IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

Oklahoma Department of Securities, Ex rel. Irving L. Faught, Administrator, Plaintiff, vs. Accelerated Benefits Corporation, a Florida Corporation, et al., Defendants.	)	Case No. CJ-99-2500-66 Judge Daniel L. Owens

MOTION FOR AUTHORIZATION TO PURCHASE ABC INVESTORS' INTEREST IN CONSERVATORSHIP ASSETS

Acheron Portfolio Trust ("Acheron"), by and through its attorneys Riggs, Abney, Neal, Turpen, Orbison & Lewis, respectfully submits this motion in support of Acheron's amended offer to purchase the interest of the individual investors (the "Investors") in the maturities of the policies from the Accelerated Benefits Corporation ("ABC") viatical portfolio (the "ABC Portfolio"), which is the subject of this Conservatorship proceeding. In support thereof, Acheron will demonstrate to the Court as follows:

PRELIMINARY STATEMENT

On March 14, 2011, Acheron communicated to the Conservator an offer to accelerate its purchase of the Conservatorship Assets for a total of $18 million (the "Offer"). Acheron's Offer consists of a $16.2 million cash payment from Acheron and the release of the $1.8 million remaining in the Premium Reserve Account ("PRA"), maintenance of which will no longer be necessary in light of the accelerated payment and termination of the Conservatorship proceeding. Based on the latest projections from Lewis & Ellis, Acheron's Offer for the accelerated purchase represents a discount rate of 7.8% and an expedited total return of forty-six (46) cents on the dollar to the Investors. *See* March 9, 2011, Valuation conducted by Lewis & Ellis, Inc, attached hereto as Exhibit A. Acheron's Offer is fair and reasonable and will allow the Investors to receive immediate liquidity for which they would otherwise need to wait another 14 years based on all of the reports provided by Lewis & Ellis, the actuaries valuing the Portfolio. At an average age of 71.5 years, all parties to this action recognize that the Investors would welcome, and be best served by, this prompt and fair resolution.

BACKGROUND AND FACTS

As this Court is well aware, Acheron is party to an Option Purchase Agreement (the "Acheron OPA"), dated May 24, 2006, pursuant to which its predecessor in interest, Lorenzo Tonti Limited, bought an option to purchase the payments on and proceeds of the ABC Portfolio for $38,050,000.00 (the "Purchase Price"). Pursuant to the Acheron OPA, the Purchase Price for the ABC Portfolio was comprised of a deposit of $800,000.00 and ongoing application of 60% of the ABC Portfolio policy maturities toward the Purchase Price, until such time as the entire Purchase Price is received by the Conservator and distributed to the Investors. At that time, title to the ABC Portfolio transfers to Acheron, thereby entitling Acheron to receive all of the policy maturities. However, as a result of continuing advances in the treatment of HIV/AIDS and increased viator life expectancies, as of 2009 (and recently confirmed in 2011 by Lewis & Ellis in their latest report (*See* Exhibit A)), the total Purchase Price is not projected to be received by the Conservator before the year 2025, and perhaps even later than that. Tr. 68:8-13. All references to the Transcript of the Hearing, dated October 28, 2010 are attached as Exhibit B.

On July 16, 2010, Acheron moved this Court for an Order seeking approval of an offer to accelerate its purchase of the portfolio for $15.1 million, for which this Court held a hearing on October 28, 2010. Acheron's prior offer included a cash payment of $11.5 million, release of the

$1.8 million remaining in the PRA and a $1.8 million share in the 2010 maturities, totaling $15.1 million for the Investors. That offer represented an 11.1% discount rate and would have resulted in a return of forty-three (43) cents on the dollar for the Investors. Tr. 76:20-24. At the hearing, Roger Annin of Lewis & Ellis, Inc. testified that a figure between 8-10% would be a reasonable discount rate for a portfolio of this nature. Tr. 77:23-78:2. The Conservator testified that a discount rate of 7% was an appropriate discount rate. Tr. 197:16-18.

While this Court denied Acheron's Motion, the Court stated that "[i]t would be beneficial for everybody... to do a lump sum payoff of this portfolio, but only if it's at a reasonable [discount] rate." Tr. 224:13-15. The Court did not endorse any specific discount rate, but encouraged the Conservator and Acheron to find common ground. Tr. 224:22-225:5. Near the conclusion of the hearing, the Court noted that it would not entertain any amended offers that utilized a discount rate in excess of 8%. Tr. 225:6-7.

