effectuation of medical reviews to predict a date of death, the use of Relief Defendant Kiesling Porter as a purported "escrow agent" and any other fees or charges associated with the RSLIP Program. For example, disclosing to investors that 20-30% of investors' funds were used to pay commissions to sales agents, escrow and other fees, and profits to Retirement Value, in addition to the amount of investor funds used to acquire the life insurance policies and pay the policy premiums.
- J. The fact that Defendants Retirement Value routinely instructed Relief Defendants Kiesling Porter to use funds purportedly escrowed to pay the purchase price and premiums for one policy to pay portions of the purchase price and premiums for other policies.

CAUSE OF ACTION NO. 4
DEFENDANTS HILL COUNTRY FUNDING, GRAY AND ROGERS'
FRAUD AND FRAUDULENT PRACTICES IN CONNECTION
WITH THE SALE OF SECURITIES

86. 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 4.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.

In connection with the offer for sale and sale of bonded life settlement contracts issued by Defendant Hill Country Funding, the Hill Country Defendants 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 Defendant Gray, Provident Capital Indemnity, Ltd, and SIS:

- A. True and accurate information about Defendant Gray's sale of bonded life settlements through SIS as well as true and accurate information related to SEC v. Secure Investment Services, Inc. et al., Case No. 2:07-cv-01724-LEW-CMK, in the Eastern District of California - Sacramento Division, which was based upon a complaint that alleged therein 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. The existence of Emergency Cease and Desist Orders entered by the Texas Department of Insurance and the Texas State Securities Board against Provident Capital Indemnity, Ltd., the bonding company that was purportedly securing some of the life settlement contracts:
- i. 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.
 - ii. 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:
 - a. The bonded life settlement contract and bonds were "securities" as that term is defined in Section 4 of the Securities Act,
 - b. 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

- c. 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.

88. In the HCF Bonded Program, Hill Country 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 HCF Bonded 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 HCF Bonded Program.
- B. Information related to the legal effect and consequence of Hill Country Funding being named as the owner of the re-sale life insurance policies offered in the HCF Bonded program, such as:
 - i. The existence and nature of any legal obligations, contracts or controls that prevent Hill Country Funding 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 Hill Country Funding from changing the beneficiary of the life insurance policies to anyone other than the investors, 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. The assets, liabilities or capitalization of Hill Country Funding, or any information that will allow a prospective investor to assess or verify that Hill Country Funding will continue to operate through the maturity of investments in the HCF Bonded Program.

- D. The fact that Hill Country Funding was not maintaining sufficient capital or funds to pay interest payments due investors and to pay the necessary premiums to maintain the re-sale life insurance policies.
- E. The identity of and information about the source of the re-sale insurance policies in the HCF Bonded 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 would be used to pay commissions to sales agents, fees or profits to Defendant Hill Country Funding, SIS, SIS-Houston, or ASA and any of their agents, or the amount of investor funds that would be used to acquire the re-sale life insurance policies and pay the policy premiums therefor, and any other fees or charges associated with the HCF Bonded Program.

CAUSE OF ACTION NO. 5
VIOLATION OF DECEPTIVE TRADE PRACTICES ACT

89. Paragraphs 20 through 75 above are incorporated by reference to support this cause of action as if fully set forth herein.
90. 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.
91. Section 17.46(a) 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."
92. 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."

93. 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).
 - 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).
94. 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 bonds, life settlement contracts, viatical settlement contracts and life settlement contracts predicated upon the proceeds of life insurance policies.
95. As alleged herein, Defendants have engaged in false, deceptive and misleading practices in violation of Section 17.46(b)(2), (3), (5), (7), (12) and (24) when they engaged in the conduct alleged in paragraphs 20 through 75.

NEED FOR INJUNCTIVE RELIEF

96. Paragraphs 20 through 75 above are incorporated by reference as if fully set forth herein.

97. 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 and 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.

98. 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 temporary and permanent injunctions 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, or from materially aiding any person in engaging in fraud and fraudulent practices in connection with the sale of securities.

99. 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.
100. In its Original Petition, the State sought and was granted immediate injunctive relief pursuant to Section 32.A of the Texas Securities Act and Section 17.47 of the DTPA, first in the form of temporary restraining order against Defendants Retirement Value, Gray and Collins, and thereafter, in the form of a temporary injunction against Defendants Retirement Value and Gray and Kiesling Porter, in its capacity as a Relief Defendant, pending a final hearing in this matter. The State seeks to make the temporary injunction against Defendants Retirement Value and Gray permanent injunctions to prohibit said Defendants from further engaging in fraud or fraudulent practices.
101. The State also seeks temporary 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 injunction against those Defendants for which a temporary restraining order or temporary injunction does not currently exist, including Defendant Hill Country Funding, its officers, directors, principals, partners, joint venturers, stockholders, employees, salesmen, agents, licensees, representatives, attorneys, and family members; and Defendant Wendy Rogers, and her partners, joint venturers, employees, salesmen, agents, licensees, representatives, attorneys, and family members, to prevent disposing of, transferring, pledging, concealing, or altering in any manner, any property, assets, books and records of Defendants Retirement Value or Hill Country Funding; and to protect any funds obtained from persons who have purchased securities described herein from Defendants or their salesmen, employees, agents or licensees, and any funds and other assets derived therefrom.
102. 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

103. Paragraphs 20 through 75 above are incorporated by reference as if fully set forth herein.
104. In its Original Petition, the State sought, and was granted the appointment of a receiver for Defendant Retirement Value pursuant to the Gray TI and Order Appointing Receiver entered in this matter on May 28, 2010.
105. The State also seeks the appointment of a temporary receiver for Defendant Hill Country Funding, and upon a final hearing, the appointment of a permanent receiver therefor. Section 25-1 provides in part:

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

- (1) 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;
- (2) 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
- (3) 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 for Defendant Retirement Value and for Defendant Hill Country Funding. RV Defendants and Defendant Hill Country Funding have engaged in fraud in connection with the sale of securities and a receiver is necessary to insure that investor funds are accounted for, conserved and returned to investors.

106. RV Defendants and Defendant Hill Country Funding 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 32A to be fraudulent practices in the offer for sale and sale of securities as described above.
107. The appointment of a receiver for Defendants Retirement Value and Hill Country Funding and the business operations thereof is necessary in order to conserve and protect whatever investor-derived assets remain for the benefit of Defendants Retirement Value and Hill Country Funding's customers, security holders, and other actual or potential claimants thereof.
108. Pursuant to the Gray TI and Order Appointing Receiver signed on May 28, 2010, a receiver has already been appointed for the funds and assets of Defendants Retirement Value and Gray. A receiver is also needed for the funds and assets of Defendants Hill Country Funding and Rogers, 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.
109. Unless the receivership relief is granted, the appointment of the Receiver for Defendant Retirement Value maintained and a temporary receiver appointed for the assets and affairs of Defendants Hill Country Funding and Rogers, the funds and other property held by RV Defendants and Defendant Hill Country Funding will be dissipated and lost, to the immediate and irreparable harm of the persons who purchased the securities from same and to the harm of the general public. There is no adequate remedy at law.
110. For the aforementioned reasons, an order, after notice and hearing, appointing a temporary receiver for the assets and affairs of Defendant Hill Country Funding should be issued. After final hearing, it is necessary to appoint a permanent receiver for the affairs of Defendants Retirement Value and Hill Country Funding. No adequate remedy is available at law.
111. 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)(8) of the Texas Civil Practice & Remedies Code. As set forth in detail above, the appointment of a receiver for Defendants Retirement Value and Hill Country Funding is necessary to restore money or property which RV Defendants and Defendant Hill Country Funding and their agents acquired by their unlawful acts or practices.
112. 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.

113. **Eduardo S. Espinosa of K&L Gates, LLP**, is an attorney practicing in Dallas, Texas, and **has agreed and already been appointed to serve as Receiver for Defendant Retirement Value** in this case. Mr. Espinosa has also **agreed to serve as Receiver for Defendant Hill Country Funding** in this case if appointed by the Court. Mr. Espinosa has substantial experience, expertise and knowledge of the securities laws.
114. Pursuant to Section 25-1 of the Texas Securities Act and Section 17.47 of the DTPA, the State of Texas seeks to maintain the appointment of Receiver for Retirement Value and to have a receiver appointed for Defendant Hill Country Funding, and seeks to have the bond previously posted by the Receiver for Defendant Retirement Value, in the amount of \$100.00, to be sufficient bond for his appointment as Receiver for Defendant Hill Country Funding.

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

115. Paragraphs 20 through 75 above are incorporated by reference as if fully set forth herein.
116. 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.

117. Section 17.47(f) of the DTPA authorizes the court to make orders or judgment as necessary to compensate identifiable persons for actual damages.
118. 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

119. Paragraphs 20 through 75 above are incorporated by reference as if fully set forth herein.

120. 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.

121. 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.
122. 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

123. Paragraphs 20 through 25 above are incorporated by reference as if fully set forth herein.
124. 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 RV Defendants and Defendant Hill Country Funding, in connection with any loans made to third parties pursuant to the scheme, and assets fraudulently transferred to third parties, and any proceeds therefrom.
125. 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.

126. 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.
127. 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.
128. 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:

129. The Court maintain the temporary injunction entered against Defendants Retirement Value and Gray and Kesting Porter, in its capacity as Relief Defendant, pursuant to the terms of the Gray TI and Order Appointing Receiver signed on May 28, 2010.
130. The Court, render a temporary injunction order after notice and hearing and without bond by the Attorney General and Deputy Securities Commissioner, until determination of The State's Application for Permanent Injunction, or other order of the Court, **enjoining Defendants Hill Country Funding, LLC, a Texas Limited Liability Company, Hill Country Funding, a Nevada Limited Liability Company, (also collectively referred to herein as "Hill Country Funding") and Defendant Wendy Rogers and their officers, directors, principals, partners, joint venturers, successors, shareholders, employees, salesmen, agents, licensees, representatives, attorneys, family members, and others acting in concert with said Defendants** who receive actual notice of the Court's Order by personal service, facsimile transmission, or otherwise, from engaging in the following acts:

- A. **Disposition 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 RV Defendants or Defendant Hill Country Funding, affiliated companies, and their officers, directors, principals, partners, joint venturers, successors, shareholders, employees,

salesmen, agents, licensees, representatives, attorneys, family members and others acting in concert with or in behalf of RV Defendants or Defendant Hill Country Funding, 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 Retirement Value or Hill Country Funding;

- B. **Destruction or removal of books and records.** Depositing 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 RV Defendants or Defendant Hill Country Funding or their affiliated companies and businesses, or relating in any manner whatsoever to the services or contracts relating to securities offered and sold by RV Defendants or Defendant Hill Country Funding which are now or which may come within or under the possession, custody, or control of RV Defendants or Defendant Hill Country Funding, 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 RV Defendants or Defendant Hill Country Funding;
- 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, licensees, 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 securities, 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, licensees, 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 RV Defendants or Defendant Hill Country Funding's 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, the selves or through their agents, licensees or representatives, with investors or customers of Defendant Retirement Value or Defendant Hill Country Funding 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 Defendants Retirement Value or Hill Country Funding or related in any way to any securities issued, offered, or sold by RV Defendants or Defendant Hill Country Funding, 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 Defendants Retirement Value or Hill Country Funding.

131. **Order any other entity or financial institution** holding money, property, assets or records of RV Defendants or Defendant Hill Country Funding's investment schemes, 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 RV Defendants and Defendant Hill Country Funding 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 RV Defendants or Defendant Hill Country Funding, any certificates of deposit showing RV Defendants or Defendant Hill Country Funding as owner, claimant, or trustee, or any other asset or thing of value, including insurance policies owned, purchased or otherwise acquired by Defendants Retirement Value or Hill Country Funding.

132. Maintain the temporary injunction granted in the Gray TI and Order Appointing Receiver entered herein on May 28, 2010 which **enjoins Relief Defendant Kiesling Porter, as a Relief Defendant**, from canceling the Escrow Agreement by and between it and Defendant Retirement Value dated March 10, 2009, without the express written consent of the Receiver or an order of the court.

133. Maintain the appointment of Eduardo S. Espinosa of K&L Gates, LLP as the **Receiver for Defendant Retirement Value**, pursuant to the terms of the Gray Order and Order Appointing Receiver entered in this matter on May 28, 2010.

134. Issue an order, after notice and hearing, **appointing Eduardo S. Espinosa of K&L Gates, LLP, as Receiver for Defendant Hill Country Funding**, 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 Defendant Hill Country Funding and for assets, monies, securities, claims in action, and properties, real and personal, tangible and intangible, of whatever kind and description, wherever situated, of Defendant Richard H. "Dick" Gray, or Defendant Wendy Rogers as appears to the Receiver to contain or be derived from proceeds of RV Defendants' or Defendant Hill Country Funding's sale of securities or used in furtherance thereof (collectively, the "Hill Country Receivership Assets"), and to conduct the business affairs of Defendants Retirement Value and Hill Country Funding 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 RV Defendants' or Defendant Hill Country Funding's fraudulent operations or used in furtherance thereof, whether directly or indirectly, belonging to, claimed by, or controlled by RV Defendants or Defendant Hill Country Funding, including, but not limited to monies deposited by or on behalf of RV Defendants or Defendant Hill Country Funding, 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 RV Defendants or Defendant Hill Country Funding in any capacity; any stock owned by RV Defendants or Defendant Hill Country Funding and the voting and other rights attaching thereto; any accounts receivable owed to RV Defendants or Defendant Hill Country Funding, and any interest or other return earned upon any of the foregoing.

B. To take possession and control of all income payable to RV Defendants or Defendant Hill Country Funding from sources generated by or consisting in any regard of an account or asset purchased with derived funds:

To take possession and control of all income payable to RV Defendants or Defendant Hill Country Funding from sources other than those generated by or consisting in any regard of an account or asset purchased with derived funds, until RV Defendants and Defendant Hill Country Funding 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 RV Defendants or Defendant Hill Country Funding, 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 Defendants Retirement Value and Defendant Hill Country Funding at their business addresses, including, 707 N. Walnut, New Braunfels, Texas 78130 to the extent necessary to accomplish the purposes of his order;
 - F. To take charge of, conduct, and manage all business and financial affairs of and on behalf of Defendants Retirement Value and Defendant Hill Country Funding, including, specifically, the power to act as Trustee of any trust over which RV Defendants or Defendant Hill Country Funding have control;
 - G. To receive, collect, and open mail directed to or delivered to any address or post office box used by Defendants Retirement Value or Defendant Hill Country Funding 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 RV Defendants and Defendant Hill Country Funding;
 - 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 RV Defendants or Defendant Hill Country Funding in any capacity, including "trustee";
- To hire, dismiss, direct, and control employees, agents, landlords, tenants, and independent contractors of Defendants Retirement Value and Defendant Hill Country Funding in any of their 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 RV Defendants or Defendant Hill Country Funding, 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 RV Defendants or Defendant Hill Country Funding 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 RV Defendants or Defendant Hill Country Funding 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.

15. Issue an order that all property and assets held and claimed by RV Defendants or Defendant Hill Country Funding, 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;

136. Upon final hearing hereof, make permanent the order directing the receiver to take possession of the affairs of Defendants Retirement Value and Defendant Hill Country Funding and direct the Receiver to liquidate the affairs of Defendants as the facts and circumstances may require.
137. 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.
138. 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.
139. Issue an order that no party other than the Receiver appointed herein shall take any action as "Trustee" over any Defendant Hill Country Funding related Trust without the Receiver's written express consent.
140. Issue an order that none of the RV Defendants, Defendant Hill Country Funding, 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.
141. Issue an order that no bond be required by the State of Texas.
142. 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 salesperson 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, or materially aiding other persons 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.
143. 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 any bankruptcy proceedings.

144. 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.
145. 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.
146. 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.
147. 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.
148. Order Defendants to pay both pre-judgment and post-judgment interest on all awards of restitution, damages and civil penalties, as provided by law.
149. 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

Kara Kennedy

KARA L. KENNEDY
Texas Bar No. 00797454
Assistant Attorney General
JENNIFER S. JACKSON
Texas Bar No. 24060004
Assistant Attorney General
Financial Litigation Division
300 W. 15th Street, Sixth Floor
P.O. Box 12548
Austin, Texas 78711-2548
Tel: 512-475-2540
Fax: 512-370-9903
Alt. Fax: 512-477-2348
Kara.Kennedy@ag.state.tx.us
Jennifer.Jackson@ag.state.tx.us
Attorneys for Plaintiff State of Texas

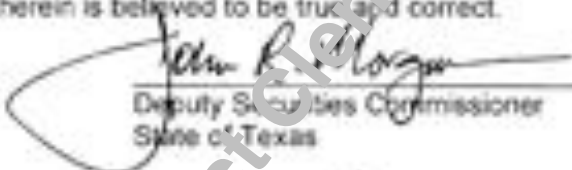
Unofficial copy Travis Co. District Clerk Velva L. Price

VERIFICATION

STATE OF TEXAS

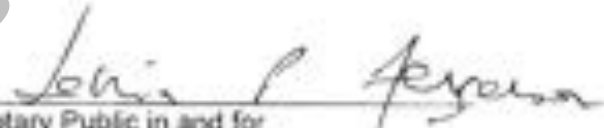
COUNTY OF TRAVIS

BEFORE ME, the undersigned authority, on this day personally appeared John R. 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 first amended petition, and upon information and belief, each and every fact and matter stated in paragraphs 13 through 75 therein is believed to be true and correct.


Deputy Securities Commissioner
State of Texas

SUBSCRIBED AND SWORN to before me on this the 23rd day of JUNE, 2010.




Notary Public in and for
The State of Texas

Unofficial copy Travis Co. District Clerk Velva L. Price

CERTIFICATE OF SERVICE

I, Kara L. Kennedy, do hereby certify that on this 24th day of June, 2010, I served a copy of the above and foregoing Plaintiff's First Amended Verified Petition and Application for Injunctive Relief, Restitution, Disgorgement of Economic Benefits, Receivership, and Other Equitable Relief on the following counsel:

Michael Napoli
K&L Gates, LLP
1717 Main Street, Suite 2800
Dallas, Texas 75201
Attorney for Receiver of Retirement Value, LLC

Via Regular U.S. Mail
and E-Mail Michael.Napoli@KLGates.com

Kevin F. Lee
Jay Thompson
Jeff Otto
Thompson, Coe, Cousins, & Irons,
701 Brazos, Suite 1500
Austin, Texas 78701
TEL: (512) 708-8200
Attorneys for Defendant Richard H. "Dick" Gray

Via CMRRR #7004 1160 0000 7309 5944
Via E-Mail at Kevin@ThompsonCoe.com
Via E-Mail at Jay@ThompsonCoe.com
Via E-Mail at Jeff@ThompsonCoe.com

Matthew G. Nielsen
Spencer C. Barasch
ANDREWS KURTH, LLP
1717 Main Street, Suite 3700
Dallas, Texas 75201
Attorneys for Relief Defendant Kiealing Porter

Via CMRRR # 7004 1160 0000 7309 5951
and E-Mail Matthew.Nielsen@andrewskurth.com
and E-Mail SBarasch@andrewskurth.com



KARA L. KENNEDY

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 10th day of March, 2009 by and between Retirement Value, LLC of 457 Landis Street, #B, New Braunfels, Texas 78130 ("Retirement") and Kiesling, Porter, Kiesling & Free, PC of 248 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 the 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 a non-interest bearing 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, 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 Kresling. Aside from the above distributions and distributions of 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, Kresling will follow up with a fax to the entity or person receiving each wire. The fax will state the amount of the wire sent and the name of internal policy numbers to which such funds apply.

Kresling 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 escrow Agent policy selection form.
 - b. A copy of the "insurance bouquet" form which shows the policies selected by the participant.
 - c. A copy of the Client 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 Kresling 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.
 Any other documents reasonably requested by Kresling.
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 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 all 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 all accounts 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 Participant 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 shall 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 dispersed and information required to be placed on any 1099. In the event an 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 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 completion of such transaction in the event that such documents are not delivered to Kiesling immediately upon execution for completion of escrow. 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 in 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 research, prepare or file reports or perform any method of research regarding laws, regulations, or laws 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 Kieseling, 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. Kieseling shall have no liability regarding any forgeries or false impersonations of any person or party in connection with the instructions delivered to Kieseling, on any or all re-sale life insurance policies, death certificates or other documents delivered to Kieseling.
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 determined to be a security in any form, Retirement shall, at its sole cost and expense satisfy such declaration and then verify to Enclave Capital that such securities are properly registered or do not require registration. Kieseling 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 Kieseling to contact its attorney for approval and determination of adequacy regarding this Agreement for protection of its legal interests. No representation is made by Kieseling 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 Kieseling harmless from and indemnify Kieseling as to any liability in this regard. Retirement acknowledges and agrees that it has or will have determined the suitability of participation in its program(s) for each participant. Retirement represents to Kieseling 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. Kieseling shall have no liability in this regard.
12. Kieseling 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 Kieseling 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 prevail as to Kieseling.

