

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

STATE OF TEXAS,

Plaintiff,

v.

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

Defendants,

AND

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

Relief Defendant.

IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

126th JUDICIAL DISTRICT

**RECEIVER'S MOTION FOR APPROVAL OF
RETENTION AND PAYMENT OF PROFESSIONALS**

Eduardo S. Espinosa, court-appointed temporary receiver for Retirement Value, LLC, moves this Court for approval of his retention of and planned payment to various professionals.

THE RECEIVER

At the request of the Deputy Securities Commissioner of Texas, John Morgan, Plaintiff State of Texas (the "State") filed an Original Verified Petition and Application for Ex Parte Temporary Restraining Order, Temporary and Permanent Injunctions, Restitution, Disgorgement, and Appointment of Receiver (the "Petition"). In its Petition, the State alleged that the Defendants engaged in the sale of unregistered securities, fraud in the sale of securities and violations of the Texas Deceptive Trade Practices Act. For relief, the State asked the Court to issue a Temporary Restraining Order and, thereafter, Temporary and Permanent Injunctions

against Defendants Retirement Value, LLC, Richard H. “Dick” Gray, and Bruce Collins (“Collins”). In addition, the State requested that the Court appoint Eduardo S. Espinosa as receiver for Retirement Value, LLC.

The Court issued the Agreed Temporary Injunction Order against Defendants Retirement Value and Richard H. “Dick” Gray and the Relief Defendant and Order Appointing Receiver (the “Agreed TI”) on May 28, 2010. In the Agreed TI, the Court confirmed the appointment of Mr. Espinosa as receiver for Defendant Retirement Value. As receiver, Mr. Espinosa is charged with, among other things, collecting and preserving the assets of Retirement Value for the ultimate purpose of effecting fair restitution, if necessary and or possible, to the victims of the alleged fraud committed by Retirement Value.

Pursuant to the Agreed TI, the Receiver is to submit to the Court and the parties of record a request for payment of expenses related to professionals. If no objection is filed with the Court within 10 days of filing, then the Receiver can pay the expenses without further order of the Court. Agreed TI at 15.

RETENTION OF PROFESSIONALS

In addition to his counsel at K&L Gates, the Receiver has retained the following professionals to assist in the management of the estate:

- The Asset Servicing Group to act as portfolio managers for Retirement Value’s portfolio of insurance policies and to provide advice to the Receiver as to the value and viability of the policies.
- Lewis & Ellis, Inc. to act as actuarial consultants to provide actuarial analyses of the policies owned by Retirement Value
- BKD, LLP to act as accountants to maintain and analyze the books and records of Retirement Value and of the Receiver.

The assistance of these professionals is necessary to the effective management of the receivership estate and to maximize the recovery available for the investor victims.

I. Asset Servicing Group

The Receiver has retained the Asset Servicing Group (“ASG”) to act as portfolio manager for the 41 policies of life insurance owned by Retirement Value.¹ The services that ASG will provide include Policy Administration (payment of premiums, correspondence with insurers), Death Tracking, Claims Processing, Verification of Policies, Premium Optimization and Policy Valuation. These services are essential to the proper maintenance and management of the portfolio.

ASG is superbly qualified to act as portfolio manager. It is actively involved in the management of portfolios of life insurance policies and currently has approximately 6,000 policies under management. ASG has acted in this capacity for court-appointed receivers on numerous occasions. ASG is a member of the two principal trade associations for the life settlement industry, the Life Insurance Settlement Association and the Institutional Life Markets Association.

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

The Receiver and his counsel researched various potential portfolio managers and conducted due diligence into the background, reputation and competency of ASG. Based on this

¹ In addition to the 41 policies that it owns, Retirement Value has an interest in additional policies which are currently in the process of being transferred from the seller, James Settlement Services, LLC, to Retirement Value.

research and due diligence, the Receiver is satisfied that ASG is best candidate available to provide these services.

The Receiver has entered into an agreement with ASG covering its services, pursuant to which ASG may charge a one-time, flat, initial set-up fee of \$10,500.00. ASG has billed the receiver for that amount, a copy of the invoice is attached as Exhibit A. The fees charged by ASG are a result of negotiation and represent a discount off of ASG's standard rates.

II. Lewis & Ellis, Inc.

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

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

The Receiver has entered into an agreement with Lewis & Ellis covering its services, pursuant to which Lewis and Ellis may request a retainer of \$6,000.00. A copy of Lewis & Ellis' Invoice number "Retainer" in that amount is attached as Exhibit B. Lewis & Ellis has agreed to provide an actuarial analysis of policy at a fixed rate of \$300 per policy. Additional services will be provided at Lewis & Ellis' standard hourly rates as set forth in its engagement agreement with

the Receiver. Lewis & Ellis has requested and the Receiver has agreed to pay a refundable retainer of \$6,000 against which Lewis & Ellis will bill. The fees charged by Lewis & Ellis are the result of negotiation resulting in a discount off of Lewis & Ellis' initial bid.

III. BKD, LLP

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

The Receiver has entered into an agreement with BKD covering its services. BKD will charge \$95 per hour for bookkeeping services and \$225 per hour for tax preparation and advisory services. The Receiver has paid a \$5,000 refundable retainer to BKD, which will be applied to its last bill. Attached as Exhibit C is a copy of BKD's initial invoice # 872449 in the amount of \$9,811.25.