On March 14, 2011, a representative of Acheron met with the Conservator and other representatives of ASG, the servicer. During that meeting, Acheron submitted to the Conservator the latest Offer to accelerate its purchase of the Conservatorship assets for a total of $18 million, consisting of two components: 1) the release of the $1.8 million remaining in the PRA[1]; and 2) a $16.2 million cash payment by Acheron, less 60% of any maturities that occur from the date of the Offer to the closing of the transaction. The latest Lewis & Ellis valuation, dated March 9, 2011 and attached as Exhibit A, sets forth that a discount rate of 8% represents $17,787,000 in value to the Investors. Like its prior offers, Acheron's Offer is not contingent on financing and payment could be made to the Conservator within 30 days of the Court's approval of the transaction.

[1] Because Acheron would own the Portfolio, and is responsible for payments of premium for the policies in the Portfolio, the need for the PRA would be obviated and the funds in the PRA could be released to the Investors.

The Conservator has stated that he cannot support Acheron's Offer which utilizes a 7.8% discount rate, and instead has proposed a counter-offer with a cash component of $21,476,136, using a 6% discount rate that excludes the funds in the PRA. *See* Exhibit C. Factoring in the $1.8 million in the PRA that would be released upon the closing of an accelerated transaction, the Conservator's proposal represents a purchase price of $23,276,136 for the remaining Conservatorship Assets. In calculating this latest counter-offer, the Conservator relies on the hearing testimony of Todd Lisle for support of a 6% discount rate (Tr. 149:18) despite Mr. Lisle's lack of experience in this industry and testimony at the hearing that he had never before valued a life settlement or viatical portfolio. Tr. 152:8-10. Mr. Roger Annin of Lewis & Ellis, however, has been valuing life settlements and viaticals for a decade, was qualified as an expert on this subject at the hearing (Tr. 54:18-23) and has done valuation work on the ABC Portfolio for both the Conservator and Acheron. Mr. Annin finds Acheron's Offer, which represents a total of $18 million for the Investors (and uses a 7.8% discount rate), to be a fair and reasonable offer for the Conservatorship Assets given the risk components under the OPA.

In opposing Acheron's amended Offer, the Conservator also suddenly rejects both parties' prior method of including the PRA funds when calculating the various discount rates at issue. For comparison, in March 2010, during prior negotiations between Acheron and the Conservator, counsel for the Conservator communicated a counter-offer stating that, "[u]tilizing a discount rate of 5 per cent, the total amount due to Investors in the event Acheron is allowed to prepay the purchase price is $23.5 million." *See* Exhibit D. Thus, while in March 2010 the Conservator stated that a 5% discount rate would total $23.5 for the Investors, the Conservator now states that a 6% discount rate will yield a total of $23.276 million to the Investors--an amount just $224,000 less than an offer at 5% in March 2010. It is simply not clear why a 5%

discount rate in 2010 yielded a total of $23.5 million, and a discount rate of 6% in April 2011, yields nearly the exact same amount. Respectfully, the Conservator's counter-offer is even more puzzling when one factors in that the Conservator has made over $1,000,000.00 in distributions to the Investors since the March 2010 Offer, further reducing the amount outstanding on the Purchase Price from $30,857,908 to $29,430,533.[2] In sum, due to the change in the Conservator's method of calculation and the importance of performing a true side by side comparison of the various proposals, Acheron submits that the Court would be best served to rely on the calculation of discount rates performed by the valuation expert, Lewis & Ellis, Inc.

Acheron has shared its amended Offer with the Oklahoma Department of Securities (the "Department"). The Department has reiterated its position to counsel for Acheron that a lump sum payoff of the ABC Portfolio would be beneficial to the Investors. Prior to its filing, Acheron also provided courtesy copies of this Motion to both the Conservator and the Department.