13. Kierling 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. Kierling shall deduct from the amount collected any payments or fees paid by Kierling pursuant to these instructions which have not been previously paid and as indicated on the settlement statement. Kierling 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 Kierling by the party owing such amounts within three business days after demand from Kierling. Kierling 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, holding, 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 Kierling shall have no liability in this regard. If any written instructions necessary to complete transactions set forth above are given to Kierling 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 Kierling without the express written consent of Retirement. Retirement shall defend, indemnify and hold Kierling harmless from not following instructions from such third parties.

14. In exchange for the services provided by Kierling as set forth herein, Kierling 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 Kierling. 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 individual participant in each policy with such fees being deducted directly from the respective separate escrow accounts established by Kierling. In addition, as additional consideration for the services provided hereunder, upon the initial deposit of funds, Kierling 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 Kierling desire to cancel this escrow agreement, the cancelling party will promptly notify the other party in writing of such cancellation. Kierling 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, Kierling 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 Kierling'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 Kierling, the parties, or any other person. Upon commencement of an interpleader action and the deposit of funds and documents of the parties, Kierling 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. Kierling's duties are limited to those specifically set out in this agreement. Kierling shall incur no liability to anyone except for willful misconduct so long as Kierling acts in good faith. Retirement releases Kierling from any act done or omitted in good faith in the performance of Kierling duties. In the event of a conflict between these instructions and any other documents, this Agreement shall control as to Kierling.
18. All funds received in this escrow will be deposited in an escrow account belonging to Kierling at the Wells Fargo Bank in New Braunfels, Texas or at such other bank as is agreed to by Kierling.
19. Unless otherwise directed, Kierling will make all disbursements by check sent by regular U.S. mail, at Kierling's discretion and/or upon direction by Retirement, by use of 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 Kierling has no responsibility for the safe keeping of funds or obligations for the investment of such funds by the depository bank. At the request of Retirement, Kierling will authorize bank to invest such funds in Money Market, Treasury Bills or other government backed securities in accordance with Retirement's instructions. Kierling assumes no obligation, responsibility or liability with respect to such investments except as 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 license 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 provided herein, then such license or permit shall be obtained and the cost of the same shall be reimbursed to Kiesling by Retirement or, at Retirement's discretion, prorated among the separate policy accounts, within sixty 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 conveniently 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 e-mail 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 all instructions.

23. This Agreement is made between Retirement and Kiesling. Neither Participants investment funds with Retirement nor Licenses are intended to be nor shall they be necessary 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 conveyance 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 re-sale 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 Kieseling, Retirement shall do so at Retirement's sole expense, with an attorney chosen by Kieseling. Further Retirement shall pay all fees, costs and expenses, including but not limited to attorney's fees and expenses as well as the hourly law wages of Kieseling when Kieseling 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: [Signature]
BOB M. KIESLING, President

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 57, 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 69, 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 DEX 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.

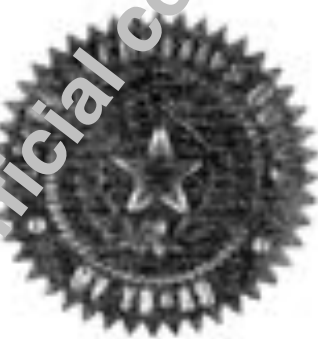
IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of the State Securities Board at my office in the City of Austin, this

25th day of March, 2010.


JOHN R. MORGAN
Deputy Securities Commissioner

EXHIBIT

B-1



Unofficial copy Travis Co. 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 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 WENDY ROGERS has been registered with this Agency as an agent of Transamerica Financial Advisors, Inc. from October 4, 2006 through March 14, 2007.

EXHIBIT


B-2

That, for the period from March 1, 2005 to the present, such records do not reflect that WENDY ROGERS 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
Deputy Securities Commissioner

Unofficial copy Travis Co. 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 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 289, 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 June 1, 2005 to the present, such records fail to reflect that HILL COUNTRY FUNDING, LLC 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

11th day of June, 2010.


JOHN R. MORGAN
Deputy Securities Commissioner



EXHIBIT

B-3

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, 1935, and Senate Bill 294, Chapter 269, Acts of the 55th Legislature, Regular Session, as amended, such Act being effective August 1, 1937, known and cited as "The Securities Act," and from such examination, I do hereby 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-4

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) bet... Well that is cool. Golf courses are the best place to do business...laughs

RS: (Laughs)

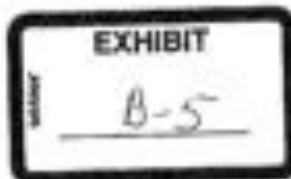
M: (Laughs) but I'm going to direct your call to Bruce Collins he's our Chief Operating Officer and he will be able to help you out.

RS: Okay

1:05

(TRANSFERS CALL)

EC: This is Bruce may I help you?



TSS& 030002

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: Kickass 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: Can...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... cody.walker49@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: Well 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 and we'll 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... ah...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

Unofficial copy Travis Co. District Clerk Velva L. Price

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. His name is Cody

M: Yes sir

R: and uh I was just giving him a call back...he's b....

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

Unofficial copy Travis Co. District Clerk Velva L. Price

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...Okay...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 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, that's 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 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 this" (laughs)

RS: (forces Laugh)

BC: I mean and that's really what it's based on, so the way that you ameliorate that a tutorial 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 the 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 over 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 had 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 to 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 competition on equity and in order for us to have a product for you to invest in we've 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... 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. As 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-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 invest 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: U-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 I get 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... yeah it's actually on the last page...okay...there is so much stuff there 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 had any you know if you bought an insurance policy or if you bought a 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 a 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 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 it or not 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. What 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: Well 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 a 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

Unofficial copy Travis Co. District Clerk Vella L. Price

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 512-391-1767 thanks man bye.

1:01

Unofficial copy Travis Co. District Clerk Velda L. Price

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, but I 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 to 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...

BC: C-O-D-Y-W-A-L-K-E-R49@YAHOO.COM

RS: (f)

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, I'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 Velda L. 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 e-mail?

RS: Yeah, I don't know what'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

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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

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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 trying 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 and 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, (in audible) 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

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Re-Sale Life Insurance Policies

Retirement Value, LLC
707 North Walnut Avenue
New Braunfels, TX 78130

PO Box 110635
New Braunfels, TX 78131

Phone: 830-624-8858
Fax: 830-609-6063

RV@retirementvalue.com
www.retirementvalue.com

The information contained in this handbook does not constitute an offer of insurance, investment advice, and is not an offer to sell or a solicitation to buy any security or any insurance product.

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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 well-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")** of **27 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 Review is thoroughly underwritten by and provided to us by as many as three (3) independent and totally separate LE sources. We always select the longest.
- The re-sale policies exhibited by Retirement Value, LLC are 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 250 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 in completion of their thorough due diligence.
- For potential Licensees ready to sign 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!


Rick 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: Making 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 and institutional / "wholesale" players in the secondary market for life insurance. These profit levels from the "deal" 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 owned 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, Portee, 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?" Just as Chief 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 **GRISBY 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...

BY 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). The "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 held 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" charge). 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 have never 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.

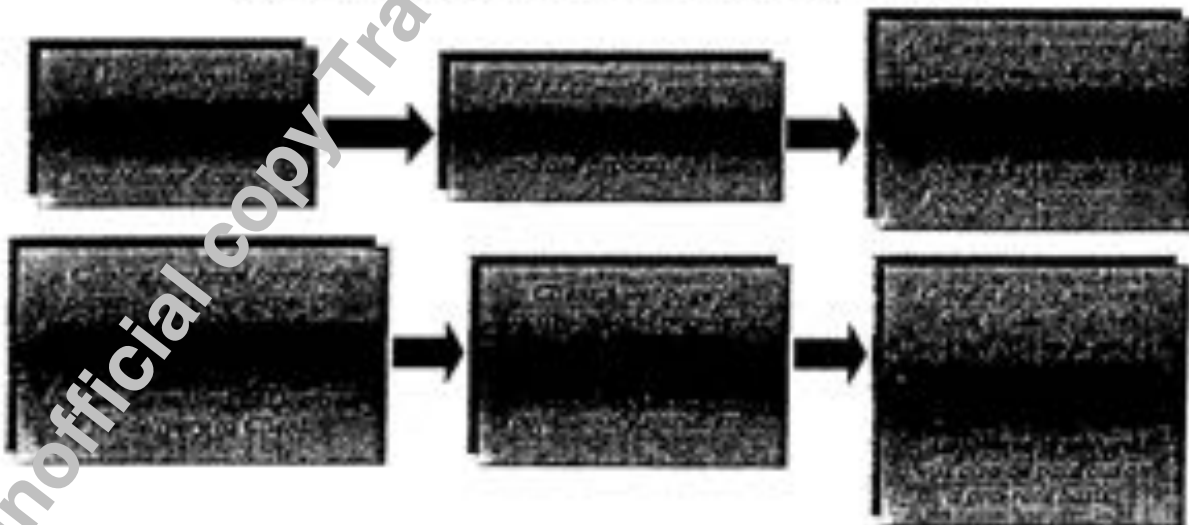
All monies processed by **Kiesling, Porter, Kiesling & Free, P.C.** are deposited in escrow accounts held at **Wells Fargo Bank, N.A.** in New Braunfels, Texas. Kiesling as Escrow Agent is independently bonded by a licensed bond carrier.

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 only to *Kiesling, Porter, Kiesling & Free, PC*, as beneficiary to *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, PC*, 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. 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 selecting 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

Case: 20812
LIFE EXPECTANCY CERTIFICATE
 Certificate Date: 02/12/2010
 Insured: [REDACTED] Requested By: Client 1
 Date of Birth: 12/31/1930
 Age: 79 Gender: M
 Life Style: Non Smoker
 SSN: Not Available

Medical Life Expectancy for this Patient is 47 Months, 3.9 years
(This is based on the LE Experience & based on information provided and is an ESTIMATE ONLY 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 48 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.

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RETIREMENT VALUE, LLC

LA 000000 11/01/11

FOR REFERENCE ONLY:

Current 12-case Portfolio available for client participation



POLICY CODE	POLICY BRANCH/BENEFIT TYPE AMOUNT	ISSUING INSURANCE CARRIER	INSURED GENDER	INSURED AGE IN YEARS	TERMINAL LIFE GUARANTEE	ISSUE DATE	ANNUAL FLOOR PARTICIPATION: AS OF 12/31/2010	ANNUAL DIVIDEND RATE: AS OF 12/31/2010	2010 DIVIDEND CREDIT: AS OF 12/31/2010
LPQ091-021710-WC	\$1,250,000	Lincoln Financial	FEMALE	89	36 months	03/2008	\$321,671	18.50%	\$50,000
LBLS01-021710-WW	\$2,085,000	Lincoln Benefit	MALE	77	60 months	07/2010	\$478,222	18.50%	\$2,500
LBLS01-022210-WW	\$1,000,000	Lincoln Benefit	MALE	73	60 months	2/1/2010	\$482,340	18.50%	\$7,300
AXA038-023410-PB	\$2,000,000	AXA Equitable	MALE	74	60 months	2/18/2010	\$1,553,399	18.50%	\$7,300
LPB111-021710-WW	\$2,000,000	Lincoln Financial	FEMALE	82	60 months	5/19/2010	\$278,722	18.50%	\$1,500
LPB208-012810-HM	\$2,000,000	Lincoln Financial	FEMALE	78	60 months	1/20/2010	\$268,154	18.50%	\$1,500
AXA091-012710-PC	\$8,000,000	AXA Equitable	FEMALE	81	60 months	12/18/2008	\$1,644,370	18.50%	\$1,800
LPB180-111110-WW	\$8,000,000	Lincoln National	FEMALE	82	60 months	10/30/2009	\$278,722	18.50%	\$1,500
PL108-111110-OM	\$18,000,000	Pacific Life	MALE	83	36 months	11/11/2009	\$1,038,187	18.50%	\$2,200
ADL138-012710-PM	\$2,000,000	American	MALE	88	31 months	5/11/2010	\$245,968	18.50%	\$4,300
	\$24,325,000						\$5,407,381	18.5% annually a total LE 10 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

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RETIREMENT VALUE, LLC - Client's account balance and loan for the reporting period ending 12/31/2018

Client's account balance - \$1,234,567.89 (Total amount and accrued interest of \$1,234,567.89)

Client's account balance - \$1,234,567.89 (Total amount and accrued interest of \$1,234,567.89)

Client's account balance - \$1,234,567.89 (Total amount and accrued interest of \$1,234,567.89)

Account	Balance	Interest	Total
Client's account	\$1,234,567.89	\$123,456.78	\$1,358,024.67
Loan	\$123,456.78	\$12,345.67	\$135,802.45
Total	\$1,358,024.67	\$135,802.45	\$1,493,827.12

Client's account balance - \$1,234,567.89 (Total amount and accrued interest of \$1,234,567.89)

Client's account balance - \$1,234,567.89 (Total amount and accrued interest of \$1,234,567.89)

Client's account balance - \$1,234,567.89 (Total amount and accrued interest of \$1,234,567.89)



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 during difficult financial times for the past 35 years and has been a licensed insurance agent for over 18 years. Personal participation in the re-sale of 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. Wendy combines 18 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 Master's in 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 work 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 "Yield" 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, PC. 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 the 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 5 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

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

An Introduction to the Life Settlements Asset Class

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 Return—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.

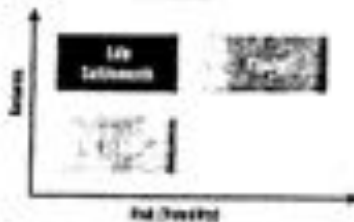
High Credit Quality—Life policies typically sit at the top of the capital structure of investment grade insurance companies. This makes them attractive to investors with high credit quality constraints in their investment guidelines.

Chart 1: Policies are Typically at the Top of the Capital Structure



Low Correlation of Returns—Historically, the asset class returns have lower exposure to economic and financial market cycles. Thus, life settlements may provide portfolio diversification benefits relative to a traditional asset mix.

Chart 2: Life Settlements May Offer Attractive Returns with Lower Risk than Traditional Asset Classes



Source: Morningstar, Franklin Templeton Investments, L.P. (2005)

THE DEVELOPING MARKET

Processes and techniques 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 as it began to provide liquidity to the senior population. Though individuals have many reasons for exiting their policies, many 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.

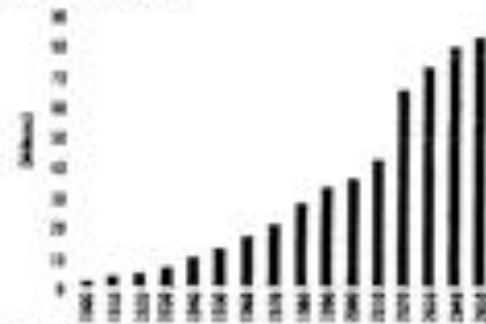
In recent years, the life settlements market has developed to give competitive market pricing, rather than just the cash surrender value, to policyholders for insurance policies they may no longer want or need. In the life settlement transaction, a policyholder sells a life insurance policy to an investor. 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 60 Per Population by Year



Sources: U.S. Census Bureau, 1994; Quicken, Yankee Publishing, 1999

Chart 4: The Estimated Size of the Life Settlement Marketplace is Growing Effortly December 31, 2005



ASSET CLASS RISK OF 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 investment and risk management systems tailored specifically to 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 deficits
- Policy structure
- Credit spreads
- Conditional credit default frequencies specific to policy obligations
- Recovery rates adjusted for state guaranty levels
- Life settlement risk on the asset

Opportunity Set and Asset Acquisition

Investment managers use a network of life settlement brokers and producers to intermediate the sale of life insurance policies to policyholders wishing to sell them to investors wishing to buy them. Successful managers will continue to build relationships across this developing industry to be well-informed when suitable policies are being brought to market. As a part of its initial review, the investment manager considers available policies, including policy illustrations, medical records and life insurance company underwriting reports relating to the underlying insured.

In the acquisition phase of the program, the investment manager relies on internally developed pricing and valuation models.

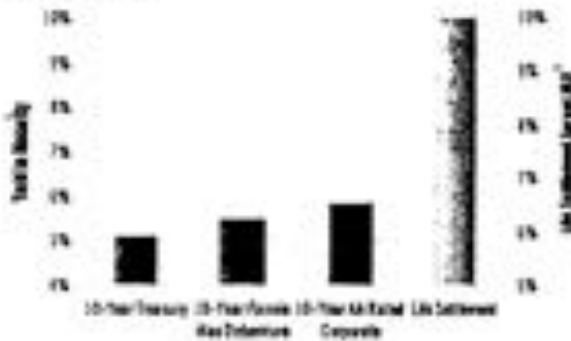
Portfolio and Risk Management

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, 2008



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, 8/20/08. Market information on life settlements provided by Medicare Mortgage and Premiums LLC and National 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 Investments, as of November 2006. Because market and economic conditions are always subject to change, the analysis and opinions provided may change without notice. The statistics and opinions are not intended to be relied upon as investment advice.

Nothing in this article should be considered a recommendation or an offer to sell or buy any security or financial product. There is no assurance that the employment of this strategy would result in the intended investment objectives.

This material is intended for the use of investment professionals and other institutional/professional investors only, and is not directed at private individuals.

<p>Franklin Templeton Institutional 100 Fifth Avenue New York, NY 10020 http://www.templeton-institutional.com</p>	<p>Franklin Templeton Investments Australia Limited Level 25, 290 Collins Street Melbourne, Victoria 3000 Australia</p>
<p>Franklin Templeton Investment Management Limited The Adelphi 1-11 Abchurch Lane London EC4N 3DF</p>	<p>Franklin Templeton Investments Japan Limited Marunouchi Building, 29F, Floor 29-2 2-9-1 Marunouchi, Chiyoda-ku Tokyo 100-0001</p>
<p>Franklin Templeton Investments (Asia) Limited 25/F, Chase House 8 Connaught Road Central Hong Kong</p>	



**An Introduction to Re-
Sale Life Policies for
Individual Participants**

Presented by **Bruce G. Conins**
Chief Operating Officer

Retirement Value, LLC New Braunfels, Texas



EXHIBIT
8-7

Unofficial copy of Travis Co. District Clerk Velda L. Price

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."

Overview

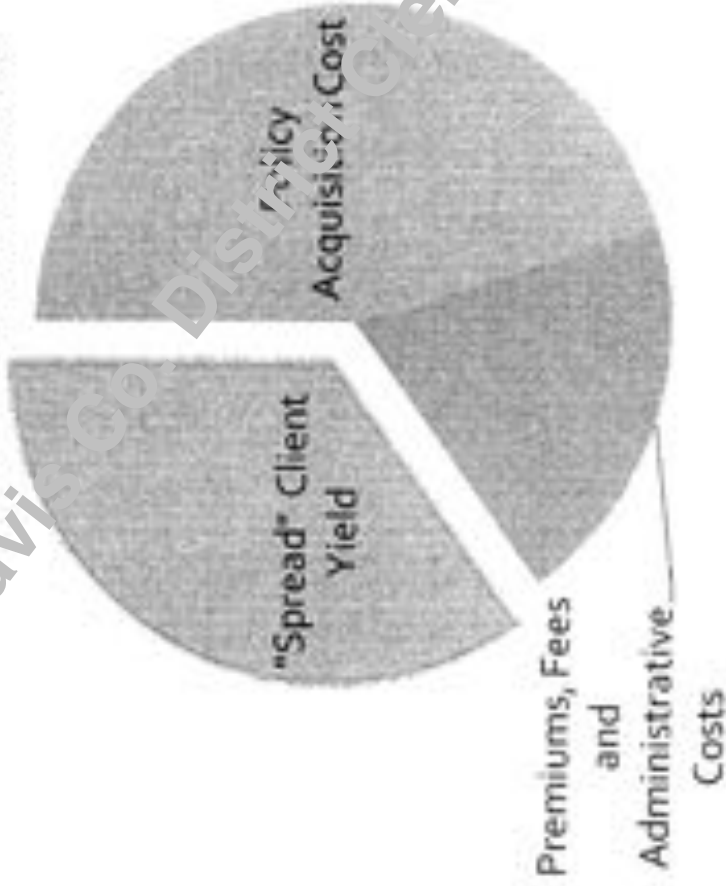
- Retirement Value, LLC uses participants funds to purchase life insurance policies at a deep discount compared to the face value
- RV, LLC becomes the Owner of the policy
- Participants become **IRREVOCABLE** Co-Beneficiaries
- Upon the triggering event and policy maturity, you receive a pro-rata distribution 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

The RV Policy Criteria

- Insured's *LE is 36-70 months*, evaluated by a 3rd 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 :



Stability and Risk Considerations

- Accuracy of Life Expectancy Evaluations
- Client Time Horizon

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Stability 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

Sustainability 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

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**

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.

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

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Introduction to Re-Sale Life

Insurance Policies for Individual Participants

For More Information Contact...