ARGUMENT

The Receiver has broad authority to hire consultants and experts to assist him in the fulfillment of his duties. Pursuant to the Agreed TI, the Receiver is authorized to "hire employees, contractors, consultants ... or other assistants under terms to be determined by the Receiver, whose services, in the sole discretion of the Receiver, are necessary for the efficient and accurate administration of the receivership estate." Agreed TI at 14, ¶ 8. The services provided by ASG, Lewis & Ellis and BKD are required for the administration of the estate and

can be performed by these providers more efficiently and at lower cost than the Receiver or his counsel can perform them. The fees charged by each vendor are reasonable and necessary.

ACCORDINGLY the Receiver respectfully requests that this Court approve the proposed payments requested herein.

Respectfully submitted,



Michael D. Napoli
State Bar No. 14803400

K&L Gates LLP
1717 Main Street, Suite 2800
Dallas, Texas 75201
Telephone: (214) 939-5500
Facsimile: (214) 939-5849
michael.napoli@klgates.com

ATTORNEYS FOR THE COURT-APPOINTED
RECEIVER OF RETIREMENT VALUE, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above pleading has been served on the following, via certified mail, return receipt requested, and e-mail, on this 31st day of August 2010:

Kara Kennedy
Jennifer Jackson
Financial Litigation Division
300 W. 15th Street, Sixth Floor
PO Box 12548
Austin, TX 78711-2548

Barry Bishop
Clark, Thomas & Winters, P.C.
P. O. Box 1148,
Austin, Texas 78767

Spencer C. Barasch
Matthew G. Nielsen
Ted Gilman
Andrews Kurth, LLP
1717 Main Street, Suite 3700
Dallas, TX 75201

John K. Schwartz
James E. Davis
Jon L. Gillum
Locke Lord Bissell & Liddell, LLP
100 Congress Ave., Suite 300
Austin, Texas 78701



Michael D. Napoli

Exhibit A



521 W. Wilshire Blvd., Suite 200
Oklahoma City, OK 73116
p. 405.753.9100
f. 405.753.9397
www.theaag.net

July 19, 2010

Eduardo S. Espinosa, Receiver
Retirement Value, LLC
c/o K&L Gates, LLP
1717 Main Street, Suite 2800
Dallas, TX 75201
eddy.espinosa@klgates.com

INVOICE

Retirement Value Portfolio

Reference: July 08, 2010 Contract Engagement

Initial Set up Fee (Section 3.2 (a)) \$10,500.00

Monthly Servicing Fee for August 2010 \$ -
(Section 3.2 (b)) - (policies x)

Reimbursement of Out-Pocket Expenses - UFS \$ -

Reimbursement of Out-Pocket Expenses - Other \$ -

Projected Monthly Premiums \$ -

Current Shortfall/Overage to date (see reconciliation) \$ -

TOTAL DUE \$10,500.00

Relax. We've Got It.™

policy management services & premium administration

Exhibit B

Lewis & Ellis, Inc.

2929 N Central Expwy Ste 200
Richardson, TX 75080
Tel: 972-850-0850 Fax: 972-850-0851
mmcdonald@lewisellis.com
www.lewisellis.com

Invoice Date	Invoice Num
08/05/10	Retainer

Mr. Attn: Eddy Espinosa
K & L Gates, LLP
1717 Main St.
Suite 2800
Dallas TX 75201

Retainer Invoice

Project Name: K & L Gates, LLP
Project ID: 3031:
Project Manager: Jacqueline Lee
Contract Type: Hourly

Retainer Amount Due: **\$6,000.00**

Initial Payment for Retirement Value- Individual Policy Actuarial Valuations at \$300 each.

Exhibit C



14241 Dallas Parkway, Suite 1100
Dallas, TX 75254-2961
972.702.8262 972.702.0673 (Fax)

BKD Tax ID#: 44-0160260

AMOUNT ENCLOSED

I N V O I C E

RETIREMENT VALUE LLC, RECEIVER
PO BOX 131050
DALLAS TX 75313

Date: 7/23/10
Page: 1
065995-872449

Please return top portion with payment

Date: 7/23/10

Client# 065995 Invoice# 872449

BALANCE FORWARD \$ 5,000.00

Billing in connection with Accounting Services through July 15, 2010. Includes review of client provided documentation, in-house meeting with E Espinosa to discuss scope of work, review and manipulation of Quickbooks data and email/telephone communications with client

90.25 hours @ \$95

8,573.75

Billing in connection with services provided by D McCully including meetings with E Espinosa, tax research per client request and various communications.

5.5 hours @ \$225
Less: Retainer

1,237.50
5,000.00CR

INVOICE TOTAL

\$ 4,811.25

BALANCE DUE

\$ 9,811.25

Invoices are due upon receipt and assessed finance charges after 32 days past due date unless detailed in engagement letter.

Thank you for your business!

BKD, LLP • 14241 Dallas Parkway, Suite 1100 • Dallas, TX 75254-2961
Phone 972.702.8262 • Fax 972.702.0673