SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

THE PEOPLE OF THE STATE OF NEW YORK by ELIOT SPITZER, Attorney General of the State of New York, Plaintiff,	:	
-against-	:	Index No.
COVENTRY FIRST LLC, MONTGOMERY CAPITAL, INC., THE COVENTRY GROUP, INC., and REID S. BUERGER, Defendants.	:	

EXHIBITS TO COMPLAINT

EXHIBIT 1

Unknown

From: [redacted]
Sent: Tuesday, October 19, 2004 9:02 AM
To: Reid Buerger; [redacted]
Cc: [redacted]
Subject: RE: Meeting Summary - 10/11 - 10/15

Yes, I informed him that [redacted] did not shop cases to CF and that we are the mkt leader (50%+ mkt share). The other cases were declined for various reasons (too much cash, not enough change in health).

He could be BIG.

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

> -----Original Message-----
> **From:** Reid Buerger
> **Sent:** Monday, October 18, 2004 10:03 PM
> **To:** [redacted]
> **Cc:** [redacted] Reid Buerger; [redacted]
> **Subject:** RE: Meeting Summary - 10/11 - 10/15
>
> [redacted]- i assume you made the point that [redacted] does not have a deal with us. What happened to the 4 cases he did not place? Are there any more policies on the 2 insureds he did place?
>
>> -----Original Message-----
>> **From:** [redacted]
>> **Sent:** Monday, October 18, 2004 9:45 PM
>> **To:** [redacted]
>> **Cc:** [redacted] Reid Buerger; [redacted]
>> **Subject:** Meeting Summary - 10/11 - 10/15
>>
>> Monday, October 11th

EXHIBIT 2

Unknown

From: Neal Jacobs
Sent: Friday, April 30, 2004 9:49 AM
To: Accounting; Analysts; CASE MANAGERS
Subject: case update - az

[redacted] – total gross offer of $1.473M contingent on receipt of letter signed by insured stating they are currently a Cigarette smoker and how many cigarettes they smoke per day and policy 255 is past contestability period – see [redacted] before sending offer letter

Neal Jacobs
Director, Financial Underwriting
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
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EXHIBIT 3

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Timothy Sledge, CFA • sledgetg@bernstein.com • +1-212-823-2697

Life Insurance Long View - Life Settlements Need Not Be Unsettling

Ticker	Rating	CUR	3/3/2005 Closing Price	Target Price	YTD Rel. Perf.	EPS 2004A	EPS 2005E	EPS 2006E	P/E 2004A	P/E 2005E	P/E 2006E	Yield
AFL	O	USD	39.00	46.00	-2.0%	2.29	2.63	3.03	17.0	14.8	12.9	1.1%
PFG	O	USD	38.71	46.00	-5.3%	2.43	2.70	3.10	15.9	14.3	12.5	1.4%
PRU	O	USD	57.30	66.00	4.4%	3.61	4.40	4.95	15.9	13.0	11.6	1.1%
NFS	O	USD	37.07	43.00	-2.9%	3.45	3.60	3.90	10.7	10.3	9.5	1.9%
MET	M	USD	41.10	43.00	1.6%	3.51	3.60	3.95	11.7	11.4	10.4	1.1%
LNC	M	USD	46.75	49.00	0.3%	4.05	4.20	4.60	11.5	11.1	10.2	3.1%
JP	M	USD	48.87	49.00	-5.9%	3.85	4.10	4.45	12.7	11.9	11.0	3.1%
SPX			1210.47			66.00	70.00	74.50	18.3	17.3	16.2	2.0%

O – Outperform, M – Market-Perform, U – Underperform

Highlights

We expect the life settlement business, an emerging secondary market for life insurance, will grow more than ten-fold to $160 billion over the next several years. Settlement companies purchase unwanted or unneeded life insurance policies from individuals and ultimately collect the death benefits. These payments are passed on to third-party institutional investors who are looking for returns that are not correlated with existing portfolios. A key component to this growth expectation is that business is conducted in a responsible manner. Poor sales practices by settlement firms could hamper growth and spark a new wave of litigation.

At present, there is roughly $13 billion of total in force settlement business. While small compared to the $9 trillion of individual life business on the industry's books, the settlement market has grown about 8x faster than non-traditional life insurance. We expect this growth rate differential will continue and could expand over the next few decades, which will draw more attention to the settlement business.

In terms of this business' near-term potential impact on the life insurance industry, conversations with industry participants indicate a mixed picture. On the one hand, the American Council of Life Insurers, one of the industry's main trade groups, has stated their primary concern with settlements relates to proper regulation and licensing of agents, which seems relatively innocuous in terms of profitability. In contrast, other industry insiders have suggested rapid expansion of settlements could alter some of the assumptions on which insurers base their profitability models, including lapse rates and mortality experience. As such, life insurers could see lower returns on certain existing blocks, but we expect the impact on consolidated profitability should be modest. **That said, over the long-term, we feel the settlement business, if conducted in a responsible manner, could have favorable ramifications for policyholders and the life**

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insurance industry. As such, we feel investors should closely monitor the development of this market. We would summarize our thoughts in the following points:

- **Sizing the Market: Small but Meaningful Growth Drivers Exist** – Industry sources estimate that the life settlement market has grown from $0 in the mid-1990s to around $13 billion today. While still small within the context of the $9 trillion of individual life insurance in force, we see numerous drivers of growth going forward. The first is the fact that individuals in the US are living longer. As such, they may outlive the usefulness of their life insurance policies. We note that the target market for life settlements (i.e., individuals above the age of 65) should grow by 90% over the next 25 years, more than 3x the 23% growth rate of the total US population. Second is the fact that the decline in interest rates over the past several years could result in lower cash values within existing policies relative to prior expectations. Third is the potential elimination of the estate tax, which may render many survivorship policies obsolete. Lastly, the development of this market could result in a new fiduciary duty on the part of financial planners to highlight this alternative to their clients. We feel these trends, coupled with low current penetration of the target market (i.e., 3%), suggest the life settlement market has ample room to grow, and we estimate that the total market could reach $160 billion over the next several years.

- **Settlement Business Could Alter Assumptions Used in Policy Pricing** – On the surface, the threat posed by any expansion of the life settlement market may not be apparent. The fact that a settlement company has assumed an individual's policy means the insurer will continue to collect premiums. Moreover, the ACLI has stated its primary concern of the settlement business relates to appropriate legislation and licensing of agents, which seems relatively innocuous in terms of industry profitability. That said, rapid expansion of the settlement business could adversely alter some of the experience embedded in existing blocks of insurance business relative to prior expectations. Specifically, the industry prices its products using long-term averages for lapse rates and mortality. To the extent that the life settlement business causes adverse change in these assumptions, the industry could see lower returns on certain existing blocks of business, but we expect the impact on consolidated profitability should be modest.

- **Assessing the Long-Term Impact on Life Insurers – It's Not All Bad** – Despite the impact on pricing assumptions discussed above, expansion of the settlement market may not be all bad for primary insurers. A critical assumption here is that the business is conducted in a responsible manner. The increased liquidity provided by a secondary market for life insurance might make individuals more willing to purchase cash value life insurance policies. Moreover, insurers may conclude that having lapse supported pricing is not in their best interests or those of their clients. Therefore, they may encourage persistency by offering features such as accelerated death benefits or guarantees on cash value performance that could also increase the appeal of their products. Second, greater familiarity on the part of institutional investors with respect to the life insurance market could serve as a catalyst for securitizations, which could mitigate some of the capital pressures facing the industry. Lastly, life companies may themselves begin to offer settlement options for their clients, particularly if they can roll the cash proceeds into payout annuities, which play into the trend of increasing longevity. In summary, we feel that expansion of the settlement business could ultimately benefit all parties involved, again, assuming business is conducted in a responsible manner.

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Investment Conclusion

What to do with the Stocks – Given the size differential between the life settlement business and the overall life insurance market, we do not expect the industry will be meaningfully impacted by settlements in the near-term. That said, the combined impact of life settlements and other challenges such as low interest rates, increasing capital requirements, the potential elimination of the estate tax and rising reinsurance costs does raise concerns over the profitability of the protection business.

In our opinion, insurers that are less diversified and have a significant earnings contribution from individual life could see the largest negative impact from all of these issues. In our coverage, such names include JP, LNC and NFS, which generate about 30-60% of total earnings from individual life. More diversified insurers with large earnings contributions from international insurance (e.g., AFL and PRU) as well as retirement savings (e.g., PFG) should have lower exposure. MET is also well diversified and has a low earnings contribution from individual life.

We recommend investors market-weight the US life insurance sector. Reasons include valuations that are close to long-term averages, a lack of a strong catalyst in terms of core product trends and various regulatory and political pressures. Our top picks for 2005 are those insurers with unique business mixes that yield strong growth prospects and justify premium valuations (i.e., AFL, PFG and PRU). We feel NFS represents an interesting and rare value opportunity. The stock is discounting an 9% ROE versus our expectations for 11%.

Please see page 14 for our price targets and valuation methodology.

Details

Setting the Stage – Background on Life Settlements

A life settlement is a transaction in which policyholders sell the rights to the death benefits associated with their insurance policies to third party settlement companies. In other words, this process creates a secondary market for life insurance products. The typical market for these products includes individuals over the age of 65 with life expectancies of 4-10 years. Exhibits 1 and 2 illustrate and describe how life settlement transactions work. A settlement firm, representing third-party investors, will provide a cash payment to the policyholder that exceeds the cash surrender value embedded in the policy. From that point on, the original policyholder will have no further involvement or association with the policy. The life settlement firm will continue to make premium payments on the policy to the life insurer, until a death benefit is claimed. The death benefit will be collected by the settlement company and passed on to third party investors, who are likely interested in returns that are not highly correlated with their other assets.

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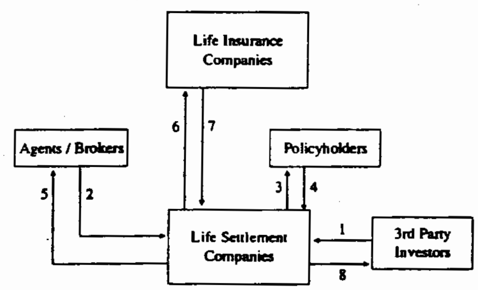
Exhibit 1
How the Life Settlement Process Works (Flowchart)



Source: Corporate reports and Bernstein estimates

Exhibit 2
How the Life Settlement Process Works (Description)

Steps	Discussion
1.	Institutional investor supplies capital to life settlement firm
2.	Agent or broker refers an exisiting client for a settlement transaction
3.	Client case is reviewed; life settlement firm makes cash offer for policy
4.	Client reassigns beneficial ownership of the policy to the life settlement firm
5.	Life settlement pays agent / broker a commission
6.	Life settlement firm continues to make ongoing premium payments to the primary life insurance company
7.	Life insurer pays benefit claim upon the death of the original policyholder to the settlement firm
8.	Returns are passed on to 3rd party investors

Source: Corporate reports and Bernstein estimates

In making the case that policyholders should consider selling their policies, life settlement companies are banking on the possibility that an individual no longer needs or wants it. For example, the circumstances that drove the original purchase may no longer be relevant. Exhibit 3 shows the results of a survey conducted by The Hartford as to the rationale behind life insurance purchases. By far the most frequently cited reason is income protection. Clearly, to the extent that such protection is no longer needed, an individual may consider surrendering a policy or selling it to a settlement company. Alternatively, an individual's economic circumstance may also change later in life. As such, the policyholder may no longer be able to meet premium payments. In addition, as cash values decline, cost of insurance charges increase. Therefore, the fact that interest rates have generally been falling over the past several years has likely limited cash value growth and could potentially increase cost of insurance charges going forward, putting a greater strain on an individual's ability to pay premiums.

Exhibit 4 highlights other reasons that policyholders may no longer want to maintain their policies. To make the settlement option more compelling, settlement companies offer cash payments that exceed the surrender value embedded in the contract but are below the death benefit. In doing so, they are making the bet that the net present value of the death benefit they will ultimately receive is above the settlement offer. To the extent it is, the settlement company and its investors pocket the difference less related any commissions or expenses.

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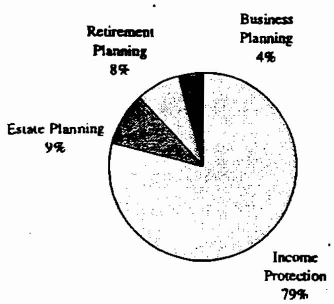
Exhibit 3
Drivers Behind Life Insurance Purchases



Source: The Hartford (2003 Consumer Survey)

Exhibit 4
Policyholder Rationales for Selling Life Policies

Seller	Rationale / Reason
Individual	
1.	Needs cash for major expenses (e.g., medical treatments)
2.	Outlived need for coverage (i.e., all major expenses are paid for)
3.	Needs different coverage / different features
4.	Financial distress / unable to meet future premium payments
Family / Estate	
1.	Change in beneficiaries (e.g., divorce, death of dependents)
2.	Second-to-die policyholder (i.e., spouse) has passed away
3.	Material change in the value of estate
Business	
1.	Change in key executives / partners
2.	Change in succession plan (e.g., family business)
3.	Need cash / seek to monetize assets

Source: Corporate reports and Bernstein estimates

Exhibit 5 summarizes the primary inputs and cash flows included in a life settlement transaction, while exhibit 6 details the IRR of the settlement transactions based on different assumptions for life expectancy (i.e., post settlement). Inputs include the settlement offer as a percentage of the death benefit, the agent's commission, the ongoing premiums the settlement company must pay and some discount factor. As would be expected, the settlement company's offer exceeds the cash surrender value embedded in the contract. Depending on the prevailing crediting rate and whether or not the policy has a secondary guarantee, the cash surrender value may be lower and may increase the return on the settlement transaction as a result. Based on an average holding period of 7-8 years, we estimate that the expected return on a settlement is 9-13%. Industry players have confirmed this expectation is reasonable. We note that the ultimate return to third-party investors may be higher or lower, depending on issues such as transaction costs.

Exhibit 5
Life Settlement Model – Inputs and Cash Flows

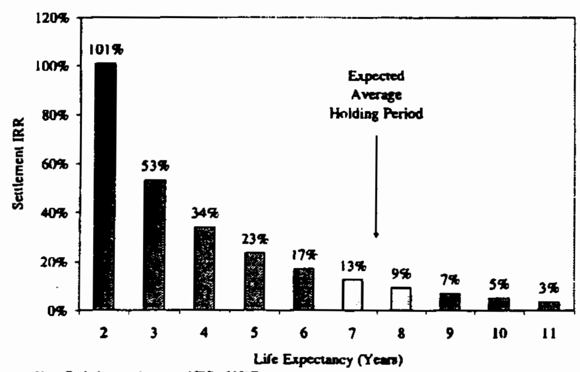
Inputs:		
Settlement Offer (% Death Benefit)	20.0%	
Agent Commission	10.0%	
Annual Premium	$ (7,532)	
Discount Rate	10.0%	(Used for exhibit 6)

Age of Insured	Cash Surrender Value	Life Settlement Offer	Settlement vs. Surrender Value $ O/(U)	Settlement vs. Surrender Value O/(U) %	Commission to Agent	Annual Premium	Death Benefit
65	$ 121,386	$ 200,000	$ 78,614	64.8%	$ (20,000)	$ (7,532)	$1,000,000
66	128,927	200,000	71,073	55.1%	(20,000)	(7,532)	1,000,000
67	136,377	200,000	63,623	46.7%	(20,000)	(7,532)	1,000,000
68	143,694	200,000	56,306	39.2%	(20,000)	(7,532)	1,000,000
69	150,813	200,000	49,187	32.6%	(20,000)	(7,532)	1,000,000
70	157,583	200,000	42,417	26.9%	(20,000)	(7,532)	1,000,000
71	163,758	200,000	36,242	22.1%	(20,000)	(7,532)	1,000,000
72	169,147	200,000	30,853	18.2%	(20,000)	(7,532)	1,000,000
73	173,546	200,000	26,454	15.2%	(20,000)	(7,532)	1,000,000
74	176,752	200,000	23,248	13.2%	(20,000)	(7,532)	1,000,000
75	178,569	200,000	21,431	12.0%	(20,000)	(7,532)	1,000,000
76	178,788	200,000	21,212	11.9%	(20,000)	(7,532)	1,000,000

Note:
(1) Cash surrender values based on sample UL policy illustration for 45-year old male, using "preferred best" rate, interest rate of 5.10% for first 20 years and 5.45% thereafter, and current (i.e., non-maximum) charges.