Bruce G. Collins
Chief Operating Officer
(214) 732-5422

E-mail: BCollins@Retirementvalue.com

707 North Walnut Avenue, Suite 1 New Braunfels, TX 78130





ATTORNEY GENERAL OF TEXAS
GREG ABBOTT

Filed
10 June 24 P3:10
Amalia Rodriguez-Mendoza
District Clerk
Travis District
D-1-GV-10-000454

June 24, 2010

Ms. Amalia Rodriguez-Mendoza
Travis County District Clerk
Travis County Courthouse
1000 Guadalupe, Third Floor
Austin, Texas 78701

Re: Cause No. D-1-GV-10-000454; *State of Texas v. Retirement Value LLC, Richard H. "Dick" Gray, Bruce Collins and Kiesling, Porter, Kiesling, & Free, P.C.*; In the 126th Judicial District Court of Travis County, Texas.

Dear Ms. Rodriguez-Mendoza:

Attached are 11 documents containing Exhibits B, B-8 through B-11, C and C-1 through C-5 to be attached to *Plaintiff's First Amended Verified Petition and Application for Injunctive Relief, Restitution, Disgorgement of Economic Benefits, Receivership, and Other Equitable Relief* filed earlier today along with Exhibits A and B-1 through B-6 in the above-referenced matter.

If you have any questions, please contact me.

Respectfully,

Ellen Hoopes

Legal Assistant to
KARA KENNEDY,
Assistant Attorney General
Attorney General of Texas
Financial Litigation Division
(512) 475-4392 - Telephone
(512) 477-2348 - Facsimile

11
Attachments

STATE OF TEXAS

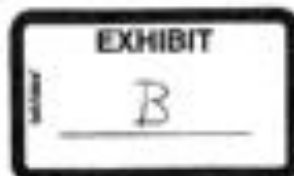
§
§
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COUNTY OF TRAVIS

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"), Bruce Collins (hereinafter referred to as "Collins"), and Wendy Rogers (hereinafter referred to as "Rogers"). These suspected violations are based upon their offer and sale of investments in a program referred to as the Re-Sale Life Insurance Policy Program.
4. Based on information I learned in my investigation of Retirement Value and Gray, I am now also conducting an investigation of suspected violations of the Texas Securities Act by Hill Country Funding, LLC (hereinafter referred to as "Hill Country Funding") and Gray based on their offer and sale of investments in bonded life settlement contracts.
5. 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. Gray, Rogers and Hill Country Funding 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 Exhibits B-1 through B-3.
6. I am also aware that all securities that are offered for sale and sold in Texas must generally be registered with the Securities Commissioner or issued a permit for sale in Texas. The Re-Sale Life Insurance Policy Program offer for sale and sold by Retirement Value and the bonded life settlement investment contracts offered for sale and sold by Hill Country Funding have 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-4**.

7. 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 on 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.
 - 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").
 - C. I have reviewed investigatory records that indicate that Gray served as the Managing Member of Hill Country Funding and that Rogers was an associate of Hill Country Funding. Gray and Rogers, acting in their respective capacities, purportedly offered for sale and sold investments in bonded life settlement contracts purportedly issued by American Settlers 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, Rogers, 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.
 - 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 pursuant to which Gray agreed to provide certain notices relating to the actions taken against Provident Capital Indemnity, Ltd. and to make and complete a rescission offer to all Hill Country Funding investors; and further, to provide evidence thereof to the Texas Securities Board within ten (10) days of said act(s).

8. 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.
9. On March 11, 2010, I observed Retirement Value's website at 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.
10. 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.
11. 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.
12. 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-5**.
13. 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 B-5**.
14. 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-5**.

15. Later on March 11, 2010, I received an email notification from USPS 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.
16. 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) 602-5422. The body of the electronic mail messages received from nostockmarketrisk@yahoo.com identified Collins as a Certified Estate Planner, identified his address as 1111 Legendary Ct., Grand Prairie, TX 75050, and identified his telephone numbers as (214) 602-5422, (800) 410 5587 and (972) 602 6929.
17. On March 13, 2010, I received the package referenced in paragraph 15 via USPS 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-6**.
18. 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 USPS, 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.
19. 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 reproductions to this Affidavit as **Exhibits B-7 and B-8**, respectively.
20. 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-7**.
 - 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-7**.
- C. Retirement Value purports "90% of policies mature at or before" projected life expectancy. See **Exhibit B-7**.
 - D. "95% of policies mature at or before LE [life expectancy] plus 12 months." See **Exhibit B-7**.
 - E. Retirement Value "Escrow Maintenance Costs to LE [life expectancy] plus 24 months." See **Exhibit B-7**.
 - F. Participants in the program will become "IRREVOCABLE Co-Beneficiaries" to the re-sale life insurance policies. See **Exhibit B-7**.
21. 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-8**.
 - B. That based on 14,700 cases written and based on a random sample of 5,000 cases written, Midwest [Midwest Medical] "accurate 95% of the time. See **Exhibit B-8**.
 - C. Midwest Medical is "one of the two largest active life expectancy firms." See **Exhibit B-8**.
 - 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 5%. See **Exhibit B-8**.
 - E. Midwest Medical is 98.5% accurate within 12 months after expected LE [life expectancy]. See **Exhibit B-8**.
22. 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 B-5**.
23. During the 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 B-5**.
24. 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 B-5**.

25. 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 B-5**.
26. 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-5**.
27. I later confirmed "Kiesling Porter" to be Kiesling, Porter, Manning & 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 and noted that the firm represented therein that it provided escrow services for Retirement Value.
28. On March 17, 2010, I received an electronic message from nostockmarketrisk@yahoo.com. The "From" field of the message showed it was sent by "Bruce Collins" at nostockmarketrisk@yahoo.com. Attached to this electronic mail message were six files, including documents describing the Re-Side Life Insurance Policy Program.
29. 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.
30. On March 19, 2010, Collins responded via electronic mail and directed me to contact Gray by telephone at (830) 624-8854. The "CC" field of that electronic mail indicated that Gray at rgray@retirementvalue.com was also a recipient of the email.
31. 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.
32. 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 to this Affidavit as **Exhibit B-9**.

33. 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-9**.
 - 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-9**.
 - 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-9**.
 - D. Identified Midwest Medical as a 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-9**.
 - E. Investors' funds are directed to Kicling Porter, the escrow agent previously described by Collins. Kicling Porter then deposits the funds at Wells Fargo Bank. The funds at Wells Fargo Bank are held in separate escrow accounts for each life insurance policy. See **Exhibit B-9**.
 - 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-9**.
 - G. Investors would become irrevocable co-beneficiaries. See **Exhibit B-9**.
34. 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-9**.
35. 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-9**.
36. Gray on March 23, 2010, I received an electronic message from mskasik@retirementvalue.com. The "From" field of the message showed it was sent by "Melissa Skasik" at mskasik@retirementvalue.com. The "CC" field of this message indicated it was also sent to a person identified as "DeAnne Lewis" at

dlewis@retirementvalue.com, a person identified as "Wendy Rogers" at wr Rogers@retirementvalue.com, and a person identified as "Bruce Collins" at bcollins@retirementvalue.com.

37. 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.
38. 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.
39. 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-9.
40. 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 \$1,000 dollar fine, and was on probation for a year. Gray further said Kindness has a Ph.D. 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 his paperwork related to Midwest. See Exhibit B-9.
41. Gray said this issue had continued to come up, so he and Retirement Value's Policy Source each put up \$10,000 dollars 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. See Exhibit B-9.
42. 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 whited out. Gray confirmed my suspicion and represented that the section is, in fact, whited 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-9.**

43. 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-9.**

44. 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.

45. 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.

46. As of April 13, 2010, there has been no additional correspondence between Retirement Value or any of its representatives and me.

47. During the course of my investigation of Retirement Value, I reviewed records from investors relating to an investment with Hill Country Funding. The investor records include, among other things, offering materials, agreements, and correspondence between Hill Country Funding, Gray, Rogers, and the investor. I have attached true and accurate reproductions of one of Hill Country Funding's offering materials and its "Loan Agreement" and "Supplemental Agreement" to this Affidavit as **Exhibits B-10** and **B-11**, respectively.

48. I reviewed the Hill Country Funding investor records which indicate that prior to operating Retirement Value Hill Country Funding, Gray, and Rogers offered for sale and sold investments in bonded life settlement contracts issued by Hill Country Funding and ASA. The bonded life settlement contracts directly issued by Hill Country Funding were variously referred to as Hill Country Funding's "Re-Insured Re-Sale Insurance Policy" Program or the "Re-Sale Insurance Policy" Program.

49. The Hill Country Funding investor records contained the following representations regarding the HCF Bonded Program issued by Hill Country Funding:

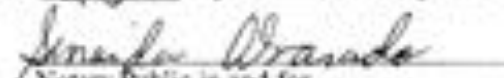
The HCF Bonded Program was described as a "Secure Money Idea." See **Exhibit B-10**

- B. Investor funds would be used toward the purchase of "re-sale" life insurance policies and securing a mortality bond from a bonding company. See Exhibit B-10
- C. The mortality bond guaranteed the investors' promised return. See Exhibit B-10
- D. The policies were accompanied with stated life expectancies that predicted the date the insureds would die. See Exhibit B-10
- E. Hill Country Funding became the owner of the life insurance policies. See Exhibit B-10
- F. Investors would become "irrevocable co-beneficiaries" of the insurance carrier's permanent records. See Exhibit B-10
- G. Investors received a return on their investment from either the proceeds of life insurance policy upon the death of the insureds or by the bonding company should the insured live past the stated life expectancy. See Exhibit B-10
- H. The stated life expectancy identified the date the investment matured. See Exhibit B-10
- I. Investors signed a "Loan Agreement" and "Supplement Agreement" with Hill Country Funding. These agreements identified the investors' return of their investment representing their pro-rata share of the life insurance policy proceeds plus a specified rate of return. The agreements further specified that the investors' return was payable from either the proceeds of the life insurance policy or from the bonding carrier if the insured lived past the maturity date. See Exhibit B-10
- J. Investors were told that the "total preservation" of their principal in the HCF Bonded Program was achieved by "having Tax Lawyers Exchange receive & distribute client funds to: (1) purchase the policy through an escrow account at Pacific Northwest Title Co. of Oregon; (2) purchase the re-insurance mortality or surety bond; and (3) function as the third-party fiduciary to make all the premium payments for [their] policy on a quarterly basis through the time-line of the policy, issuing quarterly policy-status reports." See Exhibit B-10


 AFFIANT

Sworn and subscribed before me on the 23 day of June, 2010, by Rani Sabban.




 Notary Public in and for
 the State of Texas
 My commission expires on 3-10-13

Rersale Life Insurance Policies



RETIREMENT
RV
VALUE, LLC
FOUNDED BY JOHN SMITH

Presented By:

John Smith - Smith Inc.
A Licensee Of Retirement Value, LLC.

EXHIBIT

8-8

Unofficial copy Travis Co. District Clerk Yelva L. Price

What is Re-Sale Life Insurance?

- **Re-Sale Life Insurance is the re-sale of life insurance policies that have already been acquired from the original insured or owner by a private investor and are now being "re-sold". Retirement Value uses client funds to purchase re-sale life insurance policies.**

Characteristics of Re-Sale Life:

- Policies are purchased at a deep discount in relation to the "face amount" or death benefit.
- Those insured by these policies typically are well advanced in years and have a LE "Life Expectancy" of 3-10 years.
- Policies are with large well-known companies with (A-) ratings or higher.

Legal Basis

The life insurance contract that is sold is treated as "personal property".

Based on the 1911 U.S. Supreme Court case *Grigsby v. Russell*, in which the Court ruled that:

"...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."

The RV Process

1

Facilitate the re-sale of these life policies for both individual and institutional clients.

2

Identify & organize a diversified bouquet of policies that fit the criteria of participants.

3

Execute all necessary legal & administrative documents for clients through our Escrow Agent.

Achieves total transparency for the process.

Unofficial
Copy

Parties Involved in the Process

Wells Fargo Bank, N.A. since 1852, where all
of our accounts deposits are held.

Kiesling, Porter, Kiesling & Free, P.C.

Midwest Medical Research, LLC

private investor

Overview

Retirement Value, LLC uses your funds to purchase re-sale life insurance policies at a deep discount compared to the face value or death benefit.

Participants become "irrevocable co-beneficiaries".

RV, LLC becomes the "owner" of each policy.

***TOTAL ASSET "GROWTH" COULD BE HIGHER IF THERE ARE ANY UNUSED PREMIUMS TO BE REFUNDED AT MATURITY.**

Upon the death of the insured, you receive a pro-rata distribution of the death benefit based upon your original participation amount plus your "base-line expected gain".

Mandling Premium Payments & Participants' Funds

- 1 Escrow Agent functions as your Third-Party Fiduciary. Kiesling, Porter, Kiesling & Free, P.C.**
- 2 Pays all premiums due on all policies.**
- 3 The Main Escrow Account and all policy sub-accounts are held at Wells Fargo Bank, N.A.**
- 4 NO Participant funds are handled and/or ever deposited by Retirement Value, LLC.**

Base-line Income to Client

YOUR ASSET GROWTH

- All death-benefit payouts are paid to that policy's Sub-Account to be disbursed by the Escrow Agent
- Traditional simple annual growth is 10.5%

EXPENSES

- Cost of buying the policy
- Ongoing premium payments to keep policy in-force
(Life Expectancy + 24 months)
- Application fees for 'qualified-funds' accounts
- Escrow Agent fees and bank costs
- Administrative fees, including commissions

RV Criteria for Policies

- **"A-" rated or better Life carriers with fully funded reserves.**
- **Insured's LE typically is 36-72 months as determined by a third-party underwriter, currently Mid-West Medical Review, LLC.**
- **Total acquisition can be made at a deep discount versus "face amount".**

Risk Consideration

Retirement Values' model is based on many known factors, but the LE is not one of them - this LE is a scientific projection.

RV uses Midwest Medical Review, LLC in Cincinnati, OH as their independent, third-party underwriter.

Midwest Medical Review, LLC is one of the two largest active Life Expectancy firms.

RV is the **ONLY** model that sets aside premium payments for:

(LE + 24 MONTHS)

(This insures that RV's projections missing target LE is less than 2%)

*Based on 14,700 cases written - and based on a random sample of 5,000 cases, Midwest is accurate 5% of the time to LE.

*Midwest is 99.5% accurate within 12 months after expected LE.

Risk Consideration

Midwest Mutual Review, LLC
Life Expectancy Calculator

NAME: _____
DOB: _____
SEX: _____
CITY: _____
STATE: _____
ZIP: _____

TERMS AND CONDITIONS

By using this calculator, you agree to the following terms and conditions:

- This calculator is for informational purposes only and does not constitute an offer of insurance.
- The results of this calculator are based on assumptions and may vary from actual results.
- This calculator is not intended to be used for any other purpose.
- The information provided in this calculator is not intended to be used for any other purpose.

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REVIEW,
PACIFIC
PATIENT: AMBER J. JENSEN
DOB: 03/19/87
SEX: FEMALE

Midwest Mutual Review, LLC
12345 Main Street
Cincinnati, OH 45201
Phone: (513) 555-1234
Fax: (513) 555-5678
www.midwestmutual.com

Investment Value, LLC *last updated 10-10-2008* **A SIGNED COPY OF THIS FORM MUST ACCOMPANY APPLICATION**

(Where bouquet available for other participants)

Item #	Item Name	PROJECT ID	PROJECT DESCRIPTION	BOUQUET TYPE	BOUQUET VALUE	BOUQUET TYPE	BOUQUET VALUE	BOUQUET TYPE	BOUQUET VALUE	BOUQUET TYPE	BOUQUET VALUE	BOUQUET TYPE	BOUQUET VALUE
1
2
3
4
5
6
7
8
9
10

- 1. If I will not be participating in EQUAL PORTIONS among all lots (I will be participating in this bouquet)
- 2. If I will not be participating in EQUAL PORTIONS among all lots (I will be participating in this bouquet)

Participant Signature: _____ Date: _____
 Participant Name: _____
 Participant Signature: _____ Date: _____
 Participant Name: _____

Licensee or affiliate: _____
 Licensee printed name: _____
 Licensee title: _____

Investment Value, LLC has entered a Policy Purchase Agreement for every policy in this bouquet. However, unless you indicate your policy will be included in the bouquet, you may be subject to a policy cancellation fee. If you do not indicate your policy will be included in the bouquet, you will be subject to a policy cancellation fee. If you do not indicate your policy will be included in the bouquet, you will be subject to a policy cancellation fee.

Sample
"Bouquet of 10"
Current Policies
Available

*Class = 10-10-10-10

Example of Client's Participation Expected Base-Line

Retirement Value, LLC - Client participation example and base-line expected income during ten years

Case: LML77-40109-MC (Age 77) @ 20-month Life Expectancy of \$1,500,000 face amt and annual premiums of \$14,000 collected through month 94
 Client Income: 16.5% simple annual income during the 70-month Life Expectancy = 96.21% base-line exp income - extended and adjusted for a period of ten years
 Basis: Client base-line exp income = simple annual income @ 16.5% x a L.E. of 70 months = \$96,210 annual premium payments / minus pro-rata premium payments
 Assumptions: \$10,000 - participation x 1.9625 = \$19,625 total return at maturity - 2.71% share of the face amount = \$444.83 annual pro-rata premium share

AT THE END OF YEAR 1

	1	2	3	4	5	IF Report Maturity Month 95	6	7	8	9	10
20.43%	122.20%	117.2%	113.2%	110.3%	108.31%	103.1%	100.0%	96.96%	94.15%	91.5%	89.1%
\$3,040	\$3,239	\$3,371	\$3,510	\$3,650	\$3,802	\$3,963	\$4,131	\$4,306	\$4,487	\$4,674	\$4,867
Client Income is higher than the "base-line expected income" of 16.5% all the way through year seven because of the pro-rata re-distribution of the un-used premiums in the account when the insured dies											
41.4%	39.25%	37.1%	35.0%	33.0%	31.1%	29.3%	27.6%	26.0%	24.5%	23.1%	21.8%
\$12,220	\$11,711	\$11,211	\$10,710	\$10,210	\$9,710	\$9,210	\$8,710	\$8,210	\$7,710	\$7,210	\$6,710
Starting in month 95 the pro-rata premium share for this client is \$444.83 annually which is used to reduce total net income - but even after 2 years income averages 8.49%											
11.43%	10.83%	10.23%	9.63%	9.03%	8.43%	7.83%	7.23%	6.63%	6.03%	5.43%	4.83%
\$19,311	\$18,311	\$17,311	\$16,311	\$15,311	\$14,311	\$13,311	\$12,311	\$11,311	\$10,311	\$9,311	\$8,311

Percentages or dollars through year seven reflect a required pro-rata refund of un-used premiums. All percentages or dollars after month 94 reflect a pro-rata payment of a share of premiums by this client. Example: In this example, maturity at the end of year 1 would result in \$3,540 in extra for this client as a refund of un-used premiums. If your total return is then 126.43% above rather than 16.21%

FAQS

1. How am I notified of my participation?

All clients receive initial confirmation of their transactions as soon as they are completed. Then qualified clients receive a quarterly statement from the custodian. Non-qualified clients receive annual statements. Also, RV very soon will implement a client web portal for the clients to go online and view their accounts at any time.

2. Who handles the monetary transactions? Is my money safe?

Only our Escrow Agent handles all the money. RV does not handle any of the money.

3. How quickly are my accounts activated?

RV's turn-around time is currently 10 banking days, the fastest in the industry!

4. What states are currently approved?

We have a department that continuously evaluates the laws now in force. However, it is the ultimate decision of the licensee to do their own due diligence & compliance. We will assist any way we can.

5. What are my options upon maturity of a policy?

You can add your gain back into your agreement OR request a payout.

6. Why haven't I heard about this concept before now?

This concept has been available for decades to high-end companies like Berkshire Hathaway (Warren Buffett's Company). It has only recently opened up to individuals.

7. Are the policies safe?

All policies are contractually obligated by the insurance carriers. We deal with A+ rated and better companies, which are the strongest worldwide and fully funded with reserves.

Who We Are...

Unofficial copy Travis Co. District Clerk Yelva L. Price

Questions?

Unofficial copy Travis Co. District Clerk Melva L. Price

Digital Recording 1

Rani Sabban ("Cody Walker"): Retirement Value LLC - Dick Gray
03-19-10

00:00

M: Good Afternoon Retirement Value, this is Michelle

RS: Hi Michelle my name is Cody and I've been talking with Bruce Collins...

M: Yes

RS: ...about an investment and he said I might be able to catch ahhh Mr. Gray? (Inaudible)

M: (Inaudible) He's not going to be in until Monday. Would you like to leave a voicemail?

RS: Sure

M: Okay, one moment please... (Transfer call)

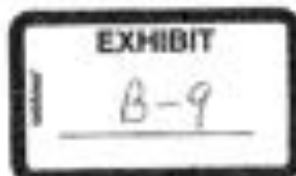
1:00

DG: You have reached the voicemail of Dick Gray. Please leave your name, number and a brief message and he will return your call.