Acheron's Offer represents a discount rate of 7.8% and will afford the Investors expedited liquidity of their investment dollars for which they would otherwise need to wait at least another 14 years. Comparing the potential return for Investors under Acheron's Offer versus their return under the present arrangement, we note that the Conservator has asserted that the Purchase Price as anticipated under the OPA would mean Investors receiving between 55-57 cents on the dollars, by 2025 at the earliest. Tr.199:2-8. Under Acheron's Offer, the Investors would instead receive a total return of forty-six (46) cents on the dollar in 2011. Given the undisputed facts that the ABC Investors are a) an average 71.5 years old, b) mostly retired and

[2] Acheron is mindful of the Court's prior admonitions regarding the rhetoric and adversarial tone of prior submissions by the parties. Acheron does not want to engage in any "mud-slinging" here, it simply seeks to demonstrate the apparent inconsistency in the Conservator's calculations.

c) interested in receiving a lump sum payment (Tr. 181:23-182:5), the Investors would be best served by a prompt and fair resolution of their investment in ABC. In short, as this Court stated, such a result would be "beneficial for everybody." Tr. 224:13.

Acheron's Offer would also liberate the Investors from the uncertainties inherent in the ABC Portfolio, including maturities that continue to lag behind even conservative projections. For example, for the year 2010, the ABC Portfolio maturities were originally projected, as of March 15, 2008, to be $4,947,500. However, in a report completed by Lewis & Ellis, in April 2009, maturities were projected to be $2,922,000. Ultimately, actual maturities for 2010 were approximately $2,500,000. Likewise, ABC Portfolio maturities for the year 2011 were originally projected, as of March 15, 2008, to be $5,092,500. However, in the same Lewis & Ellis Report, dated as of April 2009, the projection was reduced to $3,040,000. However, for the first quarter of 2011, the maturities have been only $285,728, substantially less than 25% of $3,040,000.

We respectfully submit that the Court has a sufficient basis to approve the Acheron Offer as being in the best interest of the Investors, particularly in light of the confirmation from the latest Lewis & Ellis Report stating that the Acheron Offer represents a 7.8% discount rate and the position by the Department that a lump sum purchase would be beneficial to the Investors.

We note finally, for the Court's reference, that an accelerated sale of the conservatorship assets to Acheron necessarily moots the parties' obligations under both the OPA and the Service and Escrow Agreement, dated May 24, 2006 between the Conservator, HTM Conservator, LLC and Acheron. As part of any Order from this Court, Acheron would respectfully request the cancellation of both the OPA and the Service and Escrow Agreement.

CONCLUSION

Acheron's Offer is a fair and reasonable response to the Court's directive during the October 28, 2010 hearing and will liberate the Investors from the unpredictable economic returns of the ABC Portfolio and offer them liquidity for their investment. There is no reason for the Conservator to not support Acheron's Offer which is a fair price and a favorable outcome for the Investors. This Conservatorship proceeding was begun to ensure the best possible outcome for the ABC Investors. Accordingly and to that end, Acheron respectfully requests that the Offer for Acheron's accelerated purchase of the Conservatorship assets be approved by the Court and pursued without delay.

WHEREFORE, for the foregoing reasons, Acheron respectfully requests that the Court enter an order approving the Acheron Offer, cancelling the OPA and the Service and Escrow Agreement and providing such other and further relief as the Court deems just and appropriate.

Respectfully submitted,

Michael C. Turpen, OBA No. 9139
Richard Mildren, OBA No. 6182
Terry D. Kordeliski, II, OBA No. 18091
RIGGS, ABNEY, NEAL, TURPEN
ORBISON & LEWIS
5801 Broadway Extension, Suite 101
Oklahoma City, OK 73118
Telephone: (405) 843-9909
Facsimile: (405) 842-2913

CERTIFICATE OF SERVICE

I hereby certify that on the 29th day of April 2011, a copy of the above and forgoing document was mailed via U.S. Mail postage prepaid to:

Patricia A. Labarthe, Esq.
Oklahoma Department of Securities
120 North Robinson Ave., Suite 860
Oklahoma City, OK 73102
ATTORNEY FOR PLAINTIFF

Melvin R. McVay, Jr.
Shannon K. Emmons
Kenneth A. Tilotson
PHILLIPS MURRAH, P.C.
Corporate Tower/Thirteenth Floor
101 North Robinson
Oklahoma City, OK 73102
ATTORNEYS FOR CONSERVATOR H. THOMAS MORAN, II

Richard A. Mildren

EXHIBIT A

Dallas
Glenn A. Tobleman, F.S.A., F.C.A.S.
S. Scott Gibson, F.S.A.
Cabe W. Chadick, F.S.A.
Steven D. Bryson, F.S.A.
Michael A. Mayberry, F.S.A.
Gregory S. Wilson, F