Source: UL Policy Illustration and Bernstein estimates

Exhibit 6
Life Settlement Model – IRR of Settlement Transaction



Note: Excludes year 1 expected IRR of 351%.

Source: Bernstein estimates

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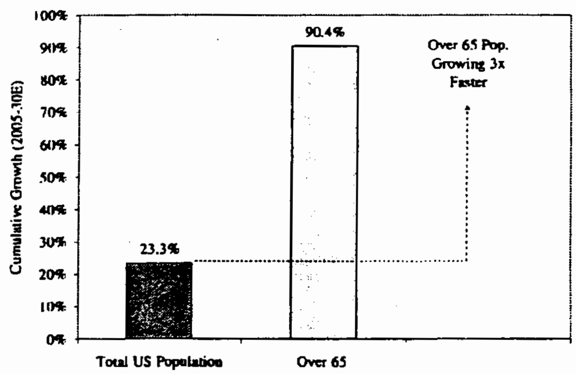
Sizing the Market: Small, but Meaningful Growth Drivers Exist

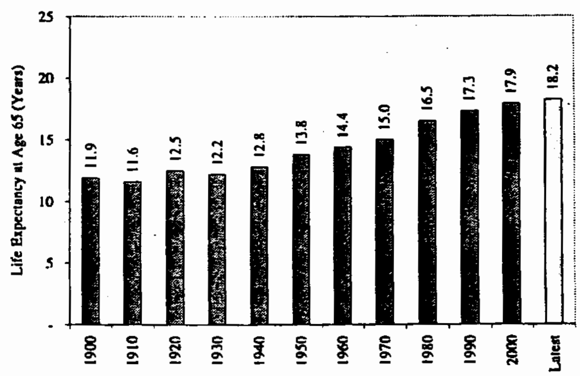
Industry sources estimate that the life settlement market has grown from $0 in the mid-1990s to around $13 billion today. While still small within the context of the $9 trillion of life insurance in force, we see numerous drivers of growth going forward. The first is the fact that individuals in the US are living longer. As such, they may outlive the usefulness of their life insurance contracts. The target market for life settlements (i.e., individuals above the age of 65) should grow 3x faster than the total population over the next 25 years (see exhibit 7). In addition, exhibit 8 shows that life expectancy of these same individuals has increased over the past several decades. Assuming these individuals are living beyond the years where they must provide financial support for their dependents, they may not have the same need for life insurance as when the policy was originally purchased. In other words, the importance of income protection likely declines as individuals get older. Considering the settlement company's returns decline as life expectancy increases, this business requires careful underwriting, which we discuss below.

Exhibit 7
Trends in US Population Growth – 65 & Older vs. Rest of Population



Source: US Census Bureau and Bernstein estimates

Exhibit 8
Life Expectancy of Individuals Over the Age of 65



Source: CDC and National Vital Statistics System

A second catalyst is the fact that the decline in interest rates over the past several years could result in lower cash values within previously purchased life policies relative to prior expectations. Part of the appeal on the part of individuals for purchasing non-traditional life insurance policies (e.g., universal life) is the fact that if they live beyond the protection period, they can still collect cash surrender values. Said another way, this policy feature provides an incremental benefit over "use it or lose it" term insurance. Milliman, a life insurance consulting firm, has estimated that the industry pays death benefits on only 20% of universal life business. Given the rate of interest credited on such policies is likely running below levels assumed when they were originally purchased increases the possibility that cash surrender values will be lower than prior expectations. Assuming life settlement companies can offer individuals more up front cash for their policies, policyholders may find such transactions more appealing relative to policy surrenders.

A third driver is the potential elimination of the estate tax. The Bush Administration appears committed to repealing this tax (see exhibit 9). In the past, individuals may have purchased survivorship life insurance to help their heirs fund this tax payment. Referring back to exhibit 3, estate planning was the second most commonly cited reason for life insurance purchases. If we assume that wealth individuals have a greater need for such policies, then it is logical to conclude that the related policies would have higher face values, meaning they could represent a larger share of in force life insurance relative to what would be implied by

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exhibit 4. If this tax is indeed repealed, we feel in force survivorship policies will be fertile grounds for life settlement companies.

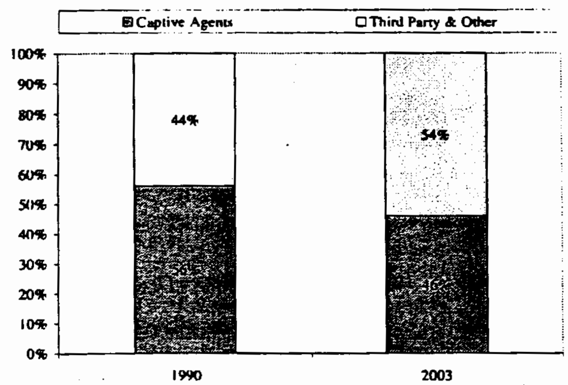
Exhibit 9
Statement of Administration Policy Regarding Estate Tax

"Eliminating the death tax is a matter of basic fairness. The death tax results in the double taxation of many family assets while hurting the sources of most new jobs in this country - America's small businesses and farms. Unfortunately, the provision of the 2001 Act to repeal the death tax expires at the end of 2010, creating significant uncertainty for family estate planning. Its permanent elimination today would relieve thousands of family businesses, farms and ranches of the excessive costs of tax compliance. The permanent repeal of the death tax would mean that many more family businesses would be preserved and could thrive as a source of continuing job creation and economic growth."

Executive Office of the President
Office of Management and Budget
6/18/03

Source: Office of Management and Budget

Exhibit 10
Life Insurance – Trends in 3rd Party Distribution



Source: Corporate reports and Bernstein estimates

In our opinion, the fourth driver of industry growth that we cite may prove to be the most influential. The development of the settlement market could result in a new fiduciary duty on the part of financial planners. Specifically, we feel insurance agents and other producers (e.g., brokers and estate planners) will feel an increasing responsibility to present life settlements as an option to their clients. The alternative today is simply to take the path of least resistance and let customers surrender their policies. It is clear that the overall financial services industry faces a heightened level of regulatory scrutiny today than in years past. Within the life insurance industry, examples include investigations life and annuity sales practices. Given that life settlements typically offer payments that exceed policy cash surrender values, regulators in the future may perceive that it is part of a financial advisor's fiduciary duty to investigate life settlement options on behalf of clients. An article in the *Banking Law Journal* (2002) suggests that the role of any fiduciary, including insurance agents and estate trustees, will evolve so that life settlements will be another financial planning tool.

A corollary is the reality that life insurance distribution has been moving away from the captive agency channel in favor of independent distributors over the past several years (see exhibit 10). The importance of this trend is our view that independent agents and advisors likely have a greater allegiance to their customers rather than the insurance carriers. Conversations with industry sources suggest primary writers often prevent their captive agents from offering life settlement options to their customers. To the extent that the trend shown in exhibit 10 continues, these writers will lose some of their influence on the overall business.

We feel these trends suggest the life settlement market has ample room to grow, and we estimate that the total market could reach $160 billion over the next several years. We arrive at this forecast by using

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estimates for the growth in the target market for settlements (i.e., individuals over the age of 65) and increases in the penetration of this market.

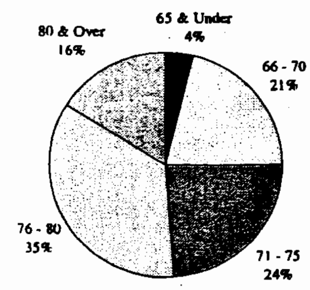
Exhibit 11
Size and Growth of the Life Settlement Business

	Transations (Face Value)		Annual Growth		
	Life Settlements $ Billion	Cash Value Life(1) $ Trillion	Life Settlements	Cash Value Life	Settlements as a % of Life Sales
1998	0.2	1.1			0.0%
1999	1.0	1.1	400.0%	3.1%	0.1%
2000	1.1	1.2	10.0%	11.0%	0.1%
2001	1.3	1.3	18.2%	3.0%	0.1%
2002	1.4	1.4	7.7%	8.1%	0.1%
2003	2.5	1.4	78.6%	-0.2%	0.2%
2004	5.0	1.5	100.0%	6.6%	0.3%
2000-04 Average			42.9%	5.7%	0.2%

Notes: (1) Excludes term life sales

Source: ACLI and Bernstein estimates

Exhibit 12
Age Distribution of Life Settlement Clients



Source: National Underwriter

To dimension the potential size of this market, we start with some statistics from the life settlement business. According to industry representatives, settlement companies have written about $13 billion of business over the past 7 years (see exhibit 11). Exhibit 12 shows that individuals over the age of 65 represent 96% of all settlement cases. An industry survey of consumer ownership of life insurance indicates that roughly 47% of individuals over the age of 65 have policies. Moreover, this same study suggests average coverage for this age bracket is $23,600. Given that there are currently 37 million individuals over the age of 65, these statistics suggest this group controls roughly $416 billion of life insurance. Assuming that all of the $13 billion of in force settlement business relates to this population segment, we arrive at a penetration rate of 3%. Based on the growth statistics shown in exhibit 7 above, the over 65 segment of the population should increase to 72 million by 2030. Using the same percent ownership of 47% and average coverage statistic of $23,600 against this new base, we estimate that this segment will control $800 billion of insurance by 2030. Applying the current 3% life settlement penetration rate, we estimate population growth alone could add $12 billion of settlement business. Industry sources also indicate that the 3% penetration rate is understated and the true potential is closer to 20%, which reflects expectations in terms of the proportion of policies with low cash values and the number of people willing to settle. If we assume the settlement business achieves this penetration rate, the industry could add another $137 billion of business. Based on these assumptions, the settlement business could increase from $13 billion currently to as much as $160 billion over the next few decades (see exhibit 13). Our estimate could prove conservative to the extent that increased awareness of the settlement option drives penetration above 20%, which we feel is possible. In addition, given that increasing penetration represents the more significant catalyst for growth, the settlement industry could exceed $160 billion well before 2030.

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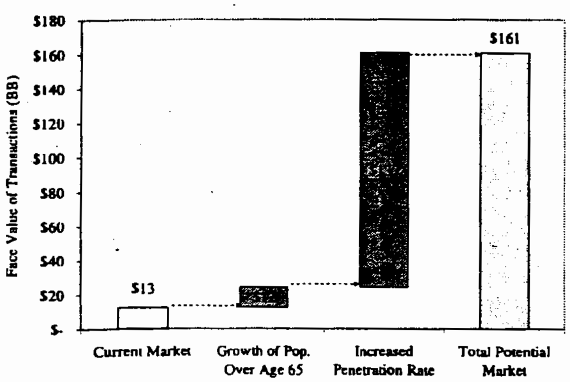
Exhibit 13
Dimensioning the Size of the Life Settlement Opportunity



Source: US Census Bureau and Bernstein estimates

Like any new business, the path to growth may not be smooth as aggressive players as well as third party capital enter and exit the market. That said, we feel exhibit 13 suggests there is a long-term growth opportunity in the settlement business.

Settlement Business Could Alter Assumptions Used in Policy Pricing

On the surface, the threat posed by any expansion of the life settlement market may not be apparent. After all, the fact that a settlement company has assumed an individual's policy means the life company will continue to collect premiums (i.e., no change a primary writer's cash flows). That said, our research suggests the impact could initially be negative on certain blocks of insurance business.

At present, the American Council of Life Insurers (ACLI) has stated its primary concern with respect to the settlement business relates to appropriate legislation and licensing of agents, which seems relatively innocuous in terms of industry profitability.

That said, rapid expansion of the settlement business could adversely alter some of the expected experience embedded in existing blocks of insurance business. The primary reason is the fact that the industry prices its products using assumptions based on long-term averages. Therefore, to the extent that an external factor, such as the emergence of the life settlement business, alters actual experience relative to these averages, pricing assumptions may not be met.

For example, lapse rates are a key variable in life insurance product pricing. In fact, of the three primary economic drivers underlying life contracts (i.e., lapses, interest rates and mortality), lapse rates are perhaps the most difficult to predict given they are tied to consumer behavior. Several writers of long-term care insurance have already felt the adverse impact of lower than expected lapse rates and have had to raise pricing on in force business.

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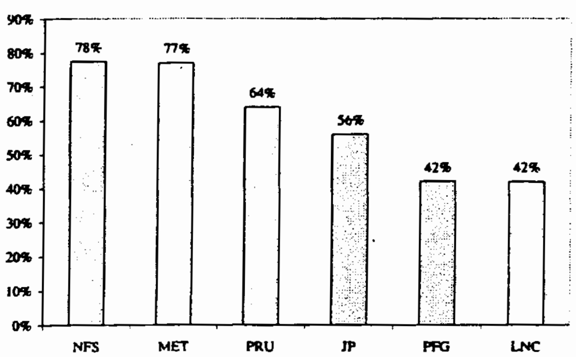
We feel universal life with secondary guarantees represents a product that may be negatively impacted by higher than normal lapse rates. Exhibit 14 shows that this product was a key driver of 2004 life insurance sales for several carriers. The idea behind these policies is that as long as individuals pay a minimum premium, their policies will remain in force regardless of the underlying performance of the contract. In our opinion, the most likely customer for these products is an individual that is primarily concerned with the death benefit as opposed to cash value accumulation but also likes the flexibility provided by UL relative to term insurance. In addition, some insurers offer products that provide secondary guarantees for a specific period of time. Given that in UL products with secondary guarantees, cash value accumulation takes a backseat to death benefits, life insurers may be assuming that a portion of related policyholders may decide to lapse their contracts once the death benefit is no longer needed. If true, they could use some of the related reserve building to help support benefits on policies that remain in force. That said, the low cash values of these policies could render them more attractive to life settlement companies as it would be easier for them to offer a more compelling value. So, given the influence of the settlement companies, the average lapse rate could be lower relative to the primary writer's original assumptions.

Exhibit 14
Life Insurance – Percentage of 2004 UL Sales with Secondary Guarantees



Note: Percentage for PFG may be diluted by fact that the company includes VUL with UL sales.

Source: Corporate reports

Exhibit 15
Illustration of the Impact of Settlements on Life Insurance Assumptions

	Scenario #1 With Out Life Settlements			Scenario #2 With Life Settlements		
	Total Pool	Healthy	Unhealthy	Total Pool	Healthy	Unhealthy
Policies	100	50	50	100	50	50
% Lapsed		20.0%	20.0%		20.0%	5.0%
Lapses	20	10	10	13	10	3
In Force	80	40	40	88	40	48
Actual Lapses	20.0%			12.5%		
Mix of Unhealthy	50%			54%		

Source: Bernstein estimates

Compounding the impact of lower lapse rates is the potential impact on morality experience. While mortality expectations clearly vary by individual, life insurers typically assume average mortality for a large pool of policies. Therefore, any trend that would cause actual experience to differ from prior estimates could adversely impact life companies. In our opinion, life settlement companies have an advantage over primary carriers with respect to underwriting. Specifically, life companies underwrite a policy only once (i.e., when it is written). To the extent an individual's health circumstances change, the carrier cannot change product pricing. That said, the life settlement company's underwriting process starts later in life, at which time a new health condition may have surfaced. In other words, they are working with more current data. As noted above, life settlement returns are tied to life expectancy. As such, this underwriting advantage is critical to identifying the most appropriate policies for settlements.

Exhibit 15 provides an illustration of how life settlements can impact the lapse and mortality experience of a primary carrier. Scenario 1 shows our base case in terms of pricing assumptions. We are assuming an insurance company has 100 policies in force of which half represent healthy individuals. Moreover, we

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assume that 20% of the pool lapses before the death benefit is paid. As a result, even with these lapses, the balance of risk in the pool is largely unchanged (i.e., 50/50 blend of healthy and unhealthy). Scenario 2 shows the impact that the settlement business can have on this pool. Here, we have assumed that the settlement company lowers the lapse rate on the unhealthy pool to 5% by purchasing several policies that would have otherwise surrendered. As a result, the overall lapse rate declines from 20% to 12.5% and the health profile of the pool has changed, potentially lead to sooner death benefit payments relative to assumptions embedded in pricing.