(Automated message)

RS: Hi Mr. Gray this is Cody I've been talking with Bruce Collins about making an investment with Retirement Value. He said that I might be able to talk with you for a few minutes. I just have a few questions about the program, when you can give me a call back its Cody Walker 512-391-1787. Thank you Sir.

1:39



1558 00000

Digital Recording 2

Rani Sabban ("Cody Walker"): Retirement Value LLC - Dick Gray
03-22-10

00:00

J: Thank you for calling Retirement Value, this is Jennifer

RS: Hi, is Mr. Gray available?

J: Ummm...Let me transfer you over real quick

RS: Okay

J: (Transfers Call)

DG: You have reached the voicemail of Dick Gray please leave your name, number and a brief message and he will return your call.

1:04

Unofficial copy Travis Co. District Clerk Velda L. Price

Digital Recording 3

Rani Sabban ("Cody Walker"): Retirement Value LLC ~ Dick Gray
03-22-10

RS: This is Cody

DG: Cody this is Dick Gray with Retirement Value in New Braunfels
returning your call

RS: Hey how are you?

DG: Doing fine. What's up?

RS: Well, I've been talking with Bruce a little bit about possibly making an investment ummm... He sent me a few things and I was hoping to uhh to speak with you before I finally make an investment. Uhhh you know mostly to make sure I'm not sending my money off to you know some Nigerian county or something make sure everybody is the real deal, but ummm, you know, I was hoping if you could tell me a little bit about your program and what you're doing?

DG: Well, I'd be happy to do so, you're thinking of being a participant rather than a licensee actually marketing the product?

RS: Yes Sir

DG: Okay, Okay well it's something that isn't new either in the market place or new to us ahhh...if you've worked with Bruce Collins then he's probably given you the background that this idea is old enough that the Supreme Court said it was legal enough to do this and they made that announcement back on December 4th 1911. So, it's been around long enough that it went to the courts that long ago it's really coming up on a hundred years. So, it's perfectly proper, and legal and ethical and moral and uhhh basically, we're helping people uhhh...sell their policies rather than surrendering them to the insurance companies in order to receive the net cash surrender value. We buy the policies from these folks for far more than the insurance companies would give them so, ahhh when someone sells the policy to us they really have been blessed by the process and uhhh it's not that they're laughing all the way to the bank cause usually, some kinda reason that triggered their desire to sell their policy rather than keep it. Sometimes that represents some sorta financial crisis or the individual who is selling their policy, but ahh we give them very, very, more than fair price for it, but way more than the carrier would have paid them for the cash surrender value.

RS: Sure

DG: That's really pretty cut and dry Cody. The difference between a death benefit and all of the costs associated with our transactions, the cost of the policy, the payments and commission and fees and the administrative costs, the allowance for paying the premiums on an ongoing bases until the person who is insured passes away. All of those expenses even after they're subtracted from the death benefit leave a pretty good spread...

RS: mmm-mmm

DG: ...and that accounts for why I'm sure Bruce has told you that your money would earn sixteen and half percent simple annual interest for the life expectancy. So, if it is a five year life expectancy on a certain policy it would be sixteen and a half times five so, you'd make your money would make eighty-three percent on that.

RS: Wow

DG: And it's...and it's...and it's not pro-rated...uhhh because, the death benefit already exists because, the policies are already enforced and because we'll pay the premium to keep those policies enforced until the insured passes away...uhhh...we don't have to pro-rate the settlement. So, if you've participated on a certain policy and the insured passed away early you still would get your full settlement because, we're going to get the full death benefit.

RS: mmm-mmm

DG: and your settlement...your total ahhh return is all driven by the death benefit.

RS: Okay

DG: So, That's in a nutshell I would of course in addition to getting back your money plus your earnings you do receive and this is based on a pro-rated bases...we collect some premiums we haven't used when the insured passes away you get back your share on that as well. Now the two ahh bits of fine print that I need to share will you so, that I'm not just trumpeting all the pluses I need to put some minuses in here.

RS: Sure

DG: It may not be a minus for you, but this is not liquid

RS: mmm-mmm

DG: Whatever funds we have the privilege of you placing with us, those funds will stay with us until the people insured by these policies pass away, there is no provision for an early settlement there is no provision for you know reselling with someone else to bail out. So, it's very much not a liquid position.

RS: Right

4:57

DG: And then uhhh we believe that we have ahh very accurate underwriting. We believe the life expectancy numbers that we use are solid, but no one is going to die on time and no one is going to die when we expect them to. So, that's why we take the life expectancy for each insured and we add twenty-four months additional premiums and set that aside.

RS: On the life expectancy I got this brochure that Mr. Collins sent me in the mail....

DG: Right

RS: It's kinda the glossy one...ummm

DG: Yes

RS: And it says that ya'll use...hold on one second let me have it in front of me...uhhh it say's ya'll use like three independent ahhh companies to ahhh...

DG: Yes, yes that's true

RS: Get the LE what does that mean...I mean I not really ahhh...

DG: Okay, Okay each, each of us has a life expectancy based on our current age and our medical condition and to uhhh to determine what that life expectancy is uhhh is a...is ahhh fascinating statistical process and uh it's the combination of uh art, of science ah statistics and just plain old luck. Ahhh really, I mean it's not like being ahhh...it's not like being in a chemistry lab and knowing that if you mix a certain amount hydrochloric acid with a certain other chemical you can predict with certainty the reaction that your going to get and how long it's will take and what color the smoke is going to be in the lab, but it's not that way uh predicting ahhh someone's passing...

RS: mmm-mmm

DG: ...or someone's death. So, the underwriting companies use the best data available, they use the most accurate photo detail medical history that they can obtain and they uhhh say through this interesting combination of art, science, magic and statistics they would say something like ahhh this particular seventy-eight year old female with the following medical conditions ahhh has a life expectancy of thirty-nine months or forty-seven months or fifty-two months.

RS: Yeah, yeah one of the things that I saw that Bruce sent me mmm is like a value participant and I think it might be some sorta value participant ahhh it's just a packet of documents and one of them had something like what your talking about umm a life expectancy certificate.

DG: Yes or a report, but as I say it's a evaluation of the medical history with a prej...prediction or projection is to...you know based on these medical conditions how long do you expect this person to live.

RS: Sure

DG: What is their judgment, now to protect you and the timelines involved ahhh we're not using just one company, even two we use three different companies and ahhh this is...this is...to us we were using one company and then we expanded to two and now we just expanded to three and we think it's best way to serve ahhh someone like yourself as a client and it's the best way to cushion your risk.

RS: Sure

DG: So, every policy we ever going forward will have three life expectancy reports. Each of them from a different company each of the companies being independent and let's just use an example what if the three reports on this hypothetical you know seventy-eight year old woman were you know forty-two months, forty-three months or forty....lets say forty-two, forty-seven and fifty-one.

RS: mmm-mm

DG: Let's say we had that kinda of spread

RS: (m)

DG: Then just arbitrarily with out doing any averaging or hand picking we would simply use the longest of the three reports.

RS: Okay

DG: So, we would share with you what all three were, but then we would tell you that we've selected fifty-one months as the bases for our acquiring the policy.

RS: Okay

DG: But, then we will still collect enough premiums to last an additional twenty-four months.

RS: Okay

DG: So, in this instance ahh again, you would have three separate life expectancy reports each from solid, reputable companies. We would have picked fifty-one months cause that was the longest of the three, but then we would have set aside premiums to last seventy-five months.

RS: Okay

DG: Because we are going to take fifty-one plus another twenty-four, Now this leads us to what could be the second of the two negatives here: one is that it's not a liquid the other one is on the particular policy if we... if the person lives longer than expected and we run out of money even after using that two year cushion then our paperwork states very clearly that each participant has to help pay the premium until the person dies.

10:08

RS: Okay

DG: But, we think that... all that is certainly going to happen in a few instances we think the operative word is a few instances. Where is if you participated in all ten of our current policies and you could do that with as little as fifty thousand dollars you would have five files in on each of the ten policies uhhh participation. So, if one of them were to go long we think several others would have paid out already ahhh would have matured and you would have received your money and your gain and you would have received back unspent premiums cause those particular polices would have not gone long.

RS: Okay

DG: So, uh taking it a step further if you were my client personally and I was having the privilege of assisting you I would point out to you what I just did and say that was likely to happen. Please be wise enough to be your own escrow agent please, set aside some of the premiums you get back as a refund and save it for the premium call that you're almost certainly going to get on couple of the policies.

RS: Right, now ummm you know the paperwork that I got sent and I'm guessing that this isn't a final document and you know from where the company it has listed as like Midwest Medical Review...

DG: Right, right

RS: So, there would be two other companies that I would receive?

DG: Right

RS: Is, is that what that company does?

DG: Yes, Midwest Medical is one of the three companies that we use and they've been independent...independently evaluated by a company in Princeton, uhhh New Jersey that specializes with these statistical measures and uhh we are waiting for the final report now, but the preliminary word is that it showed that Midwest Medical is accurate ninety-two percent of the time.

RS: Okay

DG: and that is pretty staggering numbers so...

RS: Wow

DG: Yes, there would be ahhh...in fact, in fact ahhh when I visited them in ahhh May last year they offered to do my life expectancy and I politely declined (laughs) really...

RS: (laughs)

DG: (laughs) I really don't want to know what they think my life expectancy is.

RS: (laughs) there's just some stuff you don't really want to know

DG: I just don't want to go there I was happy to go home with a base line. Knowing that a sixty-five year old, male, non – smoker has a baseline of about nineteen point two years.

RS: (laughs)

DG: That worked for me I didn't need to know what the debits were for the medical conditions, but that's, that's an overview if you have specific questions of course I'll be happy to answer them for you.

RS: Sure, Sure and umm you know I'm trying to due whatever due diligence that I can do ummm for me and my wife we were looking at going in and making an investment fairly soon and umm you know ah Bruce is on Vacation and stuff...

DG: Right

RS: I'm really excited to uhhh be able to talk to you and ask you some of these questions. Ummm one of these things that I didn't understand necessarily is uhhh in this glossy thing to I ahhh I'll receive an irrevocable co-beneficiary?

DG: Well actually...

RS: And what is...

DG: Yes you...yes, you will, but that is strengthens as of this afternoon. We just finished about 2:30 we finished a meeting with our attorney's who assist us as our escrow agents. They handle the money and if we have the privilege of helping you and your wife with this whether it's regular investment funds or whether it's qualified money that comes out of a Traditional IRA or a Roth IRA it doesn't matter where your funds come from.

RS: Okay

DG: Ahhh... we don't touch those monies ever you would send them to the law firm that functions as the escrow agent your check actually would be made out to them. If it was qualified money excuse me non-qualified money, if it's money from a IRA or a retirement account then we would probably would need to pull it from you current custodian, but even then it goes in the name of the law firm not Retirement Value.

RS: Okay

DG: So, but as soon as the funds are received ahhh by Keisling then they deposit them at Wells Fargo Bank and they keep the money in an separate escrow account for each policy ahhh it's just ahhh they just pay the policy purchase price per our instructions, they pay the premiums at our instructions and so, it has a...it's just a clean process very transparent

RS: Sure

DG: You'll always know where the money is going and how it's being spent.

RS: Sure, now ummm like with... you know I was thinking about doing twenty-five thousand to start off or...or...

DG: Sure

RS: ...or something in that ball park what exactly am I getting? Like am I getting a specific interest in one of these insurance policies? Will I know how much interest I have? I mean how...

15:01

DG: Yes, you will...yes, you will and I realized I didn't ask your question as to how the uh...right now it's structured so it's a loan. Basically the way we have it's structured on the advise of our attorney's is, we ...we are the investor we are the buy the policies at Retirement Value and we do so, with funds provided by participants like yourself who are making us loans to operate our company...

RS: mmm-mmm

DG: ...and in exchange for the use of your funds, because it is a very profitable undertaking. We can pay you sixteen and half percent supple annual interest for the use of your funds. Now, the way we protect you and your funds is to collateralize the loan by attaching you to the policy.

RS: Okay

DG: We also so, the fancy language by means by which the way that we do that ah... is that we make you an irrevocable co-beneficiary...

RS: mmm-mmm

DG: ...and that's...that's ahhh very...if you've not...if you've not been in the insurance business Cody that's a very specific legal phrase. It means that Retirement Value as the owner has surrendered the right to change the standing to change your status to undue you being a beneficiary and if you're made a beneficiary in the amount equal to your original balance and all your projected returns. So, again if you were to do hundred thousand and you had ten thousand dollars on each of the ten policies...uhhh so, then you would have ten thousand dollars that would be protected and your interest on the ten thousand would be protected by an irrevocable do-beneficiary standing that we can't change, we can't tamper with. Now as of 2:30 this afternoon we finished a meeting with the law firm that serves as our escrow agent we've strengthened that further for you as a client. We've actually...we're... ahhh... establishing several...ahhh...irrevocable...ahhh... beneficial trusts and so, now instead of Keisling being the beneficiary and receiving the money to pass on to you. The money would actually come into a beneficial trust with Keisling as the trustee and then the trust will disperse funds according to the monies that have commanded the shares that everybody has.

RS: Okay

DG: But, that is all pre-determined in other words if you had...for simplicity sake if it was a million dollar policy and that was the death benefit that would be paid out when this person passes away and you had ten thousand plus another nine thousand in interest you own nineteen thousand dollars. That, that gives you a very specific fractional share of that death benefit and that's what's protected by Keisling on your behalf and that's what you would get if death occurs...when death occurs on that policy.

RS: Right, okay, ummm another question it's also in this glossy thing is ummm there's ahhh page that talks about financing entity?

DG: Right

RS: and ummm you never...I don't ever see in here who that is?

DG: Well, and that's proprietary information...

RS: Okay

DG: ...to tell you...except to tell you that we are privileged to have our policies source to be the largest aggregator of these kind of policies in North America. Uhhhh he's been in business for about fifteen years uhhh in two thousand and eight for example when the uhhh entire industry...the entire secondary market was valued at twelve and half billion dollars his volume alone was one point five billion. So, he's really one of the guys that wags the dog he's ahhh he, he reviews you know hundreds of millions of dollars of face amount or death benefits every week and very carefully, cherry picks the policies that meet our specs.

RS: mmm-mmm

DG: But, he is also is our financial backer because when he proposed that we set this company up a year and half ago he also brought to the table an interest free loan to help facilitate that. So, he's a pretty important person in our lives. A very careful, close advisor. I talk to him several times a day even on the weekend we are very grateful for his support, but he likes to stay in the background and simply be identified as a financial entity or warehousing operation or an aggregator and that's what he does for us.

20:05

RS: Okay, I can understand that. Ummm, well ummm, kinda at this point...I mean...I gotta tell ya...Bruce seems like a nice guy, but I can't get a hold...I mean...I haven't been able to get documents from him and me and my wife are pretty excited and we're wanting to...to...to make an investment and...

DG: right

RS: Is there a way you can...what do I do from here if I wanna go ahead and invest?

DG: Well, ahhh we can certainly work it out with you. Bruce is uhhh pretty busy guy he's just a pretty responsible guy. Right now he's enjoying a uhhh cruise out of Galveston for a week with his wife a much deserved break. So.

RS: Yes, Sir

DG: If you were ready to you know move ahead then we would have one of our other associates uhhh I even could have one of the other officers or partners of the company provide you with paperwork and walk you through it and Bruce would certainly still get credit for that.

RS: Sure, Sure

DG: We don't...we're happy to help each other out; we don't need to you know steal from each other uhhh...

RS: Good

DG: that would be fair, but I guess if you...if you have...you know ever you kinda think about it, sleep on it, ahhh visit with your wife further uhhh you're certainly welcome to contact me again and I can arrange for you to get the paperwork and we can proceed from there.

RS: Okay, well great maybe ummm... maybe if it's okay ummm...I could give you a call back tomorrow?

DG: Yes, as long as it's late in the day. I'm on my way to the airport in Austin right now to pick up a couple of consultants who are coming in. We have meetings...ahhh we have a series meeting scheduled with them that will start at breakfast at 8:30 am and run till about 3:00 that afternoon but, after that I should be available.

RS: Okay, what I'll do is I'll give you a call and if you're not there I'll just leave you a message.

DG: Well, I'd rather give you my cell phone. That way you have a better way of getting through to me.

RS: Sure

DG: Yeah, that's (210) 391-1550 and it's Dick Gray- G-R-A-Y and I'm the principal owner of the company and the founder and the president.

RS: Yeah, I just looked...looks like uhhh...I...when I first went to ya'lls website I couldn't get on there...uhhh there was like...it was password protected or something?

DG: Right, it's password protected. Yeah

RS: I went to ummm to a website today I just Googled Retirement Value and ummm you came....your kinda information came up there so, ummm...anyways it looked like it might have changed or something...

DG: Well, that's probably to bad but, I'm glad to know that (Laughs)

RS: (laughs)

DG: Or maybe that one of our licensees is being a little open. We have just have...you know our website is pretty sparked by the way you know don't hold your breath for waiting for exciting things.

RS: (laughs)

DG: It's really like a fighter pilots cockpit. It's all utilitarian and uhhh the buttons you push are going to have a specific purpose and we are probably going to pretty it up here. We're in the process of a transition right now where our...even our licensees are now going to RetirementVid.net. Rather, than .com cause, it's being rebuilt, but it's just uhhh it's just what it is a utilitarian location and what licensees can obtain data and print paperwork and so forth, but we can certainly get it to you as an email attachment or fax it to you and make it easy for you to participate.

RS: Awesome. Uh, what is kinda your background in life settlements and...

DG: Oh, I've been at it for about four and half years. I helped my first retail client with a case back on the first of November, two thousand and five. So, and Wendy Rogers who is also an owner and uhhh I think in the literature you may have she is listed as Vice President, but as of April first she will become the CEO and my wife Lisa and I have worked with Wendy for five years now. So, she's been a part of every decision we've made and we've helped many, many clients with many millions of dollars worth of money to safe guard their funds. As I say I've been at for about four and half years so, ahhh it's a good asset class. It's not the right place for all of anybody's money, but we're persuaded that it's the right place for some of everybody's money.

RS: Well Mr. Gray I appreciate your time today and ahhh I'll look forward to talking with you again. I'll probably call you tomorrow afternoon.

DG: That'll work

RS: Alright

DG: Please call anytime. Thanks.

RS: Thank you, Bye-bye

DG: Bye-bye

Digital Recording 4

Rani Sabban ("Cody Walker"): Retirement Value LLC - Dick Gray

03-23-10

00:00

00:30

DG: (Voicemail) Hi, this is Dick Gray, and I'm sorry that I missed your call. Please leave a message, and I'll get back to you as quickly as possible. Thanks and have a profitable day.

RS: Mr. Gray, this is Cody. When you get a chance, call me back. 512-391-1787. Thank you.

01:00

Unofficial copy Travis Co. District Clerk Yelva L. Price

Digital Recording 5

Rani Sabban ("Cody Walker"); Retirement Value LLC - Dick Gray
03-23-10

00:00

RS: This is Cody

DG: Cody, this is Dick Gray returning your call.

RS: Hey, how are you?

DG: Doing fine.

RS: It's a nice day outside.

DG: It's beautiful. It's beautiful. Been in meetings all day, but I've been able to look out and occasionally step outside and enjoy it during a break. How can we help you further?

RS: Well, you know me and my wife had a chance to sleep on it. I think we, think we're kind of wanting to go ahead and make an investment.

DG: Ok. Ok.

RS: I think we're looking about 25...

DG: Ok. Ok.

RS: ...and we're kind of excited. What do I need to do from here?

DG: Well, please refresh my memory, Cody. Will this be qualified money from a retirement account, an IRA, or is it what I would call regular investment money?

RS: It's just going to be regular investment money.

DG: Uh, and you both live in the Austin area?

RS: Yeah, we're up in Pflugerville.

DG: Oh, Pflugerville. Ok.

RS: Yes, sir.

DG: Well, there are a couple of possibilities. What I'd really like to do—although it may be an inconvenience that you can't accommodate—but I'd like to have you see who we are here in New Braunfels. You know that would be the ideal situation...

RS: Ok.

DG: ...to invite you down, see the office, meet the staff so you could see that there was flesh and blood reality to what we, you know, what we do here. We're not pretenders.

RS: Sure.

DG: If that's inconvenient, you know during any reasonably normal business hours for you, then we can arrange for someone to visit with you there on your end. I may even take one of our newer licensees from the New Braunfels area to bring him along as a new training exercise you know or find a way to come up there myself. We can certainly accommodate your needs and satisfy your desires. How would you like to handle it?

RS: You know, I'll need to talk to my wife and schedule it, she is a school teacher so I have to work around her schedule a little bit. Maybe later this week.

DG: I guess spring break has already come and gone for her.

RS: Yeah it was last week. I'll need to do that and if not maybe the best thing for me would be to get everything I need her to sign off on. Just get everything. And then maybe meet with y'all with check in hand or however y'all do it, I don't know maybe y'all do a wire or what.

DG: We can just accept the check and it takes a few days to clear, but that works out well because we have a 10-day free look anyway if you should change your mind even after you do all the paperwork and making a preliminary commitment. If you and your wife change your mind then you get all your money back and we just cancel your application.

RS: Let me do this, can you send me what I need to sign off on and what I need to get my wife to sign off on? And maybe tomorrow...I don't have a problem driving down and meeting with you. As a matter of fact that's what I was planning on doing anyways when I was talking with Bruce, just because we went down for the weekend and stayed at that new TPC in San Antonio.

DG: Yes.

RS: I was thinking about stopping by on Monday.

DG: Ok

RS: But uh...anyways.

DG: Ok, the other possibility is...how did you get linked with Bruce, how did that happen in the first place?

RS: Well, actually I got a flier out on the golf course from a guy named Brian. It was a little two-page flier and I called in and they put me through to Bruce.

DG: Interesting, ok do we know who Brian is?

RS: Umm, I really don't know his last name I met him. Yeah, I don't know his last name. Whenever I first called they seemed to know who he was.

DG: Ok. Well ill try to ask around to my own staff, you know because I am the owner and president I assure you does not guarantee I know everything that is going on. There is a Denise Branson who's local here that we know in the New Braunfels area.

RS: Is he up in Pflugerville?

05:00

DG: No. But if there someone up in Pflugerville...part of the reason I'm asking is that although Bruce is out of the country this week. He and his wife, Sharon, are enjoying a cruise out of Galveston. I know that he will be in New Braunfels all of next week and so my thought is that if you...well I don't know if you have met him face to face or just been working...

RS: No we haven't, we were trying to get that set up and our schedules were all over the place.

DG: Well what we might do is accommodate your immediate need by sending something to you as an email attachment. What is your email address please?

RS: It's codywalker49@yahoo.com.

DG: So it's c-o-d-y-w-a-l-k-e-r-49 at yahoo.com?

RS: Yes.

DG: You just need the non-qualified client paperwork. And we can take care of getting that to you promptly. But what you might consider doing is get in agreement with your wife and look at it and fill in the obvious parts where as a co applicant your wife would sign and even though it is just Tuesday the week is going to get away from us really quickly.

RS: It does.

DG: And it would be especially useful I think if you could come down even early next week, like Monday afternoon or something and meet not only the regular staffers who are here all the time, but Bruce lives up in the Grand Prairie area up near Dallas and he comes down with some regularity, he is our Chief Operating Officer and you could not only meet Bruce and myself but our other staffers. Then you could have a complete picture of who we are.

RS: That would be great, I would actually really appreciate that.

DG: Ok.

RS: Just out of curiosity, how many investors do ya'll have?

DG: About seven hundred and fifty to eight hundred.

RS: Wow.

DG: Under this company name, as I think I explained, we are relatively new. We got approval from the Texas Secretary of State to be called Retirement Value LLC, a year ago on January 13th, so it's like 14 months. Wendy Rogers, one of our officers and owners here and I have been conducting this kind of business here for 4 and a half years. We just did it on the retail side only. We had our own private practice in San Antonio, had our own clients. We're dealing with the end users before becoming a wholesaler which is what we are now. So here at this location we really supply the needs of our licensees in the field, who then would normally help people like you and your wife. But it's working well for you to have had the curiosity and the inquisitiveness to deal with the home office which is fine to us. We're just here to meet your needs.

RS: Sure, and actually the flier I got. There was a section on it that said that you were a representative or that you were a local representative, but there wasn't a name on there so I just called the main number and somehow got connected with Bruce and here we are.

DG: Well good, well good. But to answer your question more fully, we continue to do due diligence from September of 2008 and then formed the company in January of 2009 and then we had the privilege of having the first client money for our program come to us in the in the third week in April a year ago. I think we'll finish April 30th of this year with \$100 million in client money.

RS: Wow

DG: So we've been given the great honor and privilege of lots of people voting for our program with their signature and their wire transfers and their checkbooks.

RS: Wow. Well I'm excited and I know my wife's excited. She was just excited that I was able to talk to you. It's kind of nice to know that you're talking to the head guy, that's pretty neat. You know, to most people this isn't a lot of money but to us it definitely is.

DG: Okay. Well that's one of the things that we look for. Among our paperwork you'll see a suitability form. It will ask you and your wife to kind of describe yourselves financially. That will help us work with you to make a decision over whether or not a \$25,000 participation is balanced given your overall financial picture. You seem young enough as though you certainly have time to rebuild and can take more risk than someone much older. Although, we think there is very little risk with this idea anyway. You'll see that reflected in the paperwork where it asks you to describe yourselves financially.

RS: Okay, okay, perfect. Should be expecting this in the?

10:00

DG: Yeah, if not before close of business today then certainly first thing in the morning. And then you have my cell phone, you're welcome to use it anytime. I'll just make a note that we'll try to coordinate a visit for you to come down to New Braunfels next week when Bruce is in town.

RS: That sounds great.

DG: Okay great. Thank you, have a wonderful day now.

RS: You too.

DG: Bu-bye.

Digital Recording 6

Rani Sabban ("Cody Walker"): Retirement Value LLC - Dick Gray
03-25-10

00:00

DG: Hello, Dick Gray

RS: Hey this is Cody

DG: Yes

RS: How are you doing today?

DG: Doing fine. What's up?

RS: Hey ahhh, I was doing a little research doing a little due diligence and I have a question for you. Who is George Kindness?

DG: George Kindness is the owner of Midwest Medical.

RS: Cause I actually looked up Midwest Medical I just Googled it and I found a ahhh looks like something with the SEC and ahhh they're saying that George Kindness is a convicted felon.

DG: There or have I lost you?

RS: What's that?

DG: Are you still there or have I lost you?

RS: I'm still here.

DG: Cody you've stumble on something that we've all know about all along. Something that routinely comes up and I probably should have brought it up to you, but you're way beyond it. It's basically bullshit to be blunt and cut to the chase. Ahhhh George Kindness is a brilliant man and who has written over seventy tracks regarding ahhh cancer inhibitors' and healed a lot of people with his cancer research Ahhh he's also made some mistakes.

RS: mmm-mmm

DG: Ahhh during a food and drug administration the test market of his product he got impatient with the progress and the process and the administrative and bureaucratic drag and so, he pulled an end-run and was marketing his product on an internet site selling directly to doctors for use with their patients. Ahhh interestingly enough as a side bar one of our fairly successful licensees in the New Braunfels area was diagnosed with terminal cancer with a football size growth in his abdominal area ahhh given two months to live and he used George Kindness's compounds and healing processes and now is alive and well and that tumor just simply went away. So, the ahhh Securities ahhh the Securities and Exchange Commission and their effort to go after and close down a rather small brokerage operation in Redding, California ahhh you know threw the kitchen sink at everybody that was involved and they drew innuendos and on and on and on and uhhh I'll see if I can find it I have an email from one of our top licensees where internal analyzes of the SEC allegations doesn't hold up it's impossible the dates and the timelines and the suggestions and the allegations they make are just phony.

RS: mmm-mmm

DG: Now, now George Kindness was indicted on twenty-one points by the food and drug administration several years ago. He plea bargained and plead guilty to one of the twenty-one offenses. He paid a one thousand dollar fine and was on probation for a year. The man is a PHD, but he is properly trained as a physician in Edinburgh, Scotland he's from Scotland and the way that the regulators work is they...they throw the innuendos around, but they never ever issue any retractions when they are proven wrong.

RS: mmm-mmm

DG: and the...I'm not making light of what Kindness did that was wrong nor does he, I've been face to face with him in his office in Hamilton, Ohio near Cincinnati and he said look I've made a mistake, I did some wrong things. I told a couple of lies I admitted to it and paid my price for it and ahhh but the regulatory aren't willing to move on.

RS: mmm-mmm

DG: and what he plead guilty to was a failure to properly label a medicine bottle or other word he plead guilty to not providing proper usage instructions on the bottle that contained this natural compound that he was marketing. Then I grinned because the instructions for use are a fifty-six page pamphlet.

5:07

RS: Uh-huh

DG: and that is what they accused him of failing to put on the bottle.

RS: You know another thing it mentions in hear is that he is not a licensed medical doctor. Is he just not licensed in the United States?

DG: Well he's...He's not a medical doctor

RS: Okay

DG: He doesn't sign his own you know his own paperwork he has...he has a legitimate practicing doctor that does that Glen Chapman and uhhh he's got...but the other thing that...that he you know because this question repeatedly comes up and thoughtful people like you uh uh uh you know are concerned what does this say... you know what does this say....

RS: You know ahhh I just you know gotta Go... everybody really you know. So...

DG: (inaudible) and it's proper that you've done so ahhh, but that's also why I, our policy source and I each put up ten thousand dollars to have an independent audit done of the results produced by George Kindness over the years.

RS: mmm-mmm

DG: We're...we're waiting for a written ahhh that written report to come into my hands as even as you and I speak, but the report is completed it was done by a firm in Princeton, New Jersey ahhh and...and the Hess company is known as ahhh independent auditor of these kind of statistics and uhhh they were given ah eighteen thousand life expectancy reports that were produced by George Kindness under different company names over the years.

RS: mmm-mmm

DG: and most of them...most of them were heavily weighted to the last couple of years because of the explosion of the life settlement industry world wide...

RS: mmm-mmm

DG: and...and the...the growth demand for the George Kindness companies that produce these kind of reports, but the Hess company did was they took one thousand deaths in other words a thousand people that we know have died and they have verified that with the social security database and they did an analysis of those one thousand deaths. You know how old were they when they died, uhhh you know what killed them...

RS: mmm-mmm

DG: Whatever we know and that data was compared with the projections that was originally issued by Midwest Medical review and what was very gratifying to me was that the Hess company has concluded that Midwest Medical was accurate ninety- two percent of the time,

RS: Wow

DG: in other words the outcomes to projections and as far as I know and I don't pretend to know everything to know about a life settlement you know sub coulters I would call it, but I know it. I've been at it for about five years now and I don't think there is another company like Midwest Medical that ever has submitted itself to an outside independent audit. Many of them brag and make claims about what they predict and how great they are, but I don't know any company that has submitted itself to a truly outside audit like Midwest has done. So, the bottom line for my company and our intent to serve you well Cody and someone like yourself is that we don't wink at or...or make excuses for George Kindnesses past. It is what it is.

RS: mmm-mmm

DG: But, I firmly believe that there is no reasonable direct correlation to be made between the fact that the guy made a mistake and paid his price and at any possible amount inaccuracies or dishonesty in his data. I just...in my own mind I don't allow that connection to be made.

RS: Sure

DG: Secondly, secondly in spite of all that I just shared with you and I'm grateful for your willingness to listen patiently to my sermon, I suppose it would be. Ahhh even though we are deep believers in George Kindness we also now have invited two other companies to give us reviews on the policies that we buy and then we are testing that right now. We've been working with a second company for about three months...ahhh...four months and with a third company for a couple of months and by the middle of June I think it's gonna be safe to predict that every policy that appears on our portfolio will have been accompanied by three different independent LE reports and we will always choose the longest of the three.

RS: Now, uhhh I have a couple questions and one: what are those companies and the second is: the umm the policies that would be investing in currently ahhh seems like they were just reviewed by Midwest if I'm....

10:05

DG: No actually I think it's fair to say that ahhh all of them have at least two LE reports and ahhh yeah we're satisfied that they're tracking the...the...ummm and...and...and by extension here is how were going to connect the dots. You know George Kindness has been doing this under different company names for almost ten years now and the other two companies are fairly new, but they use a methodology very similar to not, not exactly identical, but almost identical with what Midwest does uhhh and...and that speaks volumes to what their expected accuracy will be. The four major players that everybody else thinks are the major players the people...you'll sense my Sincism here...the people that go to all the conventions. The people that go buy the booze at the shows in Las Vegas and have the open bar that crowd consists of four companies: ahhh Twenty First Services; AVS; EMI; and Fizano (SP?) those are the four major movers and shakers in the Life Settlement industry according to the insiders who are so self congratulating themselves. We don't use any of them and we never will.

RS: mmm-mm...

DG: They've proven themselves routinely to be inaccurate. They use entirely different method or structure to determine their outcomes. They do very much what underwriters do at life insurance companies they try to predict life and so, the irony Cody is even though you and I are talking about life expectancy and it's accuracy and whether George Kindness can be believed. It isn't life expectancy we care about at all it's death entirely different outcomes. What George Kindness wants to know is what is the probability when this person will die and how can we predict that accurately.

RS: mmm-mmm

DG: and he uses the social security tables as his fundamental document because it is a self correcting, self adjusting database because it reflects when people have died and we are all living longer and that's reflected in the social security tables. So, when you look at the projections from the Social Securities administrative is to how long ahhh a sixty-five year old, non-smoking, male like Dick Gray should live that's based on a lot of large numbers nationwide and the insurance companies use a different methodology and an entirely different tracking system and database to pull together the variables to pull together how long someone might live and it's an entirely different thought process and so, with the Hoss Company having validated in our view, having validated the method used my George Kindness and the other two companies using ahhh a very similar method that we're fairly comfortable we're getting from all three companies combined and so, as I say the methodology going forward will be to get three reports always select the longest of the three and still escrow premiums for twenty-four months beyond the longest of the three LE's. Now for the policy that you would be participating in on the current portfolio ahhh they have had at least two LE reports and what my son Jeremy is doing who administers all of our policies and pays instructs the escrow agent Keisling on how to pay the premiums. He has done a fascinating study...(coughs) excuse me... on each of the policies we have purchased and what the life expectancy projection is and on the bell shape curve is how we look at the LE plus twenty-four...when we escrow the premiums for the LE plus twenty-four and so, Jeremy is satisfied that the lowest probably range that we are in for some of the policies that we purchased we are in the eightieth percentile and most of them we are up into the ninety-fifth percentile. Within that LE plus twenty-four range in other words ninety-five percent of the people should have died by the time we run out of premium money.

RS: Wow

DG: and so...and so...what does all of that mean for Cody and his wife? In my view what it means is that as I always said forget about ninety-two percent, forget about high level accuracy. We believe that more than half of the insured that you will be involved with will pass away before their life expectancy or before we've used up the premiums. You'll get back not only the money you've put in you'll get back your promised income or interest and you should get back premium that hasn't been spent. In other words we commit to you that you will get back any share of unspent premiums and we that will happen in five, six and even seven cases out of ten. So, what we urge you to do is be your own escrow agent, spend the money, spend the interest, but save the refunded premiums set it aside in a separate account devoted to the possibly of a future premium call.

RS: mmm-mmm

DG: Cause I...you're going to get a premium call. Please remember that I told you that on Thursday the twenty-fifth or sixth of March two thousand and ten. Statistically, it is an impossibility in my mind that all ten of these people will die early. Some of them are going to go long. So, know that and expect that, set aside some of the premiums that we refund you from our program and become your own escrow agent. So, that if you do get a premium call you will be financing that out of the existing programs profits. You won't be digging in your own wallet all over again.

RS: Ok,

DG: That's how I would position it. That's how I've done it for my own investment in this idea.

RS: Sure. Ok. I guess my last question in here is, you know, after I looked at, saw that with Midwest Medical and looks like Secure Investment Services, something like that...

DG: Right.

RS: I went through and looked at a life expectancy certificate that y'all gave me.

DG: Ok.

RS: And, you know, of course I had some extra scrutiny with it now that I heard some kind of, you know, interesting things about Midwest, and it looks like on the bottom of this certificate I see it signed by Glenn...

DG: Glenn Chapman?

RS: Right above that it says, "This review is compiled solely for"

DG: Right.

RS: And it looks like it's whited out or something.

DG: It is whited out because that's our policy source, and he's one of the, he is the largest aggregator in North America, but James Settlement Services prefers to kind of stay in the background. He doesn't have a Web site, doesn't even have a business card.

RS: Ok.

DG: Everything he does is word-of-mouth and referral. It is Ron James, and the company is James Settlement Services in Lafayette, CA. You might find something on him on a Google search, but it would be all positive.

RS: Ok.

DG: Ron's been in the business for 15 years, got into it quite by accident. He was one of the largest, he ran one of the largest financial planning offices in the whole West Coast that's on aside...A personal question: how old are you?

RS: I'm 30.

DG: You sound like a very articulate, insightful, and intelligent young man. So you're younger than my son, two of my own children, but I respect the way that you're approaching this. I thank you for these calls and for your candor, but certainly you can appreciate what I'm about to share with you that Ron in his hey day was the head of others in using these automatic dialers that are now illegal in most states, and when he had the privilege of helping a client in certain communities he would ask permission to install an automatic marketing dialing machine like in their garage or in the laundry room or in the family room somewhere. And he would pay them a fee for that. The point was that all of Ron's outbound marketing calls came into somebody's telephone on a local exchange with a local prefix. Like here at my house, mine is 885.

RS: Um huh.

DG: You know, my wife Kate and I would be more likely to answer a call that came in from 885. We'd just figure that it was a neighbor or somebody local.

RS: Sure.

DG: That was why, it's disarming. When we used to do mail campaigns, you know, if I was soliciting people in Wimberley, TX, I would drive 500 envelopes or a thousand envelopes and have them all postmarked in Wimberley, and I'd get a higher percentage of response. If I was doing Fredericksburg or Kerrville, I'd do the same. It always came in as a local post bank, and I always got a better response. Well, that's what Ron did. In his hey day as a financial planner, he had 332 dialing machines. I mean that's just staggering.

20:00

RS: Uh huh

DG: In the amount of business that he did, and the hundreds of people that he helped is just legendary in California. Well, one day a lady called who he had helped to buy a very large insurance policy. Her circumstances had changed, she didn't want the policy anymore, she felt locked in, the premium was high, the insurance company was going to give her a pittance as a cash render value. So Ron went to her house and comforted her and actually wrote her a check and purchased her policy. Got in the car—I mean I love it when he tells the story—"As I'm driving home, you know I'm saying, what have I just done and what am I going to tell Brenda?" That's his wife. Well, two weeks later he sold the policy to somebody else and made a \$45,000 profit on the transaction. This was 15 years ago.

RS: Wow.

DG: And he realized he was on the wrong side of the life insurance industry. So he and his son Don really really take legitimate credit for being the originators of the life settlement market much as we know it now. It's been legal for a hundred years, but it's exploded in the last 15 to 19 years. Life Partners in Waco is the largest, oldest company doing what I do. We just do it better, and we help our clients earn more money. We think we do it in a fairer, more openly, more transparency than Life Partners. And we're climbing on them rapidly. We'll surpass them before this year is over in sales volume, and we've been at it for a year. They've been at it for 19 years. We've got a really good mousetrap that you're considering participating in. But coming back to Ron, he and his son really have innovated this industry. They literally went on the road with a road show, showing the people how they could sell their policies as a commodity in an auction rather than selling it to the insurance company. They instructed seniors on how they could take out a policy, pay for it for a couple of years, and then sell it for a profit. And that's perfectly legitimate, even if they

used premium financing. So Ron is just one of the tails that wags the dog in our business. To give you an example of the kind of clients that he has: last July the 31st he closed on a \$50 million sale. It was \$50 million in death benefit in one purchase, and at his request I'll describe it this way: he was dealing directly with the treasurer of a very large Eastern state.

RS: Uh huh.

DG: You know, I'm not supposed to tell you it was Pennsylvania. But so he was dealing directly with the treasurer of Pennsylvania who purchased \$50 million of death benefits for the public employees trust fund for the retirement fund in Pennsylvania to try and help balance some of the losses it sustained in the stock market. So that's a little on about, so that's who that blank is on that LE report.

RS: And what does he do in terms of Retirement? Value.

DG: He is, at the moment, he is our sole policy source.

RS: Ok.

DG: So what that means is, and he, Corby, he's so big...let me back up. I haven't even seen the figures for 2009. Maybe it's 15 billion. Some people said the market was off a little bit because of the market economy that we're in, but in 2008 there's general agreement that the life settlement industry was worth 12 and a half billion dollars or 12.3 billion dollars worldwide. And there are hundreds and hundreds of people who do what Ron James does. Or try to do what he does. His volume alone in 2008 was 1.5 billion in sales. So that one man and his associates in Lafayette, CA, were responsible for more than 10% of the business worldwide...to people like the treasurer of the state of Pennsylvania. As a result, again he doesn't have a Web site...

RS: Uh huh

25:00

DG: ...he can't advertise. It's all word-of-mouth and referrals, but he has become a magnet for anybody who wants to sell a policy wants to sell it to Ron James because he can move it. You know, he's worth millions and millions of dollars, he's got great depth, he can buy policies instantaneously if he likes them for a lot more than the carriers are going to pay. So the largest brokers and providers, and sort of smaller size aggregators other than himself are constantly sending him spread sheets of policies for him to consider. He and his son review between 200 million and 500 million in death benefits a week and cherry pick the best policies.