Clearly, one advantage for the life company from scenario 2 is that it continues to collect premiums from business that would have otherwise lapsed. That said, if the product pricing had assumed that some of the reserves building on the policies that should have lapsed would fund the remaining in force business, there could be a mismatch in terms of the timing of cash flows (i.e., the additional premiums collected may not be sufficient to compensate for lower lapses). Again, we feel the fact that life settlement companies can in effect cherry pick the most attractive cases with more current underwriting knowledge creates a competitive advantage relative to primary writers.

Assessing the Long-Term Impact on Life Insurers – It's Not All Bad

As noted above, growth in the life settlement market could force life insurance companies to alter some of their practices. One example is the potential that life insurers would have to lower lapse rate assumptions built into their product pricing. That said, assuming business is conducted in a responsible manner, we feel the development of this market could have positive long-term ramifications for policyholders and the life insurance industry (see exhibit 16).

Exhibit 16
Potential Benefits of Life Settlements to Policyholders and Life Insurers

Benefits to Policyholders

1. Drive insurers to increase the value proposition of life insurance products to consumers (i.e., similar to VA living benefits)
2. Increase the liquidity of policies that are no longer needed

Benefits to Life Insurers

1. Drive increased demand for non-traditional insurance (i.e., excluding term)
2. Increase institutional investor interest in life insurance securitizations (i.e., mitigating capital pressures)
3. Encourage life insurers to participate in life settlement business (e.g., roll funds into payout annuities)

Source: Bernstein estimates

For example, insurers may conclude that having lapse supported pricing is not in their best interests or those of their clients. Therefore, insurers may encourage persistency by offering features such as accelerated death benefits or guarantees on cash value performance that could also increase the appeal of their products. The latter would be consistent with recent trends in the variable annuity business. For years, VA's were sold at least in part on their advantage relative to mutual funds related to tax-deferred growth. It was argued that this growth more than compensated for their higher fees. The market declines from 2000 to 2002 coupled with a favorable tax change related to dividends lowered this value proposition. In response, the industry has focused on offering living benefit guarantees, which has reinvigorated variable annuity demand

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in recent periods. Enhancing the value proposition of life insurance products could do the same for the protection business.

A related benefit is the possibility that a secondary market for life insurance might make individuals more willing to purchase cash value life policies. Even though term insurance tends to be a "use it or lose it" proposition, individuals may prefer term polices given they are generally cheaper than variable and universal life insurance. Said another way, individuals may be reluctant to lock in a stream of high premiums and policy charges that are typically associated with non-traditional insurance. Moreover, the increased liquidity provided by the settlement market could make non-traditional life policies more attractive.

In terms of the insurance industry, clearly, features that add to the appeal of such products could lift overall growth rates, persistency and profitability. In addition, the settlement business could serve as a means through which institutional investors can get more familiar with the life insurance market. As such, we would argue that expansion of the settlement industry might be a catalyst for securitizations, which could mitigate some of the capital pressures facing the industry (e.g., A-XXX).

Lastly, life companies may themselves offer settlement options for their clients, particularly if they can roll the cash proceeds into payout annuities, which play into the trend of increasing longevity. The Retirement Security for Life Act was recently introduced in Congress. This act would shelter the first $20,000 in annual payments from annuities from all taxes assuming the lifetime payout option is selected. Given that only life insurance can offer lifetime contingent annuities, the lump sum of cash received from settlements could in effect be reinvested in payout annuities, which would mitigate the impact on life insurance companies.

Other Issues to Consider – Where There Could be Drama

While we feel the settlement business has meaningful growth opportunities going forward, we would note that players in this market will need to contend with some hurdles along the way. Perhaps the most important issue relates to sales practices. Given that life settlement returns are tied to life expectancy, settlement firms must be careful that the solutions they provide are appropriate for each client. In addition, we feel disclosure that a third party will benefit from an individual's death may be a key issue. The life insurance industry's recent experience with "janitor insurance" shows that a lack of appropriate disclosure can create meaningful headline and potential litigation risk. Therefore, if this small business is to realize its growth potential, it is critical that business is conducted in a responsible manner.

Another frequently discussed challenge is a natural comparison to the rather ugly history of the viaticals industry. In the 1980s, a number of firms began offering financially-distressed AIDS patients cash for their life insurance policies. These viatical companies (i.e., based on the Latin phrase for "traveling money") purchased policies at a discount to their face values and sold them as retail investments. The practice was controversial for two reasons: 1) the public was generally leery about any practice that appeared to prey on the terminally ill; and 2) viatical investments skirted SEC regulations, given that they did not meet the pure definition of securities, and were often sold with promises of high returns. As medical treatments for AIDS became more effective, patients began living longer. As such, investors in these settlements, whose returns were largely tied to the timing of death benefit payments, did not achieve their promised returns. State

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regulators closed down many viatical firms as a result of their aggressive marketing practices. Moreover, some high profile cases involved outright fraud and misuse of investor assets. A notable case in Florida involves Mutual Benefit Corp, which is now the target of a class action lawsuit and an SEC investigation.

A third issue for the settlement industry is regulation. While the NAIC has issued model regulation for life settlements, not all states have adopted the recommended statutes. At the current time, 36 states have some form of regulation for life settlements, including minimum payouts (as a % of face value). Still, the issue of agent licensing remains, with about 15 states allowing agents with standard life insurance licenses to "sell" life settlements to clients. According to industry insiders, the lack of licensing in other states does not prevent life settlements from taking place. Rather, it could give rise to poor quality transactions that may or may not benefit policyholders, which could have a detrimental impact on market growth. Another issue is whether underwriters need to be registered with insurance regulators, which again appears to vary by state.

Given that the settlement market is so new, we would expect that regulatory issues may crop up over the next few years as this business receives more attention. While uncertainty related to these and other issues may alter the industry's glide path with respect to growth, we do not expect it will meaningfully impact its long-term prospects.

What to do with the Stocks

Given the size differential between the life settlement business and the overall life insurance market, we do not expect the industry will be meaningfully impacted by settlements in the near-term. That said, the combined impact of life settlements and other challenges such as low interest rates, increasing capital requirements, the potential elimination of the estate tax and rising reinsurance costs does raise concerns over the profitability of the protection business.

In our opinion, insurers that are less diversified and have a significant earnings contribution from individual life could see the largest negative impact from all of these issues. In our coverage, such names include JP, LNC and NFS, which generate about 30-60% of total earnings from individual life (see exhibit 17). More diversified insurers with large earnings contributions from international insurance (e.g., AFL and PRU) as well as retirement savings (e.g., PFG) should have lower exposure. MET is also well diversified and has a low earnings contribution from individual life.

We recommend investors market-weight the US life insurance sector. Reasons include valuations that are close to long-term averages, a lack of a strong catalyst in terms of core product trends and various regulatory and political pressures. Our top picks for 2005 are those insurers with unique business mixes that yield strong growth prospects and justify premium valuations (i.e., AFL, PFG and PRU). We feel NFS represents an interesting and rare value opportunity. The stock is discounting an 9% ROE versus our expectations for 11%.

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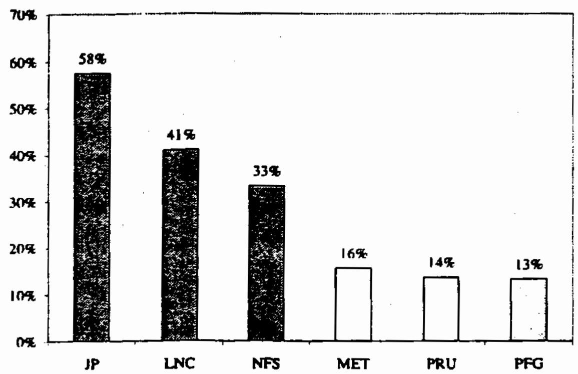
Exhibit 17
Life Insurance – 2005E Earnings Contribution from Individual Life



Source: Corporate reports and Bernstein estimates

Exhibit 18
SCB Price Targets

	Price 3/3/05	Price Target	Appreciation Potential	Rating
PFG	$ 38.71	$ 46.00	18.8%	O
AFL	39.00	46.00	17.9%	O
NFS	37.07	43.00	16.0%	O
PRU	57.30	66.00	15.2%	O
LNC	46.75	49.00	4.8%	M
MET	41.10	43.00	4.6%	M
JP	48.86	49.00	0.3%	M
Median			15.2%	
Average			11.1%	

Source: Bernstein estimates

Valuation Methodology

Exhibit 18 shows our price targets. For stocks other than AFL, we employ an equal-weight valuation framework that considers each company's:

- relative price to earnings multiple versus an industry target (with exceptions for JP and PFG),
- relative price to book multiple versus an industry target (with exceptions for JP and PFG), and
- the historical relationship we have identified between price / book and risk adjusted ROE (i.e., ROE / cost of equity)

We value AFL based on absolute and relative P/E targets of 18x and 100% respectively.

Consistent with past years, we expect to revise our price targets in 1Q:05 based on use of our 2006 earnings estimates rather than our 2005 forecasts. When we made similar adjustments in the past, our price targets generally increased, particularly for companies with high EPS growth, such as AFL, PFG and PRU. We would expect the same pattern will repeat later this year, which would add to the upside shown in exhibit 18.

Risks

We feel the biggest risks to our long-term growth forecast for life settlements are improper sales practice issues, which could lead to regulatory investigations and litigation and limit the potential for this market. Moreover, any instances or allegations of fraud, similar to cases in the viaticals market, could also significantly limit the growth of life settlements. In addition, to the extent the Bush Administration does not achieve a full repeal of the estate tax, the life settlement business may not see incremental upside from the survivorship life market. Furthermore, aggressive pricing by inexperienced life-settlement players could ultimately lower the potential returns and make life settlements a less attractive option to third-party, institutional investors.

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In terms of our market-weight recommendation for the sector, upside risks include further improvements in the operating environment, led by a gradual increase in new money rates. In addition, product innovation in asset accumulation and insurance segments could drive higher growth in product sales. Third, M&A activity that includes high takeover multiples could result in outperformance. In particular, to the extent that the Euro continues to strengthen against the dollar, European insurers may get a second chance to increase their presence in the US retirement market by acquiring US insurers, which tend to be smaller in terms of market capitalization. Lastly, favorable legislation out of Washington, such as the passage of tax reductions on annuity distributions could result in renewed interest in annuity products.

Downside risks to our market-weight recommendation include continued headline risk from various investigations of the sector. In addition, stocks could be adversely impacted by an increase in corporate credit losses, higher capital requirements on insurance and annuity products, lower equity markets and wide swings in interest rates, either up or down.

Disclosure Appendix

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  Market-Perform: Stock will perform in line with the market index to within +/-15 pp in the year ahead.

  Underperform: Stock will trail the performance of the market index by more than 15 pp in the year ahead.

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EXHIBIT 4

2005 Outlook

LIFE SETTLEMENT INDUSTRY

Saddle up partner 'cuz your in for some kind of ride. It's easy to compare the early days of the life settlement industry to the Wild West, with its mad rush for gold, freedom to roam, and cowboy-like bravado. But the industry has changed quite a bit since then. The dust has settled, boundaries have been drawn, and lone rangers replaced by corporate giants. Although the industry is much more sophisticated today, those early promises of golden nuggets still exist. But the questions on everyone's mind are how much and where.

These types of questions have been pondered since the industry's early beginnings. Many a professional has done their share of fact finding, number crunching, and crystal ball gazing, but such exercises have proven to be very challenging. When the life settlement industry started to emerge in the mid to late nineties it garnered enormous attention, particularly from the market research field. Two heavy hitters, Conning Research & Consulting, Inc. and The Wharton School studied the industry in-depth and produced research reports. These reports were, and still are, widely referenced and circulated by many members of the industry. Unfortunately these popular and insightful studies have grown old, and are in desperate need of replacement.

As companies look to fill this void with their own market research, they often reach roadblocks such as the lack of reliable and credible data, the lack of a unique Standard Industry Code, and blurred terminology. Standard Industry Codes (SIC), which are used by the Department of Labor (DOL) to help quantify statistics, are very useful to marketers in researching industry related data. Unfortunately the life settlement industry does not have its own SIC code, which means the wealth of information provided by the DOL is combined with other miscellaneous industries and therefore difficult to find and break out.

To complicate matters even more there is no standardization by states as to the terminology over viaticals versus life settlements. This blur makes life settlement research difficult, particularly when looking for financial related statistics.

In recognition of this need for useful market research, Maple Life Financial has prepared a special edition of *StreetTalk* devoted to life settlement industry trends and outlook for 2005. We trust that this information will be insightful and helpful in your prospecting for golden nuggets. ■

Editor's Note: In preparation for this issue, two surveys were sent out to a diverse group of life settlement brokers, producers, accountants, attorneys, estate planners, financial planners, and charitable organizations. The results proved to be insightful and offered a clear indicator as to the most important issues for the upcoming year. In addition, invitations were sent to life settlement professionals seeking insight into trends and developments. Overall, we are very excited and pleased with the information we have assembled, and would like to thank all participants for sharing their thoughts on where the life settlement industry is heading in 2005.

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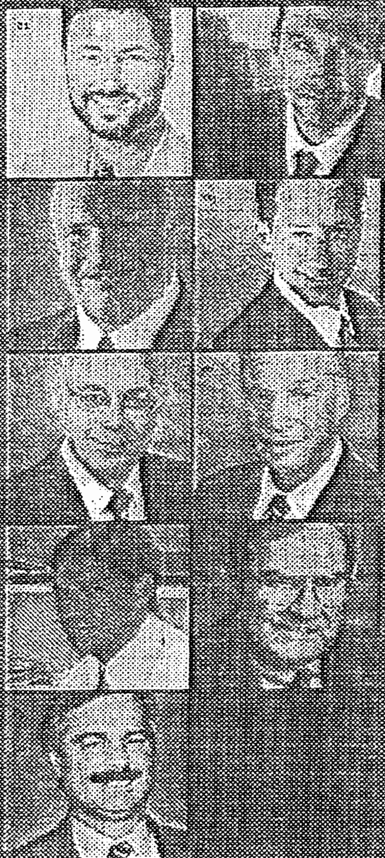
2005 Outlook

› 2005 LIFE SETTLEMENT INDUSTRY OUTLOOK



As most in the life settlement industry will tell you, 2005 will prove to be another growth year, but as the industry continues to develop and become more sophisticated, changes will occur. In analyzing the responses gathered from our surveys and experts, addressing these changes resulted in the identification of several key trends that will emerge over the next year. These trends include the development of new standards, increased scrutiny, expanded role of brokerage service firms, sophistication of participants, and new product development.

Development of New Standards

As the life settlement industry moves from an introductory stage to a growth stage and achieves stand-alone status, there will be a resorting of priorities. Steve Boger, a consulting actuary for Lake Forest, Illinois based Milliman, Inc., believes this transition will result in a tighter priced market and more moves by investors to reposition portfolios. He explains that because of the dramatic growth in institutional investors, there will be a move towards consistency and standards, including the tightening of new case pricing. As investors begin to recognize emerging market patterns, portfolios will be re-examined resulting in some investors exiting the industry. Steve believes that more blocks of business will change hands in 2005 than ever before.

Echoing this belief in the development of new standards, Bill Tsotsos, Regional Director for Glen Carbon, Illinois based Gateway Financial Distributors, offers an additional perspective. The United States is moving closer to adopting global accounting standards, so that U.S. and international companies can use the same accounting standards for financial reporting. Bill contends that this move will impact the life settlement industry through the development of one standard to estimate fair value for assets. He proceeds to explain that current Generally Accepted Accounting Practices dictate that assets be recorded at historical cost. Therefore, this move to current value accounting will require that corporate owned life insurance (COLI) be marked up from cash surrender value, or in the case of term insurance, an estimate of market value would replace current zero valuations.

Increased Scrutiny

With more institutions and policyholders embracing life settlement transactions than ever before, the life settlement industry will come of age in 2005, says James Cavoli, CEO of Cleveland, Ohio based Life Settlement Insights. Because of this James believes an increase in scrutiny and regulation will occur, resulting in more transparency from the process and more disclosure about compensation and returns.