He goes through, he reviews as many as 100 policies just to find us one that meets our specs. So he reviews them, he does the due diligence, he's my back room in a sense so that I don't have to have a back room. So then he buys the policy, he put the markup on it for his profit then sells it to me, but because he's dealing in such huge volume and gets to cherry pick the marketplace, what I've discovered—because lots of people want to sell me policies because now I've bought \$160 million worth of death benefit over the last 15 months—and what I've discovered is even with his markup, Ron's prices to me are cheaper than other people that are trying to sell me policies for. Just because of his volume.

RS: Yeah.

DG: And so there's a, I've been buying from Ron for 4 and a half years or I've been selling as a broker for other people who bought from Ron. So every policy that my many many clients have participated in over the last 4 and a half years, every one of those policies came through James Settlement Services. Either, you know, a broker in California or Houston bought it, and I helped sell it. Or Wendy Rogers, my partner, and I bought it ourselves from Ron.

RS: Gotcha.

DG: Every policy's come from him. Now, we can buy from anybody we want, but frankly I don't know how to trust somebody else's process.

RS: Right. Right.

DG: And when Ron calls me, Ron, Jeremy, and says, "I've got a good policy for you. I just bought it." we don't question that. We say, "Just send us the specs, and we can review it."

RS: Uh huh.

DG: We just accept that at face value, and he's more than a trusted ally, he's virtually a partner. He doesn't have equity in my company, but he's virtually a partner in this enterprise in an absolute, absolutely inestimable value in what we do here. And by the way, he's the one who really makes the decisions on the life settlement, on the life expectancy underwriting companies, and he stands four square behind George Kindness. He knows that there's a risk, he knows that the Internet stuff on George Kindness is never going to go away.

RS: Uh huh.

DG: But he judges George Kindness based on the outcomes and the product he produces not the screw-up he made 6 or 7 years ago with the FDA.

RS: Sure. Ok well, let me digest this. Let me, you know, kind of think on this. And I appreciate you talking to me and answering some of my questions. We'll kind of go from here.

DG: Well, I appreciate your call, and I hope that if the asset class still has appeal for you and your wife that you'll see that our method and our model is the strongest that you'll find anywhere in the marketplace. Even Life Partners uses, issues what I consider to be a vague, wishy-washy life expectancy policy report. Well, they'll say, "Well, the life expectancy report for this person is 3 to 5 years."

RS: Uh huh.

DG: Or 5 to 7 years or 2 to 4 years, and George Kindness doesn't do that. He does the analysis, he pulls it apart. I've seen how he does, I've sat in his office. I'm so persuaded of the accuracy he does that I don't want to know my LE. I'm serious. I really don't want to know my LE from George Kindness. I don't want to be burdened by that. I want to feel, you know, that I'm 10 feet tall and bulletproof. Even the folks at Life Partners use a Dr. Cassidy up in Reno, NV, who's in-house and captive. He works for them. George Kindness doesn't work for Dick Gray. He doesn't work for Ron James. He works for George Kindness.

RS: Uh Huh.

30:00

DG: And so do the other providers that we use so there's an independence to those numbers that we gather that we're proud of. And now that we have that test report from Princeton, you know, corroborating or validating what George Kindness does it's even...and one other—and this is industry anecdote, if you'll allow me to tell the story. It's a true story. About 12, 15 years ago 12, 15 years ago, Lloyds of London was active in this emerging life settlement industry. They were aggregating bonds, and here's how it would work. If George Kindness said, you know, Richard Gray in New Braunfels, TX, has a life expectancy of 67 months, then Lloyds of London and some of their risk-takers would review the medical history and review the LE report and say, "Ok, we'll issue a bond. If Dick Gray doesn't die in 21 months, then 12 months later we'll buy everybody out and we'll take over ownership of the policy and then we have the underwriting risk. We'll actually pay you back the death benefit if this person doesn't die on time," to be almost crude about it.

RS: Uh huh.

DG: Well, Lloyds was having at that time Lloyds was having what was called a 12-month elimination period. In other words they would pay out 12 months after the 67-month LE. And they decided they needed more cushion so they went to 24 months. So in other words so ok we'll pay out LE plus 24 months, which is kind of the basis for our model.

RS: Uh huh.

DG: You know, what Lloyds of London did then is what we're doing now. LE plus 24. Well, LE plus 24 was a disaster from a marketing standpoint. People didn't want to wait 24 months. So Lloyds of London put tremendous pressure on the life expectancy company to pad their LE reports by 12 months. This is pretty well documented by those who know the industry. So that they could have LE reports that were 12 months longer than what they could offer in elimination period of only 12 months and look more attractive to a marketer.

RS: Hmms.

DG: The people that know this industry inside out like a Ron James and like some retired underwriters that I know. One in Phoenix, AZ, for example. They've told me the only person that wouldn't play that game was George Kindness. And the only doctor who wouldn't falsify his report's was Glenn Chapman. Everybody else played the game and went along with it. And Chapman and Kindness were virtually blackballed as a result of their non-cooperation with their buddies in the industry, and Kindness was almost put out of business. And that's the primary reason Ron James uses him because of that integrity and that moral courage. So there's a lot more to George Kindness than messing around with the FDA or the SEC not liking him.

RS: Sure.

DG: I'll tell you that out even if this call was being recorded for the SEC. The SEC they are idiots. They don't understand this product, and they don't care. They shoot from the hip, and if the knee-jerk reaction.

RS: Yeah.

DG: It really is. It's not, it's as much terrifying as much as it is disappointing. And so enough of my sermon. You've been patient. You listened, and I'm grateful for it. I really believe our product, the way that it's

structured, is worthy of not only your consideration but worthy of winning your approval, and I hope we can be of service to you.

RS: Sure, thank you very much, and...

DG: Thank you!

RS: ...like I said we'll digest this and kind of go from there.

DG: That'll be wonderful. Have a great day.

RS: Thank you,

DG: Ok, bye bye.

Unofficial copy Travis Co. District Clerk Velda L. Price

HILL COUNTRY FUNDING, LLC



HCF

A "Secure Money" idea...

Re-Sale Insurance Policies

HILL COUNTRY
FUNDING, LLC

8945 Broadway
San Antonio, TX

Phone: 214-345-1457
Fax: 214-345-1454



EXHIBIT

B-10

7328 08028

A "Secure Money" idea from...

HILL COUNTRY FUNDING, LLC

a limited company
9945 Broadway Street
San Antonio, Texas 78209
(210) 822-2467

Re-sale insurance policies - Legal Foundation

The second most-commonly-asked question by those considering a re-sale insurance policy is: "Is this legal?" Justice Oliver Wendell Holmes [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. Holmes decreed on behalf of the 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...."

Put in plain, every-day language: yes; the cash value inside a life insurance policy can be sold for a profit like all other personal property such as a house; a horse; or a truck!

Which is exactly what John C. Burchard of Tennessee did back in 1911. He had a life insurance policy on which he made two payments; was post-due making a third payment; and needed a surgery. He sold his policy to the surgeon for \$100 in exchange for the medical care he needed. When Mr. Burchard died, the life insurance company [upon suit by the widow, Lillian Burchard, and the executor of Mr. Burchard's estate, R. L. Russell] paid the death benefit to a court rather than to Dr. A. H. Grigsby, the new owner, pending resolution of the dispute in court. Dr. Grigsby sued to recover the death benefit he felt was rightfully his since he was the then-owner of the policy; was the re-named beneficiary of the policy; and had been paying the premiums on the policy. Dr. Grigsby won the suit; he was paid the death benefit; a solid legal standing for new 'assignees' was established.

From this Supreme Court decision in December 1911 we can trace the infant beginnings of a Life Settlement market with a transaction amount of just \$100 [there is no mention in the records of the amount of the death benefit, since the death benefit amount, large or small, was not the legal point at issue in the suit].

In 2007 the re-sale insurance policy market was valued at over \$7.5 billion.

By the way, the single most-commonly-asked question by those considering a re-sale insurance policy is: "Is this safe?" To which question the answer is a solid: "yes". Visit with us to learn the reasons why.

Learn more about this simple and safe idea; please
call us at (210) 822-2467 - any associate can assist you.

A "Secure Money" idea from...
HILL COUNTRY FUNDING, LLC

A Trust Company
5145 Broadway Street
San Antonio, Texas 78209
(210) 822-2467

Re-sale insurance policies -

- Safe Premium Payments

Preservation of client principal is an essential part of any "Secure Money" idea.

HILL COUNTRY FUNDING, LLC, pursues -

- *the total preservation of your principal* in one of two ways.

Zero-premium policies

In some instances, we are able to present you a *re-sale insurance policy* that has accumulated enough internal cash value during many years to pay the premiums due all the way through to the end of life. If we are able to offer such a policy this means that the insurance company pays to itself internally all premiums due automatically. Thus there is no premium paying account; there is no outside escrow agent; there is no person responsible for paying for your policy premiums. So there also is NO possibility your *re-sale insurance policy* will lapse! It will be 'in force' or 'active' & pay a death benefit to you as an "irrevocable co-beneficiary" if an insured dies before the bond company pays you back at the end of an insured's "Life Expectancy".

Trust company; escrow account - and a third-party fiduciary

Much more common are policies without a sufficient internal cash value to pay all the premiums later in life. For those more common cases, *the total preservation of your principal* is achieved by having Tax Lawyers Exchange receive & distribute client funds for (1) purchase the policy through an escrow account at Pacific Northwest Title Co. of Oregon; (2) purchase the re-insurance mortality or surety Bond; and (3) function as the third-party fiduciary to make all the premium payments for your policy on a quarterly basis throughout the time-line of the policy, issuing quarterly policy-status reports. At no time do any of your funds mingle with operating funds of HILL COUNTRY FUNDING, LLC.

The participant in a *re-sale insurance policy* will be given copies of all reports as proof that the proper premium has been paid and the policy remains in-force.

There is no better way to pursue *the total preservation of your principal* than by bringing to market either cash-value-rich policies or policies paid for by a third-party fiduciary - all to keep your policy ever from lapsing!

Learn more about this simple and safe idea; please
call us at (210) 822-2467 - any associate can assist you.

Form 10-1998

TS99 090272

A "Secure Money" idea from...
HILL COUNTRY FUNDING, LLC

a limited company
1945 Broadway Street
San Antonio, Texas 78208
(210) 822-2467

Re-sale insurance policies - The Bond

Predictability or "period certain" timing of the pay-back for all of your basis and your gain is essential in any "Secure Money" idea.

HILL COUNTRY FUNDING, LLC, pursues the predictability of the end-date for your re-sale insurance policy with mortality bonds - which also are available for protected single-owner cases.

Several carriers provide bonds, and the source carrier for the bond on your policy will be determined by the many internal variables on each individual case, such as:

- The carrier issuing the original life insurance policy
- The size of the original policy (the "face amount" or death benefit)
- The length of the Life Expectancy ("LE") of the insured
- The time-line of the Elimination Period, the delay for the bond-payout after the LE is reached

Bonds issued by any carrier declare the "end-date" for your re-sale insurance policy. Should any insured for a policy on which you are a beneficiary live beyond their stated Life Expectancy you will get your initial funds back with all of your promised return at a set time declared up-front.

Why is this important? For any re-sale insurance policy total return always is constant. If your policy promises you a 42% return on your original money or your "basis" will grow 42% when the policy matures due to the death of the insured, if that occurs in one month, one year, or years.

However, your annualized percentage YIELD would be diluted if a case went on and on...

The projected YIELD from your policy would be substantially diluted if the insured lived well beyond the stated Life Expectancy. **The mortality bond from our carriers sets a specific date when you will be paid back - even if the insured lives longer than their stated Life Expectancy.**

Through use of a mortality bond HILL COUNTRY FUNDING, LLC can tell you with accuracy at the outset the likely annualized yield for your participation. This is the case since you will know an end-date of your agreement at the very beginning. If the insured should pass away at any time prior to the end-date of your policy agreement, naturally, your net annualized yield will be higher and in some cases it could be substantially higher!

Learn more about this simple and safe idea; please
call us at (210) 822-2467 - any associate can assist you.

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A "Secure Money" idea from...
HILL COUNTRY FUNDING, LLC

a Nevada company
1941 Broadway Street
San Antonio, Texas 78209
(210) 822-2467

Re-sale insurance policies - The 'Spread'

Gross income or Top of "The Spread"

The "Face amount" or "Death Benefit" of the life insurance policy is what determines real gross income for parties.

THE SPREAD

Gross expense or Bottom of "The Spread"

- Payment to original owner(s) to buy policy
- Ongoing premium payments to maintain policy
- Service fees to Provident Trust Group
- Service fees to the tracking company
- Bond premiums to PCI or Sino-RE
- Commissions and other administrative fees

Life Settlements are very simple. There are few moving parts. Also, 'the market' or what happens with stocks, bonds, market indexes, etc., simply does not have any impact on your return. It's all in "The Spread" - or the difference between total costs, payments and fees and the death benefit to be paid when the insured passes away.

Life Settlement agreements are regulated by the Texas State Department of Insurance. Placing funds in a Life Settlement policy enables you to generate share interest in and makes you a pro-rata share beneficiary of the death benefit of a corporate's executed or assumed life insurance policy. Returns of cash returns on your investment placed in a Life Settlement agreement occurs either when the insured passes away or the bond interest taken place at the end of the insured's Life Expectancy.

Learn more about this simple and safe idea; please
call us at (210) 822-2467 - any associate can assist you.

Formal 01-06-2008

T558 000274

Loan Agreement

Date: 07-17-2008

\$ 54,125.00

This Loan Agreement is made by and between Hill Country Funding, L.L.C. ("Borrower") a Nevada limited liability company, with local offices at 5945 Broadway Street, San Antonio, Texas 78208 and [redacted] resident address is [redacted] and whose primary telephone number is [redacted] ("Lender").

Principal Amount: FIFTY SIX THOUSAND, ONE HUNDRED DOLLARS (\$ 56,100.00)

Interest Rate: Twelve and one-eighth percent (12.125%) Simple Annual Income deferred until policy maturity.

Maturity Date in months from Bond purchase date: 42 months

Interest payment time-line from the date of this Loan Agreement: 43 months

Annual Interest Rate on Matured, Unpaid Amounts: Twelve & one-eighth percent (12.125%)

Terms of Payment (principal and interest): The Principal Amount is due at maturity. Twelve and one-eighth percent (12.125%) simple annual income will be paid in one lump sum payment upon the maturity of the policy due to either the death of the insured or payment by the insurer (mortality Bond carrier) after the Life Expectancy is reached.

Safety for Payment: This Agreement is safeguarded by an "irrevocable Beneficiary" interest created by a Supplemental Agreement that covers the Re-Insured-to-Sale Life Insurance Policy Number 040000485 through Sun Life Insurance and Annuity Company of New York ("carrier") and that is dated August 15, 2005 and executed by Hill Country Funding, L.L.C. as the Debtor in favor of Lender.

Other safeguard(s) for Payment: None

Borrower promises to pay to the order of Lender the Loan Amount plus interest at the Annual Simple Interest Rate. This Agreement is payable according to the Terms of Payment. All unpaid amounts are due upon the Maturity Date, which is upon the death of the insured or at the end of the bond elimination period. After maturity, Borrower promises to pay any unpaid principal balance plus interest at the Annual Simple Interest Rate on Matured, Unpaid Amounts.

If Borrower defaults in the payment of this Agreement or in the performance of any obligation in any instrument safeguarding or collateral to this Agreement, Lender may declare the unpaid principal balance, earned interest, and any other amounts owed on the Agreement immediately due. Notwithstanding any other provision of this Agreement in the event of a default, before exercising any of Lender's remedies under this Agreement or any Supplemental Agreement safeguarding it, Lender will first give Borrower written notice of default and Borrower will have thirty days after notice is given in which to cure the default. If the default is not cured in thirty days after notice, Borrower and each surety, endorser, and guarantor waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

EXHIBIT

B-11

Borrower also promises to pay court costs and other costs and attorney's fees assessed by a court if this Agreement is placed in the hands of an attorney to collect or enforce the Agreement due to default. Borrower will pay Lender these expenses on demand. These expenses will become part of the debt evidenced by the Agreement. Terms of default are defined within the Supplemental Agreement.

Prepayment: Borrower may prepay this loan without penalty within 180 days from the date of the Loan Agreement. If Borrower prepays this loan at any time after the 180th day, Borrower agrees to pay a prepayment penalty equal to the amount of additional interest that the Borrower would have paid if the Lender had the loan been paid out to maturity. For example, if the term of the Agreement is five (5) years and the Borrower elects to prepay the loan on the second year anniversary of the Agreement, Borrower will pay a prepayment penalty equal to the amount of interest the Borrower would have paid for the remaining three years had he / she allowed the loan to mature.

Lender acknowledges that all or a portion of the loan proceeds will be used to facilitate the purchase of re-insured re-sale life insurance policy number 040000652 through Sun Life Insurance and Annuity Company of New York ("carrier"). If Borrower is unable to complete the purchase of the re-insured re-sale life insurance policy number 040000652, Lender agrees that the prepayment penalty described herein will be waived.

Application of Prepayment: Pre-payments will be applied to installments on the last maturing principal, and interest on that pre-paid principal will immediately cease to accrue.

Interest on the debt evidenced by this Agreement will not exceed the maximum rate or amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the Principal Amount or, if the Principal Amount has been paid, refunded. On any acceleration or required or permitted prepayment, any excess interest will be canceled automatically as of the acceleration or prepayment or, if the excess interest has already been paid, credited on the Principal Amount or, if the Principal Amount has been paid, refunded. This provision overrides any conflicting provisions in this Agreement and all other instruments concerning the debt.

Borrower is responsible for all obligations represented by this Agreement.

When the context requires, singular nouns and pronouns include the plural.

If any provision of this Agreement conflicts with any provision of a loan agreement or safeguard agreement of the same transaction between Lender and Borrower, the provisions of the Agreement will govern to the extent of the conflict.

Notwithstanding any other provision of this Agreement, Lender may satisfy the debt evidenced by this Agreement only by the enforcement of Lender's rights in the collateral held by the Borrower pursuant to the Supplemental Agreement, and Borrower will not be liable for a money judgment in the event of a default under this Agreement or the Supplemental Agreement.

This Agreement will be construed under the laws of the state of Texas, without regard to choice-of-law rules of any jurisdiction. Lender agrees that all claims, disputes, controversies, differences or other matters in question arising out of the relationship between Lender and Borrower (and its officers, directors, agents and/or employees), whether related to this Agreement, Supplemental Agreement, or otherwise shall be settled finally, conclusively and conclusively by binding arbitration in San Antonio, Bexar County, Texas, in accordance with the

Agreement

Page 2 of 2

TS&B 04/22/04

Commercial Arbitration Rules of the American Arbitration Association, by one or more arbitrator, chosen in accordance with the Rules. The decision of the arbitrator(s) shall be final and binding on all parties. A judgment may be entered thereon in the District Court of Bexar County, Texas. Any arbitration held in accordance with this paragraph shall be private and confidential. On request of either party, the record of the proceeding shall be sealed and may not be disclosed except insofar, and only insofar, as may be necessary to enforce the award of the arbitrator(s). The prevailing party shall be entitled to recover all reasonable and necessary attorney's fees and costs from the non-prevailing party.

Lender acknowledges that the loan proceeds will be used to (1) facilitate the purchase of the re-sale life insurance policy number 040000652 through Sun Life Insurance and Annuity Company of New York ("carrier"), (2) facilitate the purchase of a re-insurance mortality bond, (3) pay premiums for the above referenced re-sale life insurance policy, and (4) pay administrative fees, commission and expenses incurred by Borrower in the process of facilitating the purchase and managing the above referenced re-sale life insurance policy.

Borrower

HILL COUNTRY FUNDING, L.L.C.

By: Richard H. Gray
Richard H. Gray

By: [Redacted] _____
I am completing this form to certify that I am the individual named in the Agreement, I am providing the following information:
Social Security #: [Redacted]
Date of Birth: Month [Redacted] Day [Redacted] Year [Redacted]
Place of birth: [Redacted]
Photo ID: [Redacted]
Number: [Redacted] Expiration date: [Redacted]

By: [Redacted] _____
Lender
I am completing this form to certify that I am the individual named in the Agreement, I am providing the following information:
Social Security #: [Redacted]
Date of Birth: Month [Redacted] Day [Redacted] Year [Redacted]
Place of birth: [Redacted]
Photo ID: [Redacted]
Number: [Redacted] Expiration date: [Redacted]

Unofficial copy Travis Co. District Clerk Vernal Price

Agreement

Supplemental Agreement

Date: 07-17-2008

This Supplemental Agreement ("Agreement") is made by and between Hill Country Funding, L.L.C. ("Borrower"), a Nevada limited liability company with local offices at 3445 Broadway Street, San Antonio, Texas, 78209 and [REDACTED], whose principal address is [REDACTED] ("Safeguarded Party").

Classification of Collateral: Re-insured Re-sale Life Insurance Policy

Collateral:

An irrevocable beneficiary interest in the following re-insured re-sale life insurance policy equal to the amount of the Loan Agreement referenced below:

POLICY NUMBER:	640606495
POLICY DATE:	August 12, 2005
POLICY TYPE:	Universal Life
POLICY NAME:	Lilly Segal
COMPANY:	Sun Life Insurance & Annuity Company
FACE VALUE:	\$1,500,000

Obligation:

Loan Agreement:

Date: 07-17-2008

A. Original loan amount: \$ 56,125.00

B. Total deferred interest amount: \$ 24,385.14

Total net value of safeguarded amount (A + B =) \$ 80,510.14

Total percentage share of policy \$1,500,000 face amount 5.391034 %

Borrower ("Obligor"): Hill Country Funding, L.L.C., a Nevada company

Lender ("Safeguarded Party"): [REDACTED]

Term maturity date: 42 Months - actually written for 43 Months

Terms of Payment: As provided in the Loan Agreement.

General Agreement

Page 1 of 1

TSSR 060218

*
SO, BGS II ACT
DUE TO THE
ASSIGNMENT OF
THE FINAL \$
ON THIS CASE
09-21-08
P. [Signature]

Unofficial copy Travis Co. District Clerk Vella L. Price

Debtor's Representations Concerning Debtor and Locations:

Upon securing the purchase of the above referenced re-insured re-sale life insurance policy, debtor will store said policy at -- Wells Fargo Bank, NA, 1000 Walnut Avenue, New Braunfels, Texas 78130.

Debtor, Hill Country Funding, L.L.C., a Nevada limited liability company, has local offices at 5945 Broadway, San Antonio, Texas 78209.

Debtor, Hill Country Funding, L.L.C., federal tax identification number is 26-1937715.

Debtor's records concerning this Collateral are located at 5945 Broadway, San Antonio, Texas 78209.

Debtor grants to Safeguarded Party an irrevocable beneficial interest in the Collateral equal to the amount of the Loan Agreement to secure the Obligation and all renewals, modifications, and extensions of the Obligation.

A. Debtor represents and warrants the following:

1. Debtor is in the process of facilitating the purchase of the Collateral and will own said Collateral within 180 days from the date of this Supplemental Agreement.

2. All information about Debtor's financial condition is or will be accurate when provided to Safeguarded Party.

3. Each account and check paper in the Collateral is and will be the valid, legally enforceable obligation of the Debtor or Obligor.

4. If any Collateral proceeds include obligations of third parties to Debtor, the transactions creating those obligations conform and will conform in all respects to applicable state and federal consumer credit laws.

5. The Collateral is in tangible, not electronic, form and has only one original counterpart. No person, other than Debtor or Secured Party, will have actual or constructive possession of the Collateral once the purchase of said Collateral is finalized.

B. Debtor agrees to:

1. Defend the Collateral against all claims adverse to Safeguarded Party's interest and keep the Collateral in Debtor's possession and ownership except as otherwise provided in this Agreement.

2. Pay all Safeguarded Party's expenses, including reasonable attorney's fees, incurred to obtain, preserve, perfect, defend, and enforce this Agreement or the Collateral and to collect on the Obligation.

enforce the Obligation if the Debtor is found to be in default. These expenses will bear interest from the date of advance at the rate stated in the Loan Agreement for matured, unpaid amounts and are payable on demand at the place where the Obligation is payable. These expenses and interest are part of the Obligation and are secured by this Supplemental Agreement.

3. Sign and deliver to Safeguarded Party any documents or instruments that Secured Party considers necessary to obtain, maintain, and perfect this security interest in the Collateral.

4. Notify Safeguarded Party immediately of any event of default or of any material change (a) in the Collateral, (b) in Debtor's mailing address, (c) in the location of any Collateral, (d) in any other representation or warranty in this Agreement, and (e) that may affect this security interest, and of any change (f) in Debtor's name, and (g) of any location set forth above to another state.

5. Use the Collateral primarily according to the stated classification.

6. Maintain accurate records of the Collateral at the address set forth above, furnish Safeguarded Party any requested information related to the Collateral, and permit Secured Party to inspect and copy all records relating to the Collateral.

7. Preserve the liability of all obligors of the Collateral and preserve the priority of all security for the Collateral.

8. Inform Safeguarded Party immediately of the rejection of property, a delay in delivery or performance, or a claim made in regard to any collateral.

C. Debtor agrees not to:

1. Sell, transfer, or encumber any of the Collateral, except in the ordinary course of Debtor's business. Safeguarded Party acknowledges and understands that his/her interest in the Collateral is only equal to the amount of the Loan Agreement and that Debtor may grant another party a security interest in the Collateral, provided that the Debtor will not allow the combined secured interest to exceed the face value of the above referenced re-sale life insurance policy.

2. Change Debtor's name or state of residence without notifying Secured Party in advance and taking steps to continue the perfected status of the security interest in the Collateral.

3. Violate any agreement related to the Collateral.

4. Commingle the Collateral or any proceeds with any of Debtor's other funds or property.

D. Default and Remedies

L. A default exists if -
Supplemental Agreement

a. Debtor, Obligor, or any secondary obligor fails to timely pay or perform any obligation or covenant in any written agreement between Safeguarded Party and any of Debtor, Obligor, or secondary obligor;

b. any warranty, covenant, or representation in this Agreement or in any other written agreement between Safeguarded Party and any of Debtor, Obligor, or secondary obligor is materially false when made;

c. a receiver is appointed for Debtor, Obligor, any secondary obligor, or any Collateral;

d. a bankruptcy or insolvency proceeding is commenced by Debtor, a partnership in which Debtor is a general partner, Obligor, or any secondary obligor;

e. a bankruptcy or insolvency proceeding is commenced against Debtor, a partnership in which Debtor is a general partner, Obligor, or any secondary obligor, and the proceeding continues without dismissal for sixty days, the party against whom the proceeding is commenced admits the material allegations of the petition against it, or an order for relief is entered;

f. any of the following parties dissolved, begins to wind up its affairs, is authorized to dissolve or wind up its affairs by its governing body or persons, or any event occurs or condition exists that permits the dissolution or winding up of the affairs of any of the following parties: Debtor; a partnership of which Debtor is a general partner; Obligor; or any secondary obligor; or

g. any Collateral is impaired by loss, theft, damage, levy and execution, issuance of an official writ or order of seizure, or destruction, unless it is promptly replaced with collateral of like kind and quality or restored to its former condition.

2. If a default exists, Safeguarded Party may -

a. demand, collect, convert, redeem, settle, compromise, receipt for, realize on, sue for, and adjust the Collateral either in Safeguarded Party's or Debtor's name, as Safeguarded Party desires, or take control of any proceeds of the Collateral and apply the proceeds against the Obligation;

b. exercise any rights and remedies granted by law or this Agreement;

3. Foreclosure of this Supplemental Agreement interest by suit does not limit Safeguarded Party's remedies, including the right to sell the Collateral under the terms of this Agreement. Safeguarded Party may exercise all remedies at the same or different times, and no remedy is a defense to any other. Safeguarded Party's rights and remedies include all those granted by law and those specified in this Agreement.

Supplemental Agreement

Page 4 of 7

TS38 08021

4. Safeguarded Party's delay in exercising, partial exercise of, or failure to exercise any of its remedies or rights does not waive Safeguarded Party's rights to subsequently exercise these remedies or rights. Safeguarded Party's waiver of any default does not waive any other default by Debtor. Safeguarded Party's waiver of any right in this Agreement or of any default is binding only if it is in writing. Safeguarded Party may remedy any default without waiving it.

5. At any time Safeguarded Party may contact obligors on the Collateral directly to verify information furnished by Debtor.

6. Safeguarded Party has no obligation to collect any of the Collateral and is not liable for failure to collect any of the Collateral, for failure to preserve any rights pertaining to the Collateral, or for any act or omission on the part of Safeguarded Party or Safeguarded Party's officers, agents, or employees, except willful misconduct.

7. Safeguarded Party has no obligation to satisfy the Obligation by attempting to collect the Obligation from any other person liable for it. Safeguarded Party may release, modify, or waive any collateral provided by any other person to secure any of the Obligation. If Secured Party attempts to collect the Obligation from any other person liable for it or releases, modifies, or waives any collateral provided by any other person, that will not affect Safeguarded Party's rights against Debtor. Debtor waives any right Debtor may have to require Safeguarded Party to pursue any third person for any of the Obligation.

8. If Safeguarded Party must comply with any applicable state or federal law requirements in connection with a disposition of the Collateral, such compliance will not be considered to adversely affect the commercial reasonableness of a sale of the Collateral.

9. Safeguarded Party has no obligation to marshal any assets in favor of Debtor or against or in payment of the Loan Agreement, or any other Obligation owed to Safeguarded Party by Debtor or any other person.

F. General

1. Safeguarded Party may at any time in the event of default, take control of proceeds of the re-sale life insurance policy or re-insurance bond on the Collateral and reduce any part of the Obligation accordingly or permit Debtor to use the funds to repair or replace the Collateral.

2. Notice is reasonable if it is mailed, postage prepaid, to Debtor at Debtor's mailing address at least ten days before any public sale or ten days before the time when the Collateral may be otherwise disposed of without further notice to Debtor.

3. This safeguarded interest will neither affect nor be affected by any other security for any of the Obligation. Neither extensions of any of the Obligation nor releases of any of the Collateral will affect the priority or validity of this security interest.

4. This Agreement binds, benefits, and may be enforced by the successors in interest of Safeguarded Party and will bind all persons who become bound as debtors to this Agreement. Assignment of any part of the Obligation and Safeguarded Party's delivery of any part of the Collateral will fully discharge Safeguarded Party from responsibility for that part of the Collateral. If such an assignment is made, Debtor will render performance under this Agreement to the assignee. Debtor waives and will not assert against any assignee any claims, defenses, or setoffs that Debtor could assert against Safeguarded Party except defenses that cannot be waived. All representations, warranties, and obligations are joint and several as to each Debtor.

5. This Agreement may be amended only by an instrument in writing signed by Safeguarded Party and Debtor.

6. The unenforceability of any provision of this Agreement will not affect the enforceability or validity of any other provision.

7. This Agreement will be construed according to Texas law, without regard to choice-of-law rules in any jurisdiction. This Agreement is to be performed in, and has been signed by Debtor in BEXAR County, Texas.

8. Interest on the Obligation secured by this Agreement will not exceed the maximum amount of non-usurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the principal of the Obligation or, if that has been paid, refunded. In any acceleration or required or permitted prepayment, any such excess will be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the Obligation or, if the principal of the Obligation has been paid, refunded. This provision overrides any conflicting provisions in this and all other instruments concerning the Obligation.

9. In no event may this Agreement secure payment of any debt subject to title IV of the Texas Finance Code or create a lien otherwise prohibited by law.

10. When the context requires, singular nouns and pronouns include the plural.

11. Any term defined in sections 1.101 to 1.108 of the Texas Business and Commerce Code and not defined in this Agreement has the meaning given to the term in the Code.

12. This Supplemental Agreement will be construed under the laws of the state of Texas, without regard to choice-of-law rules of any jurisdiction. Lender/safeguarded party agrees that all claims, disputes, controversies, differences or other matters in question arising out of the relationship between Lender and Debtor (and its officers, directors, agents and/or employees), whether related to this Loan Agreement, Supplemental Agreement, or otherwise shall be settled finally, completely and conclusively by binding arbitration in San Antonio, Bexar County, Texas, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, by one or more arbitrator, chosen in accordance with the Rules. The decision of the arbitrator(s) shall be final and binding on all parties. A judgment may be entered thereon in the District Court of Bexar County, Texas. Any

arbitration held in accordance with this paragraph shall be private and confidential. On request of either party, the record of the proceeding shall be sealed and may not be disclosed except insofar as and only insofar, as may be necessary to enforce the award of the arbitrator(s). The prevailing party shall be entitled to recover all reasonable and necessary attorney's fees and costs from the non-prevailing party.

HILL COUNTRY FUNDING, L.L.C.
A Texas Limited Liability Company

By: Richard H. Gray
RICHARD H. GRAY

[REDACTED]

Unofficial copy Travis Co. District Clerk Yelva L. Price

STATE OF TEXAS

§

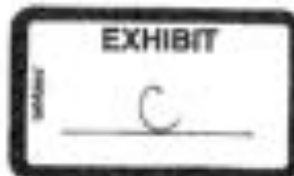
COUNTY OF DALLAS

§

AFFIDAVIT OF EDUARDO S. ESPINOSA

BEFORE ME, the undersigned authority, personally appeared Eduardo S. Espinosa, who after being duly sworn, stated as follows:

1. My name is Eduardo S. Espinosa. 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. The Court appointed me as the receiver for RETIREMENT VALUE, LLC, a Texas limited liability company ("Retirement Value"), and the assets derived there from of Richard H. "Dick" Gray ("Gray") and Bruce Collins ("Collins") pursuant to the First Amended Temporary Restraining Order and Order Appointing Receiver entered on May 5, 2010 (as extended as to all Defendants on May 12, 2010 and as extended as to Collins on June 2, 2010) (the "First Amended TRO") in the cause numbered D-1-GV-10-000454 and styled *State of Texas v. Retirement Value, LLC, Richard H. "Dick" Gray, and Bruce Collins, Defendants, and Kiesling, Porter, Kiesling, & Free, P.C., Referee*, Defendant in the 126th District Court of Travis County, Texas ("Retirement Value Lawsuit").
3. I continue as the court-appointed receiver for Retirement Value and Gray's assets derived there from pursuant to the Agreed Temporary Injunction Order Against Defendants Retirement Value LLC and Richard H. "Dick" Gray and the Relief Defendant and Order Appointing Receiver entered on May 28, 2010 (the "Gray TI and Order Appointing Receiver") in the Retirement Value Lawsuit.
4. Initially, the First Amended TRO and now, the TI directs me to, among other things: take control of the property, assets, books, records, and the physical premises of Retirement Value; conduct and manage the business affairs of Retirement Value; notify investor-victims; and assist the State Securities Board and the Attorney General with their investigations of the Defendants' violations of the Securities Act and other laws of the State of Texas.
5. In the course of my investigation of the business affairs of Retirement Value, I personally interviewed several Retirement Value employees, including without limitation, Gray on May 6, 2010, and Wendy Rogers ("Rogers") on May 7, 2010. Further, my agents interviewed several Retirement Value employees, including without limitation Carie Morales ("Morales") on May 11, 2010. I have also reviewed numerous documents and other records I or my agents found in Retirement Value's offices located at 707 N. Walnut, New Braunfels, Comal County, Texas.



6. According to Retirement Value's governing documents, which were in-part found in Retirement Value's offices and in-part supplemented and corroborated by Gray's production of documents pursuant to his interview, Rogers has been a member, manager and officer of Retirement Value since its formation.
7. According to Retirement Value's corporate records, Rogers is a member of Retirement Value, owning 20% of the membership interests therein.
8. Retirement Value's Minutes of Organizational Meeting dated as of March 1, 2009, Rogers was appointed as "Manager2", there being only two managers, and as Director of Special Services; Retirement Value's records further reflect her acceptance of those roles as of that date.
9. According to Rogers' business cards, which were found in the Retirement Value Office, she is currently the Chief Executive Officer of Retirement Value. A true and correct copy of her business card is attached hereto as Exhibit C-1.
10. During my interviews with employees of Retirement Value, it became apparent that throughout Retirement Value's operating history, its employees looked to Rogers as the person running the company when Gray is not available.
11. According to my review of Retirement Value's records, Rogers executed, on Retirement Value's behalf, many of the informational and substantive documents that were delivered to the investor-victims at or about the time of their investment.
12. Among the documents executed and delivered by Rogers, was Retirement Value's "Welcome Packet" which welcomed new investors and provided them with additional information regarding the policies that they had purportedly acquired.
13. Based on my review of Retirement Value's records, the Welcome Packet was consistently delivered after the investor's 10-day "free look" had expired.
14. Based on my review of Retirement Value's records, and having examined the compilation station where the "Welcome Packets" were put together, about 80% of the Welcome Packets, excluded the 3rd page of Midwest Medical's Life Expectancy certificates.
15. Based on my review of the documents at Retirement Value's offices, the 3rd page of Midwest Medical's Life Expectancy Certificates included significant statistical information regarding the interpretation of the reported "median" life expectancy, Midwest Medical's confidence in the reported life expectancy, and a 85% life expectancy.

16. Many of the Midwest Medical's Life Expectancy Certificates' 3rd page, reflect an 85% life expectancy that was greater than "LE+24," directly contradicting Retirement Value's assurances that the insured was 98.5% likely to pass within "LE+24."
17. According to Retirement Value's business records, Retirement Value has paid out approximately \$930,000.00 directly to or for the benefit of Roger Gray, the forms of consulting fees, commissions, salary, dividends and prepaid taxes paid to the Internal Revenue Service. Included in this amount is \$12,300.00 in commissions that Wendy Rogers received from her sale of Retirement Value's Re-Sale Life Insurance Policy Program.
18. In the course of my investigation of the business affairs of Retirement Value, I found business records relating to an entity called "Hill Country Funding, LLC" located in Retirement Value's offices.
19. The Texas Secretary of State's public records reflect that: (i) on February 7, 2008, Gray formed Hill Country Funding, LLC, a Texas limited liability company ("HCF-TX"); and (ii) Gray and Catherine Gray are HCF-TX's managing-members.
20. The Nevada Secretary of State's public records reflect that: (i) on February 21, 2008, Gray formed, or caused to be formed, Hill Country Funding, LLC, a Nevada limited liability company ("HCF-NV"); (ii) Gray and Catherine Gray are HCF-NV's managing-members; and (iii) HCF-NV filed Articles of Dissolution on February 23, 2009. A true and correct copy of HCF-NV's articles of Dissolution is attached hereto as **Exhibit C-2**.
21. Texas Secretary of State's public records and the Nevada Secretary of State's public records reflect that HCF-NV was not reincorporated in Texas, merged into or otherwise consolidated with HCF-TX. Nor is there any evidence in the records that I have reviewed of any assignment or any other formal transfer of assets from HCF-NV to HCF-TX or vice versa.
22. Among records discovered at Retirement Value's offices is a QuickBooks file, which was authenticated to me by Frank Frye, Retirement Value's outside accountant, as the current financial records of "Hill Country Funding." This QuickBooks file does not reflect the company's state of formation, but reflect a Federal employer identification number which matches HCF-NV's federal employer identification number, as reflected in HCF-NV's agreements. This file also includes bank accounts that were established by HCF-TX after HCF-NV filed for dissolution. Thus, it appears that the accounting for the two entities was combined with no distinction made between the assets or liabilities of HCF-TX and those of HCF-NV. For ease of reference, I will refer to the QuickBooks file identified by Mr. Frye as belong to "Hill Country Funding" as the "Hill Country Funding accounting records."

23. Upon review of the Hill Country Funding accounting records, I was able to ascertain that neither HCF-TX nor HCF-NV had employees or payroll expenses and each relied on Retirement Value to provide the human resources necessary to conduct its operations. I also observed a dozen instances between May 2009 and September 2009, where, in the aggregate, \$17,217.00 of Retirement Value's funds was used to make payment for or on behalf of either HCF-TX or HCF-NV.
24. Upon reviewing records located in the offices of Retirement Value, I was able to confirm that HCF-NV purchased seven life insurance policies, which appear to have been purchased through its use of funds acquired from investors in HCF-NV. These policies, and their respective premiums, life expectancies, deferral periods and other pertinent data are tabulated at Exhibit C-3, which is attached hereto and incorporated by reference as if fully restated herein. Two of the policies purchased by HCF-NV (the Lincoln National policy and the Indianapolis Life policy) appear to have been sold to an individual residing in San Antonio, Texas. The Hill Country Funding accounting records reflect no interest payments to that individual or premium payments to a carrier on her behalf.
25. HCF-NV obtained loans from numerous investors each of which was ostensibly secured by an interest in the proceeds of one or more of the following policies shown on Exhibit C-3: John Hancock Policy No. 59885442, John Hancock Policy No. 59708305, Sun Life Policy No. 04000495, Sun Life Policy No. 04000652 and AXA Policy No. 15001068 (the "Collateralized Policies"). The records located at Retirement Value's offices reflect that investments in the Collateralized Policies are governed by a "Loan Agreement" and a "Supplemental Agreement."
26. The form of "Loan Agreement" that I reviewed provides that an investor may declare the unpaid principal balance, earned interest and any other amounts owed on the agreement immediately due if HCF-NV defaults in the performance of any obligation under the Loan Agreement or the Supplemental Agreement. The form of "Supplemental Agreement" that I reviewed provides that a default exists, inter alia, if HCF-NV is dissolved.
27. I was able to ascertain, from records discovered at Retirement Value's offices, that HCF-TX has assumed custody and control of all of HCF-NV's funds, leaving HCF-NV with no funds. Other than the liquidation value of the Collateralized Policies, any claims to recover funds from HCF-TX, HCF-NV has no funds with which to satisfy the HCF-NV investors' demands should they exercise their right to accelerate payment based upon HCF-NV's default or even to pay premiums on the Collateralized Policies as they come due.
28. Based on my review of the Hill Country Funding accounting records and interviews with Gray, it appears that HCF-TX has taken over HCF-NV's duties obligation to maintain the Collateralized Policies and to make monthly interest payments to the HCF-NV investors.