This feeling is also shared by a majority of the industry professionals surveyed by *StreetTalk*. When asked "which issue do you think will impact the life settlement industry the most in 2005," the second leading answer was "increased regulation" (14%), followed by other answers such as "compliance" (9%) and "commission disclosure" (7%).

James also advises that brokers and providers will have to adapt to the reality that commission on variable product sales must be paid through an NASD-registered broker/dealer. He concludes by saying that in the end, the largest, most compliant competitors will gain market share in 2005.

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NP - Not Pictured

StreetTalk
A discussion about Life Settlements

› 2005 LIFE SETTLEMENT INDUSTRY SURVEY

Sent out to brokers, producers, accountants, attorneys, estate planners, financial planners, and charitable organizations, the survey sought to determine the most important issues and gain a greater understanding of the various audiences. *See for yourself.*

Which issue do you think will impact the life settlement industry the most in 2005?

Fiduciary responsibility	19%
Ethical business practices	14%
Increased regulation	14%
Education and training	12%
Compliance	9%

When working with a life settlement provider, which unique selling point is the most important to you?

Ethical business practices	26%
Offer price	19%
Experienced staff	12%
Institutional funding	9%
Sales and marketing support	9%

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Increased scrutiny will not only affect brokers and providers, but trustees as well, says Stewart Shannon, Managing Partner of Bethesda, Maryland based Money For Life, LLC. The thriving life settlement industry has altered the landscape of the insurance trust business. Trustees have a fiduciary responsibility to periodically assess the appropriateness of a life insurance policy, considering the original purposes of the trust and the present interests of the beneficiaries. Stewart contends that in states with "hold harmless laws", trustees are now under more scrutiny than ever, while The Uniform Prudent Investor Act has become a significant indicator as to the direction of modern trust law. Therefore, Stewart proclaims, it is clearly important to spread the message to attorneys, accountants, and financial planners that in cases where disposing of a trust-owned life insurance policy makes sense, a life settlement must be considered.

Expanded Role of Brokerage Service Firms

Life settlement brokerage service firms will face an expanded role in 2005 due to the industry facing increased sophistication and scrutiny, and the growth in the number of advisors seeking insight, expertise, and assistance in conducting transactions, says Paul Nagelberg, president of Union, New Jersey based ELA Settlement Services. Paul believes that when advisors work with a quality life settlement brokerage firm, they receive the highest possible offer for their client due to the strategic relationships established with multiple funders, thereby fulfilling their fiduciary duty. Other advantages include expertise in licensing, compliance, and additional opportunities to generate commission through conversions, sales of new policies, or renewals.

Richard Shipley, CFC for Camarillo, California based Archpoint Insurance Services, concurs with this assessment, saying that eventually all funds will come from institutional funders, who in turn will become very careful in selecting representatives. As more advisors enter the market, the majority of life settlement transactions will be handled by professional brokerage service firms.

Sophistication of Participants

Spreading the message is a common goal for many professionals in the life settlement industry. This priority is evident by *StreetTalk's* survey question on "which barrier prevents advisors from entering the life settlement industry," to which nearly half of the life settlement professionals surveyed indicated "lack of awareness" (24%) and "not primary focus" (22%) as the main reasons.

This lack of awareness is highlighted in another recent survey to life insurance producers where only 20% of respondents indicated they had conducted a life settlement transaction before, even though 96% indicated they had senior clients, including 45% with clients who had actually surrendered life insurance policies. What is interesting to note is that once a producer becomes aware of life settlements, they are likely to conduct multiple transactions. In fact, 60 percent of producers who have conducted a life settlement indicated they had done six or more transactions.

Robert Finfer, President of Bethesda, Maryland based Integrity Settlement Group, Inc., expands upon this fact by saying that

› *Outlook continued on p.4*

Strategies for Success

› Getting started in the life settlement business is easy...

Step One: Plan
- Map out marketing strategy and objectives
- Familiarize yourself with any necessary state rules or licenses

Step Two: Get The Word Out
- Generate a list of qualified clients
- Prepare and send out an announcement
- Follow with telemarketing
- Track and analyze results

Step Three: Recruit
- Prepare and send out seminar invitations
- Follow with telemarketing
- Conduct an educational seminar

Step Four: Sell
- Follow seminar with sales appointments and do what you do best—sell

Step Five: Keep It Going
- Develop content for corporate web site
- Initiating monthly sales focused e-mail campaigns
- Create a promo reminder that links to corporate web site
- Place follow up calls to prospects

Step Six: Partner With Professionals
- Choose an experienced life settlement broker
- Choose an institutionally funded provider

Which barrier do you think prevents advisors from entering the life settlement industry?

Awareness	24%
Not primary focus	22%
Broker/Dealer Restrictions	17%
Industry reputation	15%
Limited education/training resources	13%

Which marketing tool(s) do you use to reach your clients?

E-mail	46%
Direct mail	39%
Seminars	32%
Telemarketing	24%
Tradeshows and/or Web advertising	20%

Which industry publication(s) do you read?

Life Insurance Selling	51%
Broker World	49%
Advisor Today	43%
National Underwriter	42%
Senior Market Advisor	41%

Which industry event(s) do you participate in?

AALU Annual Meeting	20%
MDRT Annual Meeting	17%
NAILBA Annual Meeting	17%
NAIFA Annual Convention	15%
Senior Market Expo	15%
Financial Service Forum	9%

Which organization(s) do you belong to?

NAIFA—Ntl. Assn. of Ins. and Financial Advisors	32%
MDRT—Million Dollar Round Table	15%
AALU—Assn. for Advanced Life Underwriting	14%
FPA—Financial Planning Assn.	12%
SCSA—Society of Certified Senior Advisors	10%

Which professional designation(s) do you have?

None	36%
MBA—Master of Business Administration	15%
CLU—Chartered Life Underwriter	15%
CSA—Certified Senior Advisor	14%
CFP—Certified Financial Planner	10%
LUTCF—Life Underwriter Training Council Fellow	10%

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‹ Outlook continued from p.3

as more and more advisors enter the life settlement industry, and learn its value by working together with quality life settlement brokers, they will become more sophisticated. Robert believes these relationships will continue to maximize the versatility of life settlements as value-added financing tools, through the purchase of newer and more appropriate insurance products, allowing producers to offer policyholders better carriers, higher and cash values, and lower premiums.

William Cole, Senior Partner of 1st Life Financial, based in Orlando, Florida, adds further by saying, many advisors are incorporating life settlements into their practice to add value to their client relationship and fulfill their fiduciary duty to explore all viable life insurance options. As a life settlement broker, one recommendation William shares when working with advisors is to offer a life insurance valuation proposal, which he has found to be the best solution when introducing life settlements to clients.

In addition to advisors becoming more sophisticated, Martin Ruby, CEO of Louisville, Kentucky based Stonewood Financial, believes that buyers will become more sophisticated as well. He suggests that as more institutional money enters the market, it will bring an increase in discipline to areas such as life expectancy estimating, financial modeling, and minimum returns on capital. This will lead to improved rationality, liquidity, and competition within the marketplace. Bids for policies will be fairly priced, but profit margins will decline due to increased competition. Martin also believes that returns will eventually fall to the high single digit levels.

New Product Development

Life settlements have earned it's way into the main stream of estate planning, and now have become a key stepping stone to the placement of new financial product," says Gary Brecka, President of Miami Beach, Florida based Life Asset Group. He estimates that more than 80% of his firm's policy sales result in the placement of a new financial or insurance product.

In addition, Martin Ruby believes that life settlements will spur new integrated product structures. These structures depend on the underwriting participation of an older insured with the financial risk being born by institutions such as banks and hedge funds. Martin believes this will put pressure on the life insurance industry to issue more large policies at the older ages. Some of these plans will be viewed as controversial, but the desire of life companies to grow their business will prove to be irresistible to some.

Closing

In closing, 2005 promises to be a defining moment in the history of the life settlement industry. Driven by the influx of institutional funding the industry is growing up fast. New standards and regulations will be developed to ensure consistency and accountability. Industry participants will become more sophisticated not only in the understanding of life settlements, but in their application as well. And as more and more professionals enter the industry, the many benefits and uses of life settlements will continue to be discovered. ■

› Industry Facts

$500 billion
Estimated amount of life policies owned by seniors[1]

$100 billion
Estimated amount of life policies owned by seniors eligible for life settlements[1]

$10-15 billion
Estimated amount of life policies to be purchased by providers in 2005[2]

Breakdown of industry by participant

Seniors 65+	36 Million[3]
Certified Public Accounts	447,000[5]
Certified Financial Planners	46,000[6]
Certified Senior Advisors	12,000[7]
Charitable Trusts	7,209[8]
Elder Law Attorneys	4,800[9]
Certified Estate Planners	500[10]
Producers	175,000[11]
Brokers	178[12]
Providers	34[13]

Top states with seniors[14]

State	Population
California	3,595,658
Florida	2,807,597
New York	2,448,352
Texas	2,072,532
Pennsylvania	1,919,165
Ohio	1,507,757
Illinois	1,500,025
Michigan	1,219,018
New Jersey	1,113,136
North Carolina	969,048

8 million
Estimated number of seniors using the internet, 94% of which also use e-mail[15]

› 2005 PRODUCER SURVEY

Sent out to life insurance producers, the survey sought to gauge awareness of life settlements and determine the volume of business generated. As you will see from the results, an overwhelming majority of producers have clients who meet minimum qualifications, however many have never conducted a life settlement transaction before. This demonstrates a clear need for education and awareness. *How do you compare?*

Do you have clients over age 65?	Yes	96%
Do you have clients who's life insurance needs have changed?	Yes	85%
Do you sell universal life?	Yes	73%
Do you have clients over age 65 who have surrendered a life insurance policy?	Yes	45%
Have you ever conducted a life settlement transaction before	Yes	20%
How many life settlement transactions have you done?	(1-5) (6-10) (11+)	40% 26% 34%
What percentage of your business is dedicated to life settlements?	(1-25%) (26-50%) (51%+)	90% 4% 6%

› Sources

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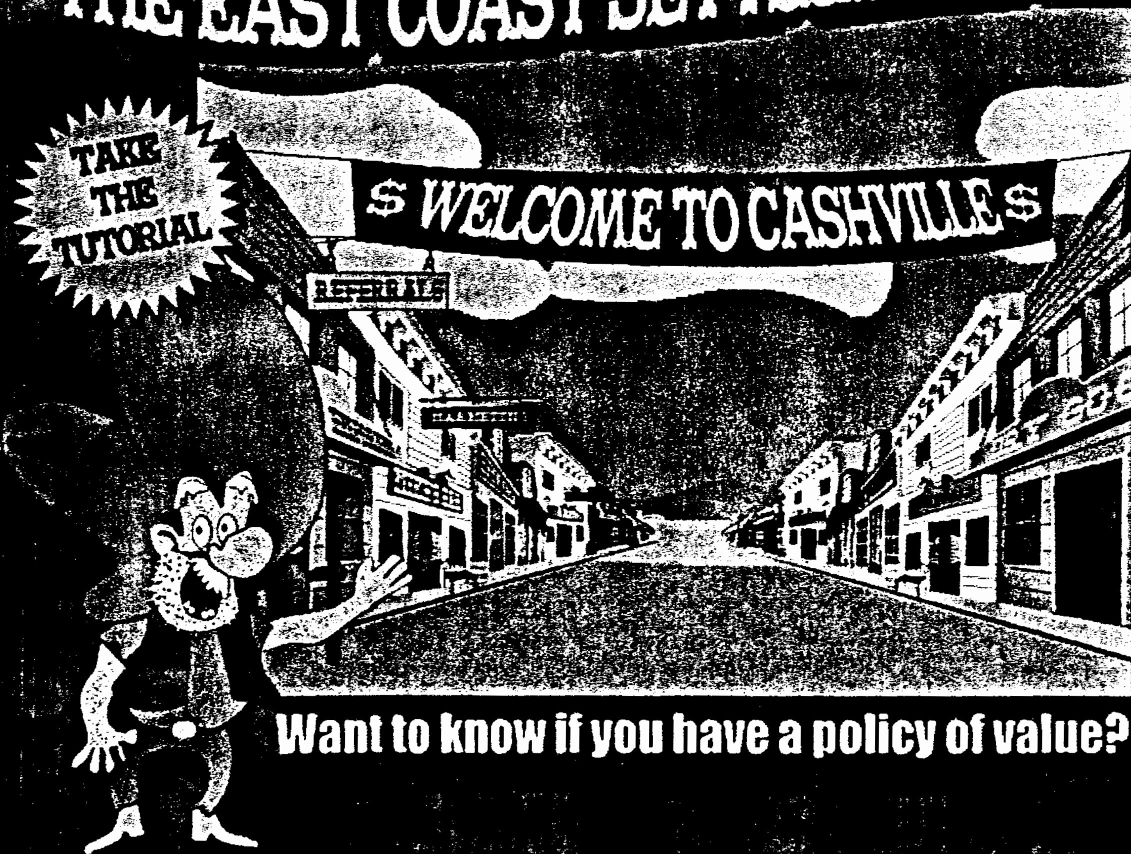
EXHIBIT 5

THE EAST COAST SETTLEMENT COMPANY



TUTORIALS
PARAMETERS
FORMS
FAQ'S
MARKETING
APPLICATIONS
PITFALLS
REFERRALS
FUNDING
ABOUT US

Want to know if you have a policy of value?

EXHIBIT 6

From: Jim Dodaro
Sent: Wednesday, February 02, 2005 6:57:58 AM
To: [redacted]
Subject: RE: Competitive Offers Information - [redacted]

I haven't talked to Advanced in the last 2 months. Eileen talks to them about their cases and Reid about co-brokers.

-----Original Message-----
From: [redacted]
Sent: Wednesday, February 02, 2005 11:57 AM
To: Jim Dodaro
Subject: FW: Competitive Offers Information -[redacted]

have you talked to advanced about htis case at all?

This is the one I was just working on, but we can't get close to the 300K range -- our max with the reduced [redacted] would be only 200K.

do you want to tlak to them or just let it go??

EXHIBIT 7

WHITE PAPER

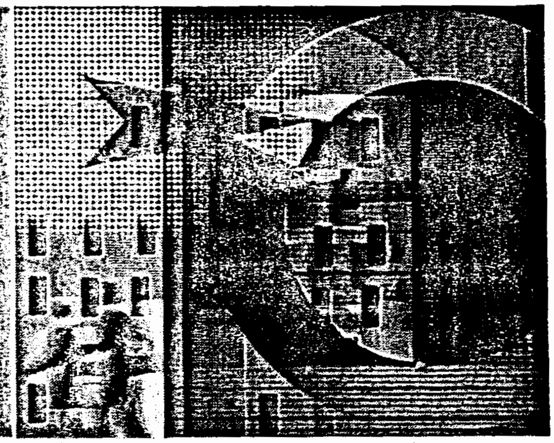
LISA® LIFE INSURANCE SETTLEMENT ASSOCIATION

Cashing in on Unneeded Life Insurance Policies

How Seniors Are Benefiting From Life Settlements

Cashing in on Unneeded Life Insurance Policies

WHITE PAPER



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Cashing in on Unneeded Life Insurance Policies

How Seniors Are Benefiting From Life Settlements

Many American seniors—typically those 70 years of age or older—are discovering that life insurance policies that once seemed appropriate no longer meet their needs. Unfortunately, the life insurance companies that sold them the policies in question may not offer real advice or solutions.

The insurance companies do allow their customers to "surrender" their policies, which means the policyholder will be offered a mere fraction (typically 3-5%) of the policy's face value. However, they often discourage their personnel from telling customers that they can realize far better cash outcomes thus obtaining far greater payoffs on their existing policies – through *life settlements.*

Life settlements, which are usually undertaken for the purposes of estate or financial planning, put choice in the hands of American consumers

A life settlement is the sale of an existing life insurance policy for more than its cash surrender value but less than its net death benefit. Such transactions, usually undertaken for the purposes of estate or financial planning, put choice in the hands of American consumers.

As this paper will show, life settlements represent an important option for a growing number of people who thought they had no options. Rather than continuing to pay premiums on a policy that no longer serves its original purpose, life settlements offer payoffs that can be significantly greater than surrendering a policy. Life settlements offer a reasonable and profitable exit strategy that addresses the financial objectives of policyholders.

In Search of Options and Opportunities

Americans have an extraordinary amount of choice in most products and services, and have come to expect the same freedoms to maximize value in the realm of life insurance

Changing priorities or dissatisfaction with life insurance policies have driven many policyholders to discontinue their existing life insurance policies. While policy owners have had a legally protected right to sell (or "assign") a life insurance policy for almost a century, very few have taken advantage of this opportunity until recently.

Here are some of the factors encouraging insured individuals to reconsider the value and necessity of their current policies:

- **Paradigm shift in consumer thinking.** Americans have an extraordinary amount of choice in most products and services.

Similarly, they have come to expect the same amount of freedom to maximize value in the realm of life insurance. They are recognizing that life insurance is merely one asset within an estate or financial portfolio that should be managed for optimum outcomes. They are no longer willing to treat life insurance as an "untouchable" product that must always be held until death.

- **Guidance from their financial advisors.** As the poor performance or under-performance of certain life insurance (particularly universal life) policies becomes increasingly clear over time, financial advisors – and even independent agents who originally sold the policies – are exploring options with their clients. Financial advisors, who are increasingly attuned to the changing needs and priorities of their customers over time, may suggest alternatives. Many independent insurance agents, who have an inside perspective on how individual policies have performed, also are beginning to discuss options with clients. Most insurance companies, in contrast, do not fully advise their clients about their choices.

- **Feathering the empty nest.** As Americans enter their senior years, they often experience unexpected changes that alter their priorities. Policies that once made sense no longer do under new circumstances. For instance, decisions that seemed appropriate when policyholders had children in the house may no longer seem appropriate. These life changes may drive some seniors to decide that a given life insurance policy is no longer relevant and that other steps should be taken to achieve full financial empowerment.

- **Dissatisfaction with existing policies.** Whether the motivation is changing circumstances, better financial options or the availability of superior policies that render old ones obsolete, many seniors may find themselves dissatisfied with existing policies. Indeed, quality improvements in insurance policies over the years are driving individuals to abandon policies they consider to be outdated.

- **Escalating policy premiums.** Many people are not prepared for the steep escalation in premiums that accompanies ownership of many policies. Moreover, they may be hit with these policy increases right at the time when they are experiencing mounting health care costs and other financial concerns. Under such circumstances, a policy may seem to be a lower priority than it might have been in the past.

These factors have created demand for alternatives among many who now hold life insurance policies. Such alternatives are now becoming visible to consumers.

Is it possible to recover money necessary to make new investments and more effectively manage the financial estate?

Policyholders Have Unanswered Questions

Increasingly, policyholders have questions for their life insurance companies: Are there more attractive alternatives than to surrender a policy? Is it possible to recover money necessary to make new investments and more effectively manage the financial estate? If new policies that offer lower premiums and better guarantees are now available, is there a way to transition to a new policy without incurring financial punishment? If life circumstances change, is there a way to sell the policy and still realize a fair settlement? What are the available options?

Unfortunately, the life insurance companies offer no real answers to these questions. Customers do have the option to "surrender" their policies, which means the policyholder will be offered a mere fraction of the policy's face value. Insurance companies are requiring life settlement companies to inform seniors about the accelerated death benefit option. However, they are not informing seniors of the option for a life settlement.

Often, policyholders let policies lapse, in which case they receive nothing – not even a minor surrender payment – for their years of premium payments. Their contracts are simply null and void.

There are even cases where a spouse, who previously was responsible for the bills, has died and the life insurance policy goes unrecognized. There are others where family members take responsibility for an individual who suffers from Alzheimer's or some other serious debilitation late in life, but are unaware of – and, thus, neglect to pay – a life insurance bill. Such cases are simply and coldly classified as "lapsed policies," but there's obviously a severe cost to consumers.

Reasons for Abandoning a Life Insurance Policy

Policyholders may determine that they can obtain better, more expansive coverage with lower premium payments in the current market

There are many reasons that life insurance policyholders might begin to question whether it is prudent to continue to hold and pay premiums on existing policies. Among them:

- **The policy is no longer needed or wanted.** As the circumstances of life change over time, so do insurance needs. Policies that may have made sense at one point may no longer serve a useful purpose at a later date. Perhaps a spouse or another beneficiary for whom the policy was purchased is now deceased. Maybe other policies prove adequate to cover the original goals and provide necessary protection.
- **Opportunities to obtain a superior insurance policy.** There have been dramatic changes in the insurance market in recent years. As a result, policyholders may determine that they can obtain better, more expansive coverage with lower premium payments in the current market.
- **Premium payments have become unaffordable.** In many cases, large or escalating premium payments can prove to be a tremendous financial burden for policyholders, particularly in their

elder years. They may need to get out from under the burden of making these payments in order to sustain a good quality of life.

- **Changes in estate planning needs.** The financial markets have created powerful new opportunities for smart investors in recent years. As financially adept consumers seek to maximize the value of their assets and estates, they may find investment vehicles that offer a superior return to existing life insurance policies.
- **Rising healthcare costs or mounting financial concerns.** Health problems and other unforeseen difficulties can create circumstances that increase financial burdens and needs. Under such circumstances, existing life insurance policies may not be considered as relevant as more immediate concerns.

Whether policyholders possess term policies, universal life policies or whole life policies, they can easily find themselves in circumstances where their existing policies no longer make sense. Indeed, a growing number of individuals have come to that conclusion. Unfortunately, their insurance companies tend to be less than helpful at that point.

Life Insurance Companies Offer No Viable Exit Strategy

Insurance companies have built their businesses with an anticipation of high lapse and surrender rates

There are countless scenarios that might encourage a policyholder to seek alternatives to existing life insurance arrangements. The problem is that insurance companies merely offer their customers two choices: lapse or surrender. If the policy lapses, then the contract becomes null and void and the customer loses all of their investment. If the customer chooses to surrender the policy, then the payout is typically only 3-5% of the policy's face value.

Considering the high and often escalating premiums that policyholders often pay over time to keep their policies in force, it's an unfair and unacceptable outcome. In trying to abandon their policies, consumers lose the cash value buildup in them – the element that makes them an asset.

There is absolutely no reason to hold onto an unattractive policy when higher guarantees and higher coverage at lower premiums are a market option. Why accept highly invasive surgery – and months of rehabilitation – when you can have a high-tech, minimally invasive procedure performed instead? Why rent an old phone from Ma Bell – and pay $3 a minute to call your grandchildren – when you can own a wireless phone and pay 10 cents a minute?

Obviously, markets drive innovation, change and quality improvements. They offer us all an endless parade of choice.

Historical Overview: The Evolution of a Secondary Market

In a 1911 case, the U.S. Supreme Court found that a life insurance policy is a form of property and that policy owners are free to sell and transfer ownership to other parties

In 1911, the U.S. Supreme Court decided that life insurance policies are freely assignable for value. The court found that a life insurance policy is a form of property and that policy owners are free to sell and transfer ownership to other parties.

After World War II, the American economy and the insurance industry boomed. New forms of policies, such as universal life, became popular. Life insurance policies became a familiar consumer product – often purchased outright or incorporated into a corporate benefits package.

It wasn't until the 1990s that a market for *viatical settlements* arose. Such settlements became a popular option for terminally or chronically ill policy owners who wanted to sell their policies to third-party investors. These policy owners often had HIV and needed the money for costly medication and treatment. However, numerous cases of fraud and abuse were uncovered during the period – leading to calls for greater state regulation.

In the late 1990s, life settlements emerged from the viatical industry. Since then, the value and the volume of the life settlement industry have increased dramatically. A secondary market for life insurance has provided consumers with financial empowerment to manage their life insurance assets more effectively, providing an alternative to lapse or surrender. Policy owners receive, on average, three times the cash surrender value for the sale of their policy. In 2004 alone, life settlements provided seniors with $1 billion in purchasing power – $660 million in excess of cash surrender value, according to the Life Insurance Settlement Association (LISA).

In recent years, the secondary market has continued to grow. Recognized financial leaders have provided capital funding and the number of experienced brokers and service providers has grown.

Over the past decade, regulatory and legal statutes have afforded consumers new protections in most states – though not all. Some states have enacted statutes addressing the sale of life insurance policies for all policyholders and some have only enacted laws that regulate the sale of life insurance policies for terminally ill individuals. Still other states do not regulate the transaction at all. Of those states that regulate the transaction, most require that both the settlement broker (representing the seller) and settlement provider (purchaser of the policy) be licensed.

The Life Settlement Solution

Life settlements are a relatively new product that provides an exit strategy for individuals holding expensive or under-performing life insurance policies

Consumers have an alternative to lapsed or surrendered policies. Policyholders have a choice available to them that will help them realize the full market value of their existing policies, should they decide to abandon them. When concerns about the value or relevance of an existing life insurance policy arise, it may be time to explore *life settlements* – an option and an opportunity enabling a policyholder to receive a fair and reasonable settlement when selling a life insurance asset.

Significantly Higher Value

What makes life settlements so attractive to the policy seller – the consumer – is that the proceeds from the policy sale are always greater than the cash surrender value that would otherwise be offered by the insurance company. In fact, they can produce returns that are three to four times an insurance carrier's cash surrender value.

When to Sell?

When should one consider engaging in a life settlement? While there are many situations in which a life settlement might prove a sensible option, it is most useful in situations where an individual is thinking of letting a policy lapse or surrendering the policy back to the original insurance company.

Changing circumstances – such as the retirement of someone who held a "key-man" policy or shifting financial portfolio – can lead a policyholder to seek a life settlement. The death of a beneficiary, which takes away a policy's initial purpose, might be another reason. Sometimes, the key reason for abandoning a policy and seeking a life settlement is the escalation of policy premiums, which might diminish the policyholder's quality of life. However, the single most common reason for seeking a life settlement – representing 40% of all such transactions – is tied to the desire to obtain a different policy on more attractive terms.

The Secondary Market

Life settlement providers competitively bid on the purchase of an existing policy, taking into account the insured's current age, state of health, and the overall economic environment. In other words, if they qualify, those wishing to cash in their policies can now get a competitive market quote based on several bids – creating superior outcomes for the policy seller.

Considering that there is more capital committed to life settlements than policies to sell, sellers are in a very strong position

Life settlements are typically supported by solid and recognized institutional funding sources. Financial capital presently is supercharging the development of the life settlement industry. Brokers, who represent the policy sellers, solicit multiple bids from life settlement providers, who derive their financial backing from institutional funders such as prominent investment banks and hedge funds.

Such players make up what is known as the "secondary market." Most substantial consumer products actually lend themselves to secondary markets. Houses, for instance, are purchased and resold on secondary markets. One other example is the secondary market for theater tickets. In the state of New York, ticket holders now can resell their tickets – though for less than the original sale price. This adds value to the original ticket because ticket holders are now able to recover some portion of their money should their plans change. In fact, a great deal of an insurance policy's initial value in a primary market rests on the knowledge that it can always be resold in a secondary market.

As a maturing industry, life insurance has opened the door to life settlements as a secondary market. Life insurance, after all, is recognized by law as an "assignable," or transferable, asset. Like other consumer products, it can be purchased, owned, and thus sold on the open market. As in other markets, a variety of companies – funders, providers and brokers – compete for the right to serve the customer and provide a valued service.

Market value – as opposed to the insurance company's valuation of a policy – is the ultimate determinant of how policyholders are compensated on the secondary market. Competition enables consumers to receive a fair and attractive settlement as more and more institutional investors are attracted to the strong returns that the life settlement market represents. Indeed, today's market could be considered a "seller's market," exceedingly favorable to policyholders. They can easily "shop" their policies for multiple, competing bids.

The existence of this increasingly competitive secondary market also enables the streamlined transfer of the product from seller to buyer. When the transaction is completed, policy ownership is transferred to the life settlement provider (typically a licensed entity) – who assumes premium payments. The policy seller receives a lump-sum cash payment within a matter of days and is free to begin taking the steps that encouraged the individual to engage in a life settlement in the first place.

The life settlement industry is a highly funded, highly capitalized industry with money from dozens of companies that represent the capital markets. The buyers aggressively compete to provide the policy seller with the best possible offer. And considering that there is more capital committed to life settlements than policies to sell, sellers are in a very strong position.

The Benefits of a Life Settlement

The reluctance of life insurance companies to change with their customers has created a vacuum in the marketplace that life settlements have emerged to fill

Life settlements provide a host of benefits to consumers. They also address the key challenges that now lead to dissatisfaction and disappointment among life insurance policyholders. Here are some of the key benefits to consider:

<u>Provides an Exit Strategy for Unwanted Policies</u>

Life settlements give policyholders an opportunity to generate returns that can be three to four times cash surrender value. The cash payments they receive enable them to abandon existing policies and make decisions that would otherwise not be open to them.

Imagine you were holding a 10-year, $1 million life insurance policy. You can now recapture some of the value you invested in the policy. You purchased it when you were 65 and now you are 75, but you have no interest in paying the rising premiums.
Now, you can sell the policy for $200,000 in the secondary market that would otherwise have yielded $50,000 in cash surrender from your life insurance carrier. It's clear that a life settlement generates a better cash outcome for you, the policyholder.

Addresses Life Changes

Lives, expectations, priorities, concerns and needs all tend to change over time. The National Association of Insurance Commissioners (NAIC) acknowledges this truth on its website when it encourages policyholders for home, auto and health to annually review their policies to ensure that their coverage matches their family and personal needs. Such life changes may also have implications for owners of life insurance products. Life settlements enable consumers to address the changes in their lives – moving monies from unwanted life insurance policies to more valued investments or activities.

Enables Individuals to Purchase Better Performing Policies

Life settlements enable policyholders to obtain the cash payments necessary to purchase replacement policies. In some cases, they may even be able to purchase policies with their life settlement payments that eliminate the necessity of making premium payments thereafter. Others choose to purchase replacement policies and "cash out" part of the value of their existing policies and use the money for other purposes.

Provides Freedom and Flexibility

Consumers now have the freedom and flexibility to take the proceeds from a life settlement and use them as they see most appropriate. They may want to give cash gifts to family members. They may want to use the money to engage in charitable giving. Some may even want to remove a policy from an estate due to a reduction in size of their assets.

More and more people are discovering that they do have choices in the realm of life insurance. By enabling policyholders to seek the highest bid available in the secondary market, life settlements typically yield three to four times the surrender value. As a result, policy owners are not tied to the decisions of the past. They have the freedom and the flexibility to go forward.

Life Settlement Scenarios

Having received a life settlement offer of $779,000, one 75-year-old woman used the proceeds to purchase a new policy with a $1,300,000 death benefit. As a result, this individual was able to completely eliminate annual premiums – saving $85,130 a year.

To gain a better understanding of the experiences that might encourage someone to abandon a life insurance policy and the benefits that one might derive from a life settlement, it's useful to consider some common scenarios. These examples demonstrate the changes and choices that people face when they engage in a life settlement, but also some of the opportunities they are able to seize. Here are some typical scenarios based on real-life cases and experiences:

Replacing Multiple Insurance Policies to Realize Big Savings. One 80-year-old retired business owner held multiple insurance policies with $5 million in death benefits. His annual premiums were $426,113. His objective was to obtain the same death benefit while reducing his substantial annual premiums. Through a life settlement, he sought the money to fund a single $5 million policy. Based on the highest offers available to him, he was able to obtain life settlement proceeds of $950,000. Those proceeds enabled him to fund a new policy with the same coverage; however, annual savings in premium payments will total $125,312.

Eliminating Premiums through a New Policy. A 75-year-old woman held a life policy for $2.5 million. However, her annual premiums of $85,130 were becoming far too costly. Moreover, one of the beneficiaries for which she had held the policy preceded her in death. Considering the changing circumstances in her life, she sought a different policy. Having received a life settlement offer of $779,000, she used the proceeds to purchase a new single premium policy with a $1,300,000 death benefit. As a result, this individual was able to completely eliminate annual premiums – saving $85,130 a year.

Enabling a Comfortable Retirement with $1.1 Million Settlement. One 73-year-old business owner wanted to sell his company, but was unable to solicit an offer that he considered sufficient for his retirement needs. Working with his financial advisor, he realized he could sell his business-owned policy on the secondary market. The term policy, which had a face amount of $5 million, had no cash value. The life settlement transaction, however, yielded him $1.1 million – enabling him to take the proceeds and fund a comfortable retirement.

One 78-year-old man was unable to keep up with his premiums for a $250,000 policy and was in danger of losing his home due to mounting bills and unpaid loans. His life settlement enabled him to pay off his bills and keep his home

Salvaging a Policy from Lapse to Protect a Home. One 78-year-old man was unable to keep up with his premiums for a $250,000 policy and was in danger of losing his home due to mounting bills and unpaid loans. He had experienced unexpected health problems that were not covered by Medicare. He had also provided money to a grandchild for college tuition. Now, he found himself in difficult financial straits. He was unable to pay his escalating life insurance premiums and was prepared to let the policy lapse. He was even facing foreclosure on his house. Then a friend told him about life settlements and he asked a financial advisor. As a result, the $70,000 payment he received within a week of seeking bids and a day of selling his policy has helped him pay off some troubling debts and keep his home.

Funding Replacement Coverage with Lower Premiums. This case involved an 83-year-old woman with a $1 million universal life policy with premium payments of $42,321. However, her insurance carrier offered a cash surrender value of only $46,567. She wanted to maintain her coverage, but needed to lower her monthly premiums to reduce expenses and maintain her quality of life. Through a life settlement she was able to obtain $310,000. The proceeds were then used to purchase a new $1 million policy with significantly lower premiums.

Creating Financial Security and Peace of Mind. One 76-year-old man developed financial problems after his wife passed away and realized he could no longer afford to pay the premiums for a $2.5 million survivorship universal life policy. He was prepared to cash it in for just $55,544 when his broker referred him to a specialist in life settlements. Having received $785,000 as a top bid, he was able to secure his future years and told his broker that this had changed his life.

As these scenarios suggest, there are far-reaching – even life-changing – benefits to be realized through life settlements. They represent smart money management in many cases – a financial tool to maximize the value of one's life insurance assets. In other cases, they represent a means of addressing mounting problems and gaining financial security. In every case, life settlements offer superior value to the individuals who choose to take advantage of them.

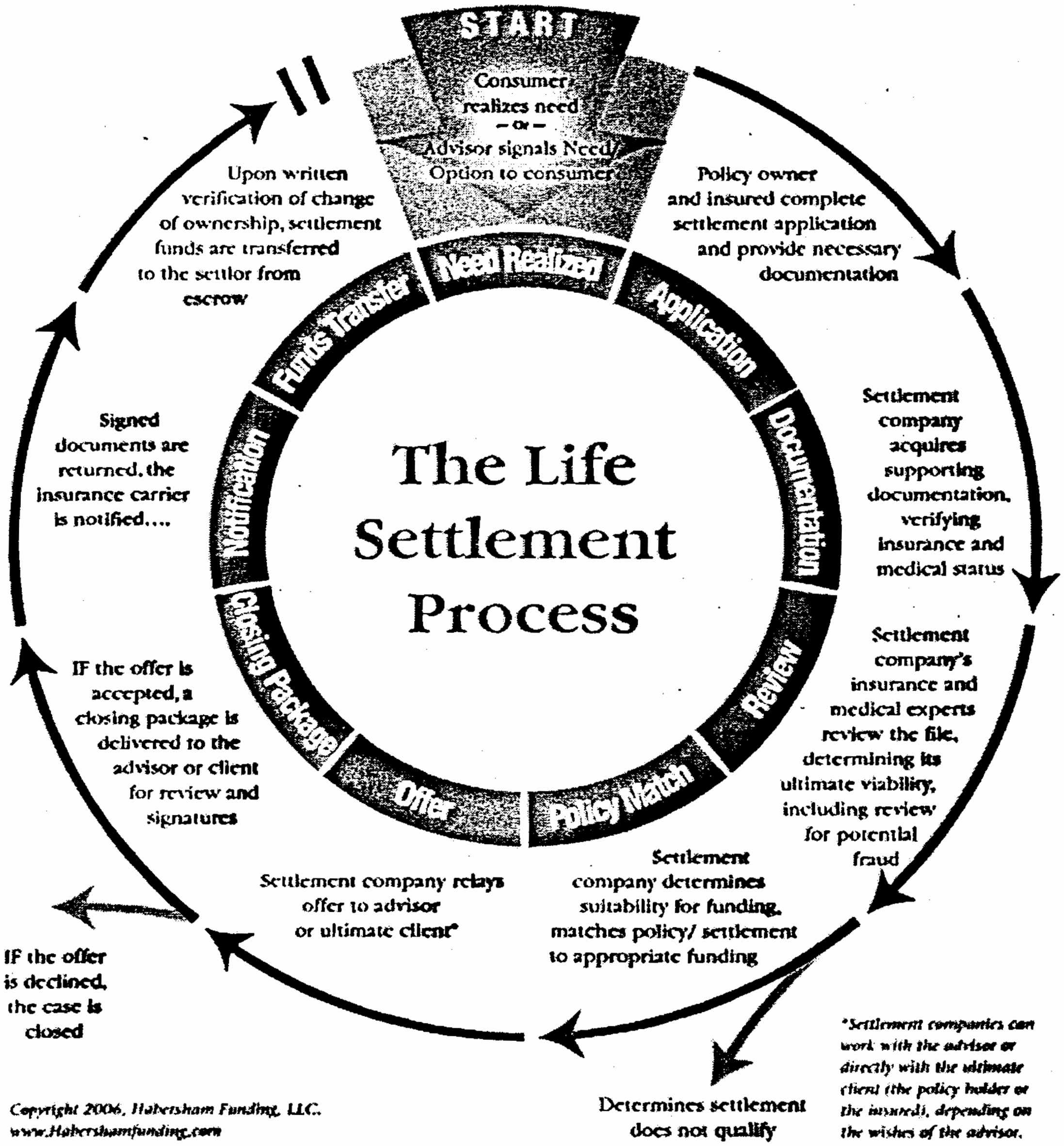
The Life Settlement Process

Companies will competitively bid on the purchase of an existing policy based on the insured's current age, state of health and the overall economic environment

As discussed, a vibrant and highly regulated secondary market for life insurance policies has emerged in recent years as companies have raised pools of capital. These companies competitively bid on the purchase of an existing policy based on the insured's current age, state of health and the overall economic environment. Those who qualify can now get a competitive market quote based on several bids. Here are the nine key steps associated with the life settlement process.

1. **Need Realized.** Consumer realizes a need or an advisor signals the option that he can sell his policy to the consumer.
2. **Application.** Policy owner completes settlement application and provides necessary documentation.
3. **Documentation.** Settlement provider acquires supporting documentation, verifying insurance and medical status. Settlement companies can work with either the advisor or directly with the policy-owner.
4. **Review.** Settlement provider's insurance and medical experts review the file, determining its ultimate viability, including a review for potential fraud.
5. **Policy Match.** Settlement provider determines suitability for sale, and matches policy for appropriate funding. At this point, the settlement company may also determine that the settlement does not qualify, which ends the process.
6. **Offer.** Settlement provider relays the offer to client advisor or ultimate buyer. If the offer is declined, the policyholder can seek other offers with other settlement providers.
7. **Closing Package.** If the offer is accepted, a closing package is delivered to the advisor or client for review and signatures.
8. **Notification.** Signed documents are returned and the insurance carrier is notified.
9. **Funds Transfer.** Upon written verification of change of ownership, settlement funds are transferred to the selling policy owner from Trustee's Escrow Account.

When the transaction is complete, the buyer – or life settlement provider – becomes the new owner of the life insurance policy, pays future premiums and collects the death benefit when the insured dies. The proceeds of the sale can be used in any manner the seller sees fit.


START
Consumer realizes need
– or –
Advisor signals Need/ Option to consumer
The Life Settlement Process
Need Realized
Application
Documentation
Review
Policy Match
Offer
Closing Package
Notification
Funds Transfer
Policy owner and insured complete settlement application and provide necessary documentation
Settlement company acquires supporting documentation, verifying insurance and medical status
Settlement company's insurance and medical experts review the file, determining its ultimate viability, including review for potential fraud
Settlement company determines suitability for funding, matches policy/ settlement to appropriate funding
Determines settlement does not qualify
Settlement company relays offer to advisor or ultimate client*
IF the offer is declined, the case is closed
IF the offer is accepted, a closing package is delivered to the advisor or client for review and signatures
Signed documents are returned, the insurance carrier is notified....
Upon written verification of change of ownership, settlement funds are transferred to the settlor from escrow
*Settlement companies can work with the advisor or directly with the ultimate client (the policy holder or the insured), depending on the wishes of the advisor.
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www.Habershamfunding.com

Life settlements are a smart money management tool, a key consideration in estate and financial planning efforts. Therefore, you should assess them in association with your financial advisors and estate planners

What to Look for in a Life Settlement

When considering a life settlement, policy owners have several issues they should keep in mind. The first point to remember is that any steps in this direction should be discussed and examined in association with a financial advisor. Whether you turn to an accountant, an attorney, a financial planner or some combination, it's critical to seek professional advice in order to ensure the best possible outcomes.

Life settlements are a smart money management tool; a key consideration in estate and financial planning efforts. Therefore, you should assess them in association with your financial advisors and estate planners. While much information is readily available through trade associations such as LISA, financial advisors should be able to provide relevant referrals.

Also, recognize that regulations will vary by state. You should find out what regulations – if any – apply to your state with regard to life settlements. The key regulations tend to concern licensing rules and whether brokers and providers must provide certain legal "disclosures" – information, guarantees and protections – during the life settlement process. While some states do not mandate these disclosures, policy owners can demand that they be provided by brokers and providers.

Evaluating Brokers and Providers

The next consideration – assuming life settlements remain a compelling option – is whether to work with a life settlement broker or a life settlement provider. It is possible to engage in a life settlement in either fashion. However, most settlements are conducted through a broker, who can then solicit multiple, competitive bids on the insured's behalf. The advantage of working directly with the provider – which is only responsible for its own bid – is that intermediaries are eliminated in the process. When possible, it's best to seek guidance from a financial advisor on this decision.

Whether you choose to work with a broker or provider, the ultimate goal is to obtain the best possible settlement on the best terms. Once a decision is made about the type of settlement broker or provider that will be employed, several criteria should help guide you – the policy owner – in deciding which particular firm (or individual) to engage.

When assessing a life settlement broker (or a provider with whom you will work directly), key criteria to consider are professional reputation, years of experience in the industry and past performance with settlements.

Professional reputation is a mark of how a particular individual broker or firm is perceived within the industry. Are their customers satisfied? Are they licensed in a significant number of jurisdictions? Have they obtained references and testimonials? Do they belong to a recognized industry trade association such as LISA and holds them in good standing? Has any insurance department taken any adverse regulatory action against the individual or firm?

When judging years of experience, take into account that the life settlement industry is relatively young. An individual with four or five years of solid experience can be a very appropriate service provider.

The most critical element is past performance. How many settlements handled in a typical year and, more importantly, what amounts have been acquired for clients. Ask the broker to walk you through past cases that are similar to your own and show the results. And ask the broker for client references.

Relevant Disclosures

Whatever the particular state's regulations, there are certain industry-standard practices that all brokers should follow and certain disclosures that should be made

Finally, it is important to ensure that relevant disclosures are presented for mutual consideration and signature. Whatever the particular state's regulations on such matters, there are certain industry-standard practices that all brokers should follow and certain disclosures that should be made to the policy seller.

Among the key disclosures pertaining to the life settlement application process that might be drawn from the model regulations of the National Association of Insurance Commissioners (NAIC) are:

- The policy seller has the right to rescind a life settlement contract for fifteen (15) calendar days after the receipt of the of the life settlement proceeds from the provider.

- Funds will be sent to the policy seller within three (3) business days after the life settlement provider has received the insurer or group administrator's acknowledgement that ownership of the policy or interest in the certificate has been transferred and the beneficiary has been designated.

However, it's also important to note that disclosures should sufficiently warn policy sellers about other factors of concern. One relevant disclosure: "Some or all of the proceeds of a life settlement may be taxable under federal income tax and state franchise and income taxes. Assistance should be sought from a professional tax advisor." Another: "Proceeds of the life settlement could be subject to the claims of creditors." If the seller is within two years of death, there is also the possibility of obtaining "accelerated death benefits" from a life insurance company.

Clearly, policy owners should engage in life settlements with their eyes wide open. Understanding all the implications of making a life settlement will ensure the most satisfactory and successful outcomes. Ensuring that all the relevant disclosures are provided by the firms with which one works is an important part of this equation.

After a life settlement provider's bid has been accepted, one should expect a different set of disclosures at the time of contract in the closing package. Among the key disclosures:

- State the affiliation, if any, between the life settlement provider and the issuer of the insurance policy that is being settled.

- The life settlement provider shall disclose to a prospective seller the amount and method of calculating the broker's compensation. The term "compensation" includes anything of value paid or given to a life settlement provider for the placement of a policy.

- State the name, business address and telephone number of the independent third-party escrow agent, and the fact that the policy seller may inspect or receive copies of the relevant escrow or trust agreements or documents.

It's important to recognize that the broker has a fiduciary role to represent the seller by law. The broker's job is to fully represent the interests of the policy seller

Such disclosures ensure the policy seller is protected should any problems occur in the final process of policy transfer or the handling of escrowed funds. In some cases, errors and omissions insurance may also be offered to cover these possibilities.

It's important to recognize that the broker has a fiduciary role to represent the seller by law. While the broker is most likely to receive a commission based on the amount of the life settlement (and it's perfectly acceptable to ask the broker to clarify those arrangements), the bottom line is that the broker's job is to fully represent the interests of the policy seller.

As mentioned, one key way to ensure that brokers and providers are reputable is to check their affiliation with recognized trade groups such as LISA. In defense of the interests of consumers, LISA requires all its members to sign a code of ethics and follow its Standard Operating Practices.

About LISA (Life Insurance Settlement Association)

LISA membership indicates a company has spent time, money and effort to comply with government and public standards

LISA was founded in 1995 as a non-profit trade association for members of the viatical and life settlement industry and associated businesses. It is the oldest and largest association in the business with more than 120 company members. LISA's core mission is to actively represent the interests of consumers, ensuring they have a full range of choice and protection with respect to life insurance settlements.

Since its inception, LISA has been a leader in promoting responsible legislation and regulation of the industry. It has contributed conceptual and detailed language to actual laws governing the industry in most states.

These efforts have resulted in improved public information and awareness. They also have helped create a competitive marketplace for the purpose of providing the consumer a valuable financial service.

Trade association membership indicates a company has spent time, money and effort to comply with government and public standards. Members of LISA are kept abreast of the latest activity in the areas of securities legislation and regulation of the business.

What LISA Can Do for You:

LISA is a non-profit trade association dedicated to serving the public with the highest degree of standards. It is a valuable source of information for the consumer, member companies, regulators, legislators and all interested parties. It is regarded as the most comprehensive authority in the life settlement and viatical business.

The association offers many benefits and services to the public, including:

- **Referral Services:** LISA Member companies are experienced, knowledgeable and held to the highest ethical standards. You can refer to its member company section **at lisassociation.org** for a list of companies.
- **Licensing:** Many states regulate the life settlement and viatical business. LISA will identify whether or not your life settlement is a regulated transaction in your state.
- **Legislation and Regulation:** There are laws or pending rules in many states. LISA can provide you with specific rules in your state or assist you in determining where to find the information.
- **Questions and Answers:** The association's website was designed to provide you with the information necessary to be informed regarding the life settlement and viatical settlement business. Feel free to call LISA's home office with any questions or assistance you may need.

LISA is dedicated to serving the public.

Any questions or comments are welcome.
Feel free to e-mail LISA at
support@lisassociation.org
or call (407) 894-3797.

EXHIBIT 8

RESOURCES::

› materials
› downloads
› seminars

SELLER'S GUIDE

HOW A LIFE SETTLEMENT WORKS

Important Information You Need to Know Before Entering Into a Life Settlement

What are life settlements?

A life settlement is the sale of a life insurance policy or certificate (hereafter referred to as policy) issued on the life of a person, who does not have a catastrophic or life-threatening illness or condition that is likely to result in death within 24 months, for a dollar amount that is less than the policy's face value. The person who is insured under the policy is called a life settlor. This person may or may not be owner of the policy. Only the owner of the policy has the right to sell the policy. If you do not own the policy, the owner cannot sell the policy without the insured's consent. The entity that buys the policy is called a life settlement provider (hereafter referred to as provider.) **allsettled Group, Inc.** affiliates act a funders (they buy the policy). Additionally, there are persons called brokers or provider representatives, who help with the sale of the policy.

A life settlement offers you the opportunity to receive a portion of your policy's death benefit while you are still alive.

How do life settlements work?

Most providers, provider representatives or brokers will ask you to complete an application, along with policy and medical release forms so that they can gather information from you life insurance company and your doctors. All information gathered must be kept confidential and cannot be given to anyone without your written approval. If you qualify, the provider will make you an offer for your policy. The amount offered for your policy will be based on facts such as how long you are expected to live, the amount you pay for premiums, the rating of your insurance company, and your policy's provisions (e.g., a waiver of premium). If you accept the offer, you will be asked to sign a life settlement contract.

Do I have to sell all of my policy?

No. You can sell all of your policy or you can sell only a part of your policy. If you sell only a part, you will be required to assign or transfer only the part being sold. If you sell the entire policy, the provider will become the new owner of the policy.

Is there a difference between a broker and a provider representative?

Yes. Although both a broker and a provider representative will help you with the sale of your policy, there are important differences between them. A broker works for you. A broker will check with several providers to find the best offer for you. A provider representative works for a provider. A provider representative will only check with the provider that he or she works with to get you their offer. If you use someone to help with the sale of your policy, you may want to ask whether they are a broker or a provider representative.

Is the provider, provider representative or broker required to keep my information confidential?

Yes. Any financial, medical or personal information obtained by a provider, provider representative or broker about you, including your family members, a spouse or a significant other, may not be shared with anyone unless you have given written approval that the information may be shared. Any written approval for the sharing of this information must show who may get the information and why it is to be released.

If I enter a life settlement contract, when will I get my money and who from?

The answer to this question depends on how the provider runs its business. Some providers use an escrow agent or trustee to handle the money that will be paid to you. If an escrow agent or trustee is used, the escrow agent or trustee will send you the money within three business days of the date the insurance company confirms to the provider that the transfer of ownership has been completed. If an escrow agent or trustee is not used, the provider will send you the money within three business days from the date you signed both the contract and the papers needed to transfer or assign you policy to them.

What if I change my mind?

If you change your mind about selling your policy, you can cancel the life settlement contract at any time up to the 15th day after you receive the money form the provider. To cancel the life settlement contract, you will have to return any money the provider paid to you for the purchase of your policy along with any premiums the provider paid to keep the policy in force. If you change your mind, remember to arrange with the provider to have the insurance company transfer the ownership of the policy back to you.

What if I die shortly after selling my policy?

If the insured dies at any time up to the 15th day after you receive the money from the provider, the settlement contract will automatically cancel. The provider will pay the owner of the policy or beneficiaries designated by the owner in the life settlement contract any proceeds it receives from the policy, minus any money it already paid for purchase of the policy and any premiums it paid to the insurance company to keep the policy current. The insurance company or the provider should refund any unearned premiums paid.

What happens after I get my money?

After the provider had paid the owner for the sale of the policy, they may begin calling to check on the health status of the life settlor.

What if I don't want to be contacted about my health status?

If you do not want to be contacted about your health status, you may appoint an adult person or persons to be contacted on your behalf. That person must be in regular contact with you and you must give the provider their name, address and phone number. Once you give the provider this information, they may not contact you unless they have tried and have not been able to reach your contact person for more than 30 days. If you need to, you can change your contact person at any time by sending a written notice to the provider.

How will I know who will be calling me or my contact person about my health status and how often can they call?

The provider must give you the name, address, and phone number of the person who will be contacting you or your contact person(s) about your health status. Contacting is limited to no more frequently than once every three months.

Will the provider be calling my doctor to check on my health status?

Some providers will use your signed medical release form to check with your doctor for updates on your health status. The medical release form tells your doctor that you want your doctors to give your medical information to the provider, broker or provider representative. If you decide you do not want the provider to contact your doctor, you have the right to withdraw your medical consent in accordance with law.

Does anyone make money or commissions from the sale of my policy?

You have the right to ask for and receive the names of all the people who have or will receive some type of payment from the sale of your policy, along with the amount and terms of the payment. You may ask for this information at any time.

How will I know if my policy includes extra coverage like accidental death, future increases in the death benefit, or covers other family member? Do these affect my settlement?

Some policies contain extra coverages. You may want to contact your insurance company or agent to see if your policy contains a provision or rider providing extra coverages

If your policy includes a benefit for accidental death, the additional death benefit may not be included as part of your settlement. The additional death benefit will remain payable to your beneficiaries or your estate.

If your policy provides future increases in the death benefit, you may want to ask how much the provider is paying you for the purchase of this benefit.

If your policy is a joint policy, or provides coverage on the lives of other family members or anyone other than yourself, there may be a possible loss of coverage.

Are there other options available besides selling my policy? You insurance company may offer options, such as accelerated death benefits, loans and surrender of the policy for its cash value. Before entering into a life settlement, you should contact your insurance company or agent to see what options are available.

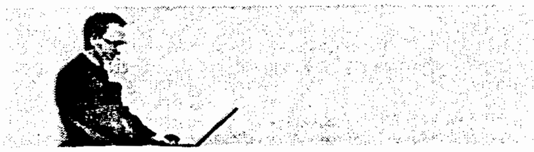
What other things should I know about a life settlement contract?

Some things that may be affected if you enter a life settlement are:

> there may be a loss of life insurance coverage on your spouse or other family members, if the policy (or any riders attached to it) covers their lives;
> the amount of premiums you pay;
> policy cash values or dividends, if provided for in the policy;
> a loss of other rights or benefits, including conversion rights and waiver of premium benefits that may exist under the policy;
> you may incur tax consequences;
> your ability to receive supplemental social security income, public assistance, and public medical services including Medicaid; and
> the money you receive for your life settlement could be taken away from you by creditors, personal representatives, trustees in bankruptcy and receivers in state or federal court.

Because of the above, you should contact an attorney, accountant, estate planner, financial planning advisor, tax advisor, social services agency, your insurance company, or agent, as applicable, to find out what effect selling you policy will have on you.

Submit a Case



Represent allsettled

Learning Center

Policy*gain*

allsettled utilizes our **Policy*gain*** system to determine the fair market value of Life Insurance Policies for Life Settlements. Find out what your client can get for their policy. Learn more...

Have a prospect for a Life Settlement. You should submit a simple case inquiry form first.

case qualifyer

Join allsettled's Advisory Network

An innovative way for you to discover how to bring a new source of revenue to you and your client at the same time.

allsettled's advisors receive the highest referral compensation package because we deliver the greatest value for your life settlements, Let us help you.
Learn more...

Stay Connected...

Sign up for **allsettled's** informative newsletter.

name:

email:

submit

EXHIBIT 9

Attorneys | CPAs | Estate Planners | Financial Planners
Newsletter Sign-Up

ABOUT US — CONTACT US
NEWS & EVENTS
ADVANTAGES & OPPORTUNITIES
COMPLIANCE
QUICK QUOTE
RESOURCE CENTER
APPLICATIONS & FORMS

About Us

- Contact Us
- Company Background
- Corporate Vision
- Management Team
- Funding Relationships
- Multiple Channel Marketing
- Educating the Marketplace
- Share a Case Study
- Survey

Company Background
Advanced Settlements, Inc. is one of the largest life settlement companies in the nation. Having developed relationships with more than 20 funding institutions, the company works with financial professionals, attorneys and charitable organizations to obtain multiple offers on the secondary market in pursuit of the highest possible settlement for the client. The company is committed to educating the financial marketplace about life settlements and to steering the course of prudent regulatory activity through its representation on the Board of the Life Insurance Settlement Association (LISA).

Corporate Vision
Recognizing that many senior individuals over the age of 70 experience lifestyle changes where large life policies may no longer be necessary, Advanced Settlements saw an opportunity to create a forum for these individuals to turn their policies into cash. This service has become extremely valuable to seniors with estate planning issues and to date the company has placed more than $2 billion in Life Settlement transactions.

Management Team
Our management team is lead by Sean McNealy, Scott Kirby and Matt Ganovsky, co-presidents of Advanced Settlements, Inc. Our seasoned group of executives (comprised of the three co-presidents and senior management team) have more than 40 years combined experience in the industry, several of whom were among the first to handle life settlement transactions in the late1990s. Click here to review professional bios of our corporate executives.

Funding Relationships
Advanced Settlements has developed relationships with the Nation's leading institutional investors in the Life Settlement industry. Similar to underwriting a life insurance policy, each case is introduced to various funding companies – thereby broadening the opportunity for multiple offers in pursuit of the highest possible cash settlement for each policy.

Multiple Channel Marketing
In order to educate the marketplace about the availability of this financial

product and to identify senior policyholders interested in a Life Settlement, Advanced Settlements markets it services through a variety of channels as explained below.

We believe that selling one's life insurance policy as part of a broader financial planning strategy is often a prudent financial decision, but nonetheless a significant step for the policyholder. That's why we encourage seniors to seek professional guidance when considering this transaction.

Although in many cases Advanced Settlements works directly with the policyholder, the company is able to broaden its reach in marketing this new financial product by working with the financial and legal advisors of the policyholder, including the following professionals and other centers of influence:

- CPAs
- Estate Attorneys
- Insurance Agents/Brokers
- Financial Planners/Registered Reps

Educating the Marketplace
Because insurance agents and brokers often have a business practice that allows them to readily identify candidates for Life Settlement transactions, Advanced Settlements offers marketing assistance to established insurance agencies and brokers in order to assist them in educating seniors about the availability of Life Settlements.

AS-2

HOME ABOUT CONTACT PRIVACY

EXHIBIT 10

From: Jim Dodaro
Sent: Friday, May 06, 2005 8:54:02 AM
To: [redacted]
Subject: FW: Competitive Offers Information - [redacted]

Can you price for IB?

-----Original Message-----
From: [redacted]
Sent: Friday, May 06, 2005 12:51 PM
To: Jim Dodaro
Cc: [redacted]
Subject: RE: Competitive Offers Information - [redacted]

Initially they had an offer of 100k DB from a competitor...If we had an IB that was significantly better than $200k ($300- 350k IB?) perhaps I could push the fiduciary duty button and force him into presenting the offer to the client. The agent likes working w/ us but just doesn't why he should give up the excess comp.

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
Toll-Free 800-442-1181
Direct [redacted]
Fax [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

-----Original Message-----
From: Jim Dodaro
Sent: Friday, May 06, 2005 12:48 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Competitive Offers Information - [redacted]

if he is not willing to give up comp why would an IB offer with 60K work?

-----Original Message-----
From: [redacted]
Sent: Friday, May 06, 2005 12:44 PM
To: Jim Dodaro
Cc: [redacted]

Subject: FW: Competitive Offers Information - [redacted]

Jim,
We were working w/ [redacted] on this and I understand he is out this afternoon. We are in competition w/ a funder that is permitting a ridulous amount of comp ($100k on $1m policy). The agent is planning on giving the client $200k cash...what would an IB offer look like if we assume $60k comp? The agent is NOT willing to give us the case and take a $40k hit in his pocketbook (I love the greed).

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
Toll-Free [redacted]
Direct [redacted]
Fax [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

-----Original Message-----
From: [redacted]
Sent: Friday, May 06, 2005 11:46 AM
To: [redacted]
Subject: RE: Competitive Offers Information - [redacted]

I don't think there is any way we would let anyone take 100K of comp on a 1M policy.

-----Original Message-----
From: [redacted]
Sent: Friday, May 06, 2005 11:14 AM
To: [redacted]
Subject: RE: Competitive Offers Information - [redacted]
Importance: High

It looks like we are going to lose this one. I think @ 330K-340K we have the highest offer, but we are too far off on comp. I am under the impression that the funder is a German Group and [redacted] said that in the event something falls through with them the case is ours.

From: [redacted]
Sent: Thursday, May 05, 2005 1:53 PM
To: [redacted]
Subject: RE: Competitive Offers Information - [redacted]

Yes, I believe deferring comp would be the cnly way he coudld take more with us. There is some leeway to go above 6% on a case-by-case basis, but 10% would definitely be too high.

-----Original Message-----
From: [redacted]
Sent: Thursday, May 05, 2005 12:25 PM
To: [redacted]
Subject: RE: Competitive Offers Information - [redacted]

He will do the case if we can get there, but the issue is now becoming comp. He is getting offered 10% of face, is deferring comp the only way we can do above 6%? Are there any other options? Let me know. Thanks.

From: [redacted]
Sent: Thursday, May 05, 2005 12:16 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Competitive Offers Information - [redacted]

Please also request an LE from [redacted] Thanks.

-----Original Message-----
From: [redacted]
Sent: Thursday, May 05, 2005 11:43 AM
To: [redacted]; Competitive Intelligence
Cc: [redacted]
Subject: RE: Competitive Offers Information - [redacted]

Who is this offer from? What are the splits? Will he keep shopping if we beat 300K or is it ours?

EXHIBIT 11

From: Jim Dodaro
Sent: Tuesday, January 25, 2005 11:49:27 AM
To: Reid Buerger
Subject: FW: [redacted]

I think pricing will get better. I am matching the 425K and we are trying to get contracts out tonight.

-----Original Message-----
From: [redacted]
Sent: Tuesday, January 25, 2005 4:38 PM
To: Jim Dodaro
Cc: AHB; Reid Buerger; [redacted]; [redacted]
Subject: FW: [redacted]
Importance: High

[redacted] just received an increased offer of $425k gross from [redacted] (I will complete the competitive offer form). I should be receiving an email momentarily as supporting documentation of this offer, do we want to compete?

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

-----Original Message-----
From: [redacted]
Sent: Tuesday, January 25, 2005 4:32 PM
To: AHB
Cc: Reid Buerger; [redacted]
Subject: RE: [redacted]

[redacted] agreed to reopen the case and we are currently the high offer at $418k gross for the $2.5m policy. They are still planning to conduct a meeting at 9:30am tomorrow with the attorney and insured to sign the cp from the highest bidder. We will likely be in hot competition with [redacted] on this case as they have already communicated to [redacted] that they can "name" their price as they claim to be closing out a portfolio.

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

-----Original Message-----
From: AHB
Sent: Tuesday, January 25, 2005 12:14 PM
To: [redacted]
Cc: Reid Buerger; AHB
Subject: RE: [redacted]

Send an email referencing the Ohio law that says the broker [redacted] is to act as a fiduciary for the client and we would be both disappointed and surprised if they chose not to act as a fiduciary in accordance with the statute. This is all the more relavant given all Coventry's recent conversations with [redacted] about Spitzer, disclosure and liability. [redacted] you may quote me!

Alan

he client-----Original Message-----
From: [redacted]
Sent: Tue 1/25/2005 11:45 AM
To: Reid Buerger
Cc: Jim Dodaro; [redacted] AHB; [redacted]
Subject: RE: [redacted]

Current [redacted] Offer breakdown:

Gross: $381k
OTC: $256k
Agent comp: $100k
[redacted] comp: $25k

I spoke w/ agent again and he is zero help. He is afraid of jeopardizing his relationship with [redacted] home office employees as well as risking the relationship with the attorney (he expressed his discomfort going back to the atty a third time w/ more money but will do so if [redacted] agrees to relay a higher offer as the entire increase would go to the client). They have the mtg scheduled tomorrow (at [redacted] office) w/ the client & atty to sign closing documents.

I had [redacted] send the offer sheet to [redacted] w/ the $418k gross offer and I will call them to follow-up momentarily. I am doing everything in my power to persuade [redacted] to accept our offer but I am not overly optimistic given our previous conversations.

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

-----Original Message-----
From: Reid Buerger
Sent: Tuesday, January 25, 2005 10:07 AM
To: [redacted]
Cc: Jim Dodaro; [redacted] AHB
Subject: RE: [redacted]

what is the comp they pulled out?

-----Original Message-----
From: [redacted]
Sent: Tue 1/25/2005 9:53 AM
To: Reid Buerger
Cc: Jim Dodaro; [redacted] AHB
Subject: RE: [redacted]

Regarding the OTC, the agent is dictating the amount of comp being carved out (not a full comp case). How do you suggest we arrive at our OTC for the purpose of the letters?

Relative to contact with the atty, I have not had any direct follow-up with the atty as the agent requested that I leave this in his hands (it was his relationship from the onset).

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

-----Original Message-----
From: Reid Buerger
Sent: Tuesday, January 25, 2005 9:47 AM
To: [redacted]
Cc: Jim Dodaro; [redacted]; AHB
Subject: RE: [redacted]

I think we should draft a letter making the following points:

1. Confirm the client is aware of the highest offer (i think we should send an OTC to both [redacted] and the agent)
2. Remind them this case came from your meeting with the attn (do you still have a any contact with the attn)

-----Original Message-----
From: [redacted]
Sent: Tue 1/25/2005 9:38 AM
To: Reid Buerger
Cc: Jim Dodaro; [redacted]
Subject: RE: [redacted]

Yes, he is not the personality type to ruffle feathers at [redacted] and risk disciplinary action... [redacted] had advised him of their bidding system prior to the case receiving offers and he just went along w/ their lead (I don't think he ever expected the case to be bid on so aggressively). He claims to have requested [redacted] to reopen the case for individual bids but they squashed the idea stating that they had committed to [redacted] and [redacted] had complied w/ their bidding system. I think they may have given him a guilt trip relative to [redacted] potentially yanking their contract w/ [redacted]

I will contact the agent and discuss the amount of money being left on the table and I will clearly outline his options. How do you feel about taking this case direct if the agent agrees to tell [redacted] that the trustee decided not to sell?

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

-----Original Message-----
From: Reid Buerger
Sent: Tuesday, January 25, 2005 9:31 AM
To: [redacted]
Cc: [redacted] Jim Dodaro; [redacted]
Subject: RE: [redacted]

Did you talk to the agent?

-----Original Message-----
From: [redacted]
Sent: Tue 1/25/2005 8:08 AM
To: Reid Buerger
Cc: [redacted] Jim Dodaro; [redacted]
Subject: FW: [redacted]

See the email below. I spoke w/ [redacted] yesterday on this and they claim that [redacted] was making individual policy offers throughout the entire process and therefore they were not going to reopen the case.

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

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-----Original Message-----
From: [redacted]
[mailto:[redacted]@[redacted].com]
Sent: Monday, January 24, 2005 7:01 PM
To: [redacted]
Subject: RE: [redacted]

[redacted]

Just wanted to confirm what was going on with this case - [redacted] has closed bidding on these policies - and we are going with our offer from [redacted] on the $2.5M policy. Since the second policy will likely not be available for a month or so - we will likely re-open that case for bidding. We hope to have our new bidding process in place at that time, and I think it will be something we can all agree to.

I would like to discuss this process with you, as well as plans for our upcoming Member Forum, which I would like Coventry to participate in.

Talk to you in the morning!

[redacted]

-----Original Message-----
From: [redacted]@coventryfirst.com
[mailto:[redacted]@coventryfirst.com]
Sent: Friday, January 21, 2005 7:44 AM
To: [redacted]
Cc: [redacted]@coventryfirst.com
Subject: [redacted]

I accompanied [redacted] on two meetings yesterday and he mentioned that the one owner was not as motivated to sell (1m contract). He indicated that this may compromise his position a bit, especially as it relates to his comp on the case.

I think you should reconsider reopening the case to acheive the highest offer on a per policy basis. We would offer $390k for the 2.5m policy by itself. [redacted] is a unique situation as this is his first case and he really wants to show his contemporaries at his firm that this market can be profitable. I know that the other execs at [redacted] were not exactly embacing the secondary market and the more revenue he can show on this case the better off he will be.

As an aside, are you requiring comp disclosure on all life settlment cases at this point in time? If not, this seller very well could be an accredited investor which would allow us to use generic documents that would NOT require comp disclosure.

What are your thoughts?

Call my cell if you get this before 8am
[redacted]

[redacted]
Regional Vice President
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

EXHIBIT 12

From: Neal Jacobs
Sent: Tuesday, February 22, 2005 8:16:53 AM
To: Jim Dodaro
Subject: RE: [redacted]

I don't think they are big fan of co-broker but they only have 40k so if for couple thousand, I can buy some insurance, I would do that. -----Original Message----- From: Jim Dodaro Sent: Tuesday, February 22, 2005 1:10 PM To: Neal Jacobs Subject: Re: [redacted] I think so. Chk with [redacted] Question is what do we do with [redacted]. Jim Dodaro Senior Vice President, Financial Underwriting Coventry First 7111 Valley Green Road Fort Washington, PA 19034 TEL [redacted] FAX [redacted] [redacted]@coventryfirst.com www.coventryfirst.com -- This transmission contains proprietary, confidential and/or privileged information which may be read and/or used only if received by the intended recipient. Any dissemination, distribution or copying of this e-mail, and any attachments thereto by unauthorized users is strictly prohibited. If you have received this email in error, please respond to the sender or call us at [redacted]. -----Original Message----- From: Neal Jacobs To: Jim Dodaro Sent: Tue Feb 22 12:50:19 2005 Subject: RE: [redacted] they have 40k gross. do we want to go after this one? _____ From: Jim Dodaro Sent: Tuesday, February 22, 2005 11:12 AM To: Neal Jacobs Subject: FW: [redacted] Importance: High Where are we with [redacted]? -----Original Message----- From: [redacted] Sent: Tuesday, February 22, 2005 10:54 AM To: Jim Dodaro; [redacted] Cc: [redacted] Subject: [redacted] Importance: High They have an offer from [redacted] for 35K. [redacted] says 40K will get this done....I will fill out a competitive offer form, but can we compete? [redacted] Regional Director Coventry First 7111 Valley Green Road Fort Washington, PA 19034 TEL [redacted] FAX [redacted] [redacted]@coventryfirst.com www.coventryfirst.com -- This transmission contains proprietary, confidential and/or privileged information which may be read and/or used only if received by the intended recipient. Any dissemination, distribution or copying of this e-mail, and any attachments thereto by unauthorized users is strictly prohibited. If you have received this email in error, please respond to the sender or call us at [redacted]

EXHIBIT 13

Unknown

From: Jim Dodaro
Sent: Wednesday, March 05, 2003 10:27 AM
To: Reid Buerger
Subject: [redacted] - LSA

Importance: High

Talked to Jim Nut. He said he spoke with you a while back about co-brokering the [redacted] case. He is frustrated that we have not gotten it accepted. He said he is sitting on a 27% gross offer from Mutual and can probably get more. If we can't close he said he could and pay us a co-broker fee.

James J. Dodaro
Vice President, Financial Analysis
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

COV - 1136766

EXHIBIT 14

EXHIBIT A
TRANSACTION TERMS

SELLER:	[redacted]
INSURED:	[redacted]
POLICY NO:	[redacted]
INSURER:	[redacted]

Seller(s):	[redacted]	
Seller(s) SSN/Tax ID Number(s):	[redacted]	
Seller(s) Address(es):	[redacted]	
Insured(s):	[redacted]	
Insurer/Insurance Company:	[redacted]	
Policy/Certificate Number:	[redacted]	
Policy Issue Date:	[redacted]	
Policy Cash Value:	[redacted]	
Net Death Benefit:	$400,000	
Current Policy Beneficiaries:	[redacted]	
Purchase Price:	$78,000	
Reimbursement of Premium:	$0.00	
Accredited Investor Representation	Seller represents that Seller is an accredited investor and meets at least one of the definitions specified by the Federal Securities Act of 1933 Rule 501 Regulation D.	☒ Yes ☐ No

Seller Initial [redacted]

CONFIDENTIAL
TRADE SECRETS

EXHIBIT 15

Unknown

From: Neal Jacobs

Sent: Wednesday, September 22, 2004 10:36 AM

To: Accounting; Analysts; CASE MANAGERS

Subject: case update

[redacted] – gross offer of $705K
[redacted] – total gross offer of $2,605,000
[redacted] – gross offer of $353,000
[redacted] – increase gross offer to $385K contingent on receipt signed contract by September 30, 2004 (cb) please make offer expiration September 24, 2004

[redacted] – gross offer of $51K
[redacted] – new total gross offer of $100K contingent on receipt of signed contract by September 27, 2004 [redacted] only)
[redacted] – total gross offer of $484K (now offering on 2 policies)
[redacted]– new total gross offer of $945K; please note we are now offering on 11 policies ([redacted]) – see [redacted] before relaying offer to producer

[redacted] – verbal only increase gross offer to $150K [redacted] only) contingent on total premiums pd to date of $44,130 as illustrated.
[redacted] – gross offer of $535K
[redacted]–increase total gross offer of $300K contingent on converting policy [redacted] per attached illustration (attach illus [redacted]) at select preferred rates; we will reimburse the payment of 1st quarterly premium for converted policy

Neal Jacobs
Director, Financial Underwriting
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

EXHIBIT 16

From: Neal Jacobs
Sent: Thursday, October 28, 2004 7:49:23 AM
To: Jim Dodaro
Subject: RE: [redacted]

4.9m and 10% is just over $1m.

From: Jim Dodaro
Sent: Thursday, October 28, 2004 11:47 AM
To: Neal Jacobs
Subject: RE: [redacted]

What's the face?

-----Original Message-----
From: Neal Jacobs
Sent: Thursday, October 28, 2004 11:44 AM
To: Jim Dodaro
Subject: RE: [redacted]

he did make that offer. his own $$. he doesn't have anything significant from other funders. he claims he would go well over $1M. he asked for 1.5 pts. I offered .5 pt. do we want to do that much?

From: Jim Dodaro
Sent: Tuesday, October 26, 2004 1:33 PM
To: Neal Jacobs
Subject: RE: [redacted]

Did you reach out to MK?

-----Original Message-----
From: Jim Dodaro
Sent: Monday, October 25, 2004 10:50 AM
To: Neal Jacobs
Subject: RE: [redacted]

Per LSA, Allsettled offered 880K.

-----Original Message-----
From: Neal Jacobs
Sent: Thursday, October 07, 2004 3:58 PM
To: Jim Dodaro
Subject: RE: [redacted]

MK doesn't have [redacted] yet but expects it to be 10-12 years. He claims to have [redacted] model and thinks they will be offering around 23% face. Problem for him is he didn't get it to [redacted] Advanced has it there. MK is going after this w/ his own $$. He was planning to start at 20% face b/c agent said that would beat [redacted] offer (didn't give exact number) but now may go in for closer to 15%. I told him I thought 20% face big offer on healthy survivorship. Agent is waiting on Advanced offer so we may want to touch base w/ them. MK is prepared to offer over 20% face is need be.

I don't think we should go to $1m yet.

neal

From: Jim Dodaro
Sent: Tuesday, October 05, 2004 2:03 PM
To: Neal Jacobs
Subject: FW: [redacted]
Importance: High

Can you do some recon with Krasnerman?

-----Original Message-----
From: James Camper
Sent: Tuesday, October 05, 2004 12:01 PM
To: Jim Dodaro
Cc: [redacted]
Subject: [redacted]
Importance: High

He has offer from both AllSettled & [redacted] (both are in excess of our number but he would not disclose exact number). He stated that $1m gross and we get case, plan on him taking full compensation (6/30).

He needs to move quickly as his life offer is on the verge of expiring and he is buying time with the carrier at this point.

Coventry First
[redacted]

[redacted]
Regional Vice President
[redacted]

[redacted]
Regional Director
[redacted]

TEL [redacted]
FAX [redacted]
www.coventryfirst.com

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EXHIBIT 17

From: Neal Jacobs
Sent: Tuesday, November 02, 2004 9:11:11 AM
To: [redacted]@allsettled.com; [redacted]
Subject: RE: [redacted]

for [redacted] the number is 49

Neal Jacobs
Director, Financial Underwriting
Coventry First
7111 Valley Green Road
Fort Washington, PA 19034
TEL [redacted]
FAX [redacted]
[redacted]@coventryfirst.com
www.coventryfirst.com

EXHIBIT 18

Status Report

allsettled group delivering fair market value

[redacted] #: [redacted]

Agent: [redacted]

Tel., Fax: [redacted]

Age: 80, 78 State: New York Case Manager: [redacted]

Check list

Signed Application:	☑ Yes
Copy of ID:	☑ No
VOC:	☑ No
Update Medical Records:	☑ Yes
Illustration:	☑ Yes
Copy of Original Policy:	☑ No

Insurance Company
Name: [redacted]
Policy #: [redacted]
Amount: $4,900,000.00
Phone #: [redacted]

Medicals

Date Ordered1:	Date Received1:
Date Ordered2:	Date Received2:
Date Ordered3:	Date Received3:
Date Ordered4:	Date Received4:
Date Ordered5:	Date Received5:
Dr. Name # 1:	Phone #:
Dr. Name # 2:	Phone #:
Dr. Name # 3:	Phone #:
Dr. Name # 4:	Phone #:

Status of Policy: Out to Funders

In-House Rep.: Lenore Saracino

VOC Request

☐ Yes ☑ No
Date Ordered:
Date Received:

LE Request

☐ Yes ☑ No
[redacted]

Illustration Request

☐ Yes ☑ No

Date Ordered1:	Date Received1:
Date Ordered2:	Date Received2:
Date Ordered3:	Date Received3:
Date Ordered4:	Date Received4:

Comments

10/8/2004 MK made offer of $980,000 - 20% of $4.9 to agent
10/8/2004 [redacted] on [redacted] - over 15 years

Close File
Have a Co-brokering Fee with Coventry
L.S. 11/11/04

Funders	Request to Funder	Accepted by Funder	Sent File	Reason for Decline	Offer Date	Gross Offer	Offer to Insured	Offer to Producer	Gross Offer to Producer
Coventry First	-	-	-	-					
[redacted]	-	-	-	-	-	-	-	-	
[redacted]	-	-	-	-	-	-	-	-	

AS 001166

EXHIBIT 19

EXHIBIT A
TRANSACTION TERMS

SELLER:	[redacted]
INSURED:	[redacted] and [redacted]
POLICY NO:	[redacted]
INSURER:	[redacted]

Seller(s):	[redacted]	
Seller(s) SSN/Tax ID Number(s):	[redacted]	
Seller(s) Address(es):	[redacted]	
Insured(s):	[redacted]	
Insurer/Insurance Company:	[redacted]	
Policy/Certificate Number:	[redacted]	
Policy Issue Date:	[redacted]	
Policy Face Amount:	[redacted]	
Policy Cash Value:	[redacted]	
Net Death Benefit:	$4,900,000	
Current Policy Beneficiaries:	[redacted]	
Purchase Price:	$800,000	
Reimbursement of Premium:	$0	
Loans Outstanding:	$0	The policy being purchased subject to such loans.
Withdrawals taken by Seller(s):	$0	The policy being purchased subject to such withdrawals.
Accredited Investor Representation:	Seller represents that Seller is an accredited investor and meets at least one of the definitions specified by the Federal Securities Act of 1933 Rule 501 Regulation D.	☐ Yes ☒ No

Seller Initial [redacted]

COVNY 00013466
Confidential/Trade Secrets

EXHIBIT 20

Unknown

From: Neal Jacobs
Sent: Wednesday, December 15, 2004 6:04 PM
To: Reid Buerger
Subject: FW: [redacted]
Importance: High

see below for what he says is his latest offer on [redacted] agent told us they were signing tomorrow and didn't want to deal w/ MK. MK claims agent not going to sign b/c waiting to see what he will do.

neal

From: Lenore Saracino [mailto:[redacted]@allsettled.com]
Sent: Wednesday, December 15, 2004 6:01 PM
To: Neal Jacobs
Subject: FW: [redacted]

As per your request

Call Michael Krasnerman on Thursday.

From: [redacted] [mailto:[redacted]@[redacted].com]
Sent: Wednesday, December 15, 2004 5:22 PM
To: 'Lenore Saracino'; [redacted]@allsettled.com
Subject: [redacted]

This is to confirm that our Gross offer for the [redacted] policy number [redacted]
We will offer $ 3,525,000.00 for this policy

I will fax a formal offer sheet tomorrow morning

Please let me know the splits and I will issue contracts

[redacted]