29. HCF-TX does not have sufficient funds to meet the obligations of HCF-NV with respect to the Loan Agreements and the Collateralized Policies. On May 6, 2010, Gray told my attorney that "Hill Country Funding" (he did not specify which entity) is obligated to make monthly interest payments to its investors. Gray's counsel subsequently provided a list of the monthly interest payments due to the investors. I have attached this communication as **Exhibit C-4** (Identifying information as to individual investors has been redacted for privacy reasons). According to Exhibit C-4, the total monthly interest payment due to investors is \$4,780.00. Further, I was able to confirm from the Hill Country Funding accounting records that HCF-TX was making monthly interest payments to investors totaling \$4,780.00 per month.
30. From reviewing Hill Country Funding's accounting records and HCF-NV's compilations of the Collateralized Policies, I ascertained that the funds necessary to pay the premiums and maintain the Collateralized Policies in force is approximately \$26,793.76 per month.
31. Upon reviewing bank records of accounts owned by HCF-TX, I was also able to confirm that as of May 5, 2010, HCF-TX maintained cash funds of \$374,819.66. As of June 21, 2010, quarterly premiums on two policies have been remitted reducing the funds on hand to \$338,239.66.
32. I, therefore, conclude that HCF-TX will be unable to meet HCF-NV's obligations to make the monthly interest payments to the HCF-NV investors and to pay premiums as they become due on the Collateralized Policies. If HCF-TX makes the monthly interest payment and the insurance premium payments, its burn rate will be \$31,573.76 per month and it will deplete its cash funds in about 10 months (i.e. May 2011). If, however, HCF-TX does not make the monthly interest payments, but instead allocates its cash funds exclusively towards meeting the insurance premium payments, its burn rate is \$26,793.76 per month and its cash funds will last for approximately 12 months (i.e. July 2011).
33. The records located at Retirement Value's offices reflect that HCF-NV procured bonds to pay the face amount of the Collateralized Policies in exchange for ownership of the underlying policy, should the underlying insured survive the forecasted life expectancy by more than 12 months. Under the terms of these bonds, HCF-NV must continue to pay premiums on the policy secured by the bond until the policy matures (i.e., the insured dies) or until the end of the bond's deferral period which is 12 months after end of the insured's life expectancy as calculated by Midwest Medical. The earliest any funds from these bonds would become available is January 2012 – 6 months after HCF-TX's money runs out.
34. The bond issuer for two of the bonds purportedly securing the Collateralized Policies' "maturity date(s)" is Provident Capital Indemnity, Ltd. located in Costa Rica ("Provident") against which the Texas Insurance Commissioner and the

Texas Securities Commissioner issued Emergency Cease and Desist Orders on November 8, 2006 and January 17, 2008, respectively.

35. The bond issuers for the other bonds purportedly securing the Collateralized Policies' "maturity date(s)" are: (1) Condor Guaranty, Inc. located in Freeport, Grand Bahama, Bahamas; (2) Internazionale SpA located in Genoa, Italy; and (3) Union Credit Finanziaria SpA located in Torino, Italy.
36. As yet, I have made no independent inquiry as to creditworthiness of any of the bond issuers or the reliability of their coverage.
37. Upon review of the Hill Country Funding accounting records, bank and other records, I can ascertain that it did not maintain sufficient capital, funds or other assets to pay for any litigation involving contestable matters relating to the life insurance policies, the bonds or payments of claims thereon.
38. HCF-NV (or HCF-TX on its behalf) will have to fund premium payments well beyond July 2011, if the underlying insured survive their stated life expectancy by more than 12 months and the bond issuer defaults, is excused from, fails or otherwise refuses to perform under the corresponding bond.
39. The life expectancy upon which the insured's demise is forecasted is based on life expectancy certificates provided to Midwest Medical. Based on the actual-to-expected report prepared by Hess MorhanHouse, LLC ("HMH") dated February 22, 2010, and our interviews with Gray and his son, Jeremy Gray, Midwest Medical's life expectancies are completely unreliable. The Grays informed us that life expectancies generated by the country's leading LE providers tend to exceed Midwest Medical's life expectancies by 180%. The HMH report states that HMH found that "there seems to be clear evidence that [Midwest Medical's] Life Expectancy Estimates have not been accurate and that there is a strong tendency for [Midwest Medical's] Median Life Expectancy Estimates to be too short." HMH calculated Midwest Medical's actual to expected performance ratio at a mere 42% for the years 2004-2009.
40. According to records found in Retirement Value's Office, on March 1, 2010, Gray, Gray's wife Rogers and Morales, formed ABSOLUTE BETAH, LLC, a Delaware member-managed limited liability company ("Absolute Betah").
41. Each of Gray and Rogers informed me that Absolute Betah's purpose was to securitize, offer and sell interests in life insurance death benefits much like Retirement Value but conducting the offer and sale pursuant to an exemption from registration under the federal and state securities laws.
42. Gray informed me and Retirement Value's accounting records confirm that Absolute Betah's legal and consulting expenses associated with its formation and

exploration of securitizing life insurance policies' death benefits were paid for Retirement Value.

43. According to what appears to be Absolute Betah's final, but unexecuted, Company Agreement, Rogers is a member of Absolute Betah, owning and controlling 33% of its' membership interests.
44. On March 29, 2010, the Texas Securities Commissioner entered Emergency Cease and Desist Order ENF-10-CDO-1686 styled in the Matter of Retirement Value et al. ("TSSB Emergency C&D"). The TSSB Emergency C&D states that Retirement Value, Gray and Collins are ordered to cease and desist from: (a) offering for sale any security until it is registered with the Securities Commissioner or otherwise offered pursuant to an exemption from registration under the Texas Securities Act; (b) acting as securities dealers or agents until registered with the Texas Securities Commissioner or acting pursuant to an exemption under the Texas Securities Act; (c) engaging in fraud in connection with the offer for sale of any security in Texas; and (d) from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public. Copies of the TSSB Emergency C&D were found throughout the Retirement Value Offices.
45. Each of Gray and Rogers told me on May 6, 2010 and May 7, 2010, respectively, that following the TSSB Emergency C&D, Retirement Value's "policy aggregator," Ron James, referred to Gray as "toxic" and refused to do business with Gray or with any company with which Gray is involved. James' statements caused Gray and Rogers to abandon Absolute Betah as a viable vehicle under which they would offer for sale and sell "securitized" life insurance policies' death benefits.
46. Each of Rogers and Morales stated that Rogers and Morales became best friends fifteen years ago when they were college roommates at Texas A & M University. Rogers and Morales also each stated that Morales lived in Tomball Texas, and commuted to New Braunfels for a couple of days per week.
47. Each of Gray, Rogers and Morales stated that Gray and Rogers directed Morales to form another company, SPECIAL ACQUISITIONS, INC., a Texas corporation ("Special Acquisitions"), on March 30, 2010.
48. On March 30, 2010, the day following the issuance of the TSSB Emergency C&D against Retirement Value, Gray and Collins; Morales acting as the sole incorporator formed Special Acquisitions. Records located at Retirement Value's Offices and available from the Texas Secretary of State's office, confirm that Morales acted with the assistance of Retirement Value's local counsel, and is the only individual that appears affiliated with Special Acquisition who is named in the public record

49. Morales stated that she was Special Acquisition's sole shareholder because "it just made sense that Gray and Rogers not appear in the public records because of the TSSB Emergency C&D."
50. On May 7, 2010, Rogers stated that Special Acquisitions was set up to replace Absolute Betah "to continue planning a securitized product" to sell interests in the death benefits of life insurance policies.
51. Each of Gray, Rogers and Morales stated that approximately \$1.1 million dollars of Retirement Value funds had been transferred to Special Acquisitions on or about March 30, 2010.
52. Upon reviewing Retirement Value's Accounting records, I learned that Retirement Value's books reflected \$342,000 having been deposited with Chase Bank N.A., but reflected no account identifying information. At the time, Chase Bank held no account in the name of Retirement Value.
53. Upon reviewing bank records of Retirement Value and HCF-TX, I was able to confirm that between February 23, 2010 and April 13, 2010, Retirement Value transferred a net amount of \$1,150,109.71 to HCF-TX (Retirement Value transferred \$2,075,000.00 to, and received \$824,890.29 back from, HCF-TX).
54. Upon reviewing bank records from Chase Bank, N.A., I learned that: (a) Special Acquisitions opened a bank account at Chase Bank on March 31, 2010 with \$1,492,000; (b) that the Chase Bank account was funded with \$1,075,000 from HCF-TX, \$75,000 from an as-yet unidentified source and \$342,000 from Retirement Value; and (c) Rogers and Morales are the only two signatories on the Special Acquisitions bank account that contained the almost \$1.5 million of Retirement Value funds.
55. Upon further review of Chase Bank's records and Retirement Value's accounting records, I learned that Special Acquisition returned \$200,000 to Retirement Value during the month of April 2010.
56. Each of Gray, Rogers and Morales stated that the almost \$1.5 million was transferred from Retirement Value to (a) fund a "war chest" so that money could be set aside for attorneys to fight the regulatory action brought by the Texas State Securities Board; (b) continue funding development of a "securitized" product; and (c) repay Gray's clients who had invested through Gray in bonded life settlements from Secured Investment Services, a prior vehicle utilized to sell interest in the death benefits of life insurance policies that was sued by the United States Securities and Exchange Commission for, *inter alia*, operating a Ponzi scheme.
57. Further, based on my review of Retirement Value's bank and other records, I can conclude that Retirement Value did not maintain sufficient capital, funds or other

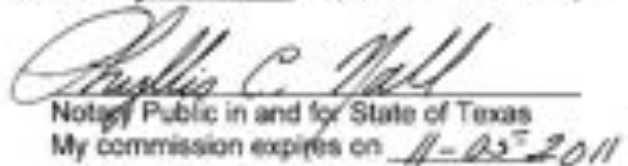
assets to pay for any contingencies, including short falls in reserves to pay premiums, the failure of an investor to meet a premium call or litigation involving contestable matters relating to the life insurance policies or payments of claims thereon. Rather, Retirement Value's principals, including Gray and Rogers, distributed the majority of Retirement Value's cash to themselves or for their benefit in the form of consulting fees, commissions, salary, dividends, transfers to affiliated entities and prepayment of personal income taxes to the Internal Revenue Service.

58. On May 8, 2010, I found a printed copy of an email on the desk of Katie Hensley, an employee of Retirement Value, at the Retirement Value Office. The email, dated Thursday, April 22, 2010, was from Gray to Rogers and other management at Retirement Value (the "April 22nd Email"). The April 22nd Email discusses Gray's strategy for forming a new company other than Retirement Value to sell a "NON-security". The April 22nd Email further discusses the fact that no mutually-agreed-upon leadership has emerged within the "working group"; there is a collective lack of knowledge about the industry within that group; and that it will therefore not be easy to "jettison" Gray, Rogers, and Collins for which the group was searching a suitable "composite replacement". A true and correct copy of the April 22nd Email is attached hereto as Exhibit C-5 and made a part hereof by reference.

Further, affiant sayeth naught.

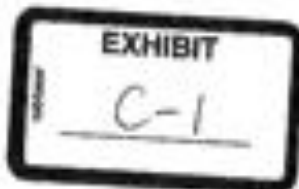
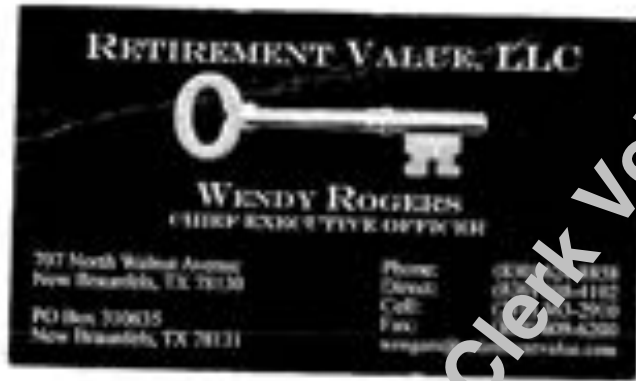

AFFIANT EDUARDO S. ESPINOSA

Sworn to and subscribed before me on the 13th day of June, 2010, by
Eduardo S. Espinosa.


Notary Public in and for State of Texas
My commission expires on 11-05-2011



Unofficial copy Travis Co. District Clerk Velva L. Price





ROSS MILLER
 Secretary of State
 204 North Carson Street, Ste 1
 Carson City, Nevada 89701-4299
 (775) 684 5708
 Website: www.nvssos.gov

**Dissolution of
 Limited-Liability Company**
 (PURSUANT TO NRS 86.531)

Filed in the office of	Document Number
	20090119798-02
Ross Miller Secretary of State State of Nevada	Filing Date and Time 01/23/2009 7:25 AM File Number L0108842008-1

USE BLACK INK ONLY - DO NOT HIGHLIGHT

FOR OFFICE USE ONLY

**Articles of Dissolution
 For a Nevada Limited-Liability Company**
 (Pursuant to NRS 86.531)

1. Name of the limited-liability company: HILL COUNTRY FUNDING, LLC

2. The undersigned declare the following:

- (a) All debts, obligations and liabilities have been paid and discharged or that adequate provision has been made therefore.
- (b) All remaining property and assets have been distributed among its members in accordance with their respective rights and interests.
- (c) There are no suits pending against the company in any court or that adequate provision has been made for the satisfaction of any judgment, order or decree which may be entered against it in any pending suit.

3. Signatures (must be signed by a manager, or if there is no manager by a member):

X
 Signature (manager or member)

FILING FEE: \$75.00

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State NRS 86.531 D.L.C. Decoder
 Revised: 7-1-08

EXHIBIT
C-2

Unofficial Copy Travis Co. District Clerk Vernal Price

Hill Country Funding Analysis of Premium Reserves

Agents Expenses, Revenues
Hill Country Value LLC

Carrier	Policy #	Face Value	Policy Date	LE Certificate	Period	Premium	Erng	Monthly Level
Lincoln National	4071	4,000,000.00	8/14/2009	10290208	6/29/2014	137,000.00	A	11,416.67
John Hancock	4072	1,500,000.00	8/21/2005	71827008	1/6/2012	34,000.14	SA	5,181.02
John Hancock	4073	750,000.00	8/21/2005	71827008	4/9/2012	16,300.00	G	5,460.00
Sun Life	4074	1,500,000.00	8/12/2005	71827008	1/16/2012	36,000.44	SA	6,152.74
Sun Life	4075	500,000.00	8/12/2005	71827008	4/16/2012	8,200.00	SA	2,733.33
AAA	4076	750,000.00	8/21/2005	71827008	1/27/2013	80,000.00	A	6,666.67
Ballantyne Life	4077	1,500,000.00	5/29/2004	9150001	3/30/2013	23,200.00	A	1,966.67
		1,500,000.00						40,183.18

	Monthly	Monthly with Premiums	City with Premiums
Interest Expense	4,792.00		
City Premiums			
US policies	26,293.25	26,293.25	80,381.29
Leaf	31,873.76	28,793.76	80,381.29
On deposit	328,238.66	328,238.66	308,279.06
Summary	18.71	12.62	4.31
Totals	623,020.10	623,020.10	1,277,021.93
End of Runway	5/14/2011	5/14/2011	7/6/2011

5/14/2011
HCF administered

EXHIBIT
C-3

Unofficial copy Travis Co District Clerk Velva L. Price

Espinosa, Eduardo S.

From: Napoli, Michael D.
Sent: Tuesday, June 01, 2010 10:01 AM
To: Espinosa, Eduardo S.
Subject: FW: Hill Country Funding, LLC interest payments still due for April and May 2010

From: Lee, Kevin [mailto:KLee@thompsoncoe.com]
Sent: Thursday, May 27, 2010 3:34 PM
To: Napoli, Michael D.; Kara Kennedy
Cc: Thompson, Jay
Subject: Hill Country Funding, LLC interest payments still due for April and May 2010

Michael,

Dick Gray has provided me the following information regarding the Hill Country Funding interest payments for April and May.

[Redacted]
San Antonio, TX 78209
\$163.89 to replace the April check returned for NSF and another \$163.89 for May

[Redacted]
Canyon Lake, TX 78133
\$187.50 for May

[Redacted]
San Antonio, TX 78263
\$187.50 TWICE for May for each of the participations

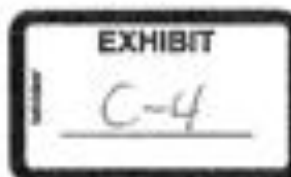
[Redacted]
Austin, TX 78727
\$163.89 for May

[Redacted]
San Antonio, TX 78230
\$163.89 for May

[Redacted]
San Antonio, TX 78154
\$69.24 for May

[Redacted]
San Antonio, TX 78230

6/23/2010



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\$750.00 for May

[Redacted]
San Antonio, TX 78201
\$920.86 for May

[Redacted]
San Antonio, TX 78201
\$611.25 for May

[Redacted]
San Antonio, TX 78258
\$460.94 for May

[Redacted]
San Antonio, TX 78209
\$61.46 for May

[Redacted]
Universal City, TX 78148
\$460.94 for May

Please contact me any questions.

**THOMPSON
COE**

Kevin F. Lee
Thompson Coe Cousin & Irons, LLP
701 Brazos St. | 15th Floor | Austin, TX 78701
Ph: 512.703.5040 | Fax: 512.708.8777
klee@thompsoncoe.com
bio | vcard | web

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Katie Hensley

From: Dick Gray
Sent: Thursday, April 22, 2010 6:52 AM
To: Wendy Rogers; Bruce Collins; Katie Hensley; Jeremy Gray; Carle Morales; Scott Sanford; Dana Cass
Subject: Now what?

I will not participate directly or indirectly in the next planning meeting which I believe is set for about 9:30 a.m. today (Thursday). But I did middle via this e-mail.

After a few weeks of getting ready to start to begin to convene to go I sense these four things are true: (1) no natural, mutually-agreed-upon leadership has emerged within the "working group"; (2) there is a collective lack of knowledge about the industry and what to do next; (3) it will not be as easy as initially thought to get Marisa, Wendy, Bruce and Dick; (4) Dan Sheedy has not yet emerged as a totally "comfortable" WBO composite replacement for you.

Action must be taken immediately to get Marisa up and running as a registered life settlement provider in Texas. Exploratory action both separate from and in concert with Dan Sheedy needs to be taken immediately to understand fully all aspects of and all real costs for Wells Fargo Bank to provide ALL functions of a depository AND all functions of being an escrow agent. Wherever their "main" function is headquartered (Minneapolis) someone should ALREADY have been there in-person to start the relationship. RV, LLC can front the travel funds.

Identify through Dan Sheedy the law firm he prefers to work on these "deals" - or select another, such as the one that did the Fox Financial "deals" - and go meet with them YESTERDAY. Ditto on travel funds. Brian Casey

We all know collectively a hell of a lot more about the industry than most others. With what we already were working on for AB, LLC - and knowing what market we are now getting from the field re Trinity - CAN we construct a NON-security on the combined basis of:

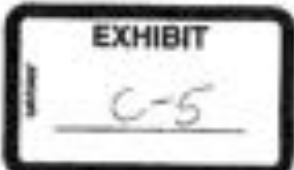
- 1. The NEW LE company Ron James offers to use - or will they be too "long"? IS C ^{For B} not midway? ^{Closest to WBO}
- 2. Ideal # of cases in the portfolio. 1 LE + 48 or LE + 36 ^{Warranted}
- 3. Proper POOLED reserves of premium funds (various years based on a variety of LE reports)
- 4. Premium-call liability with equity partners NOT the clients.
- 5. Net final premiums retained and not refunded to clients.
- 6. What net payouts to clients, producers, and equity partners (LE + ?)
- 7. Creating our OWN "secondary" market for future client buy-out (they ALREADY will be free of premium call risk).
- 8. New company means new commission structure AND COMPLETE RETIRING OF ALL RV, LLC CURRENT LICENSEES.
- 9. Ron James offers to table now through Jeremy already make Dan Sheedy's financing options your Plan B GGG A.
- 10. Scott Baker's paper structure for PAPERWORK is entirely secondary to the FINANCIAL structure.
- 11. Without a proper FINANCIAL STRUCTURE the paperwork does not matter at all.

With all we know we can create a hi-bred model that is our own NAIC model (National Association of Insurance Commissioners) and take it to TD and TSSB for review. Lord knows they know who we are and we will have entry through attorneys Bebel, Thompson and Betts!!!!

Go for it and do it. Now.

Dick Gray

	LE@95%	LE+48	LE+36
(List) 16.5		16.5	16.5
(LIC) 14/15			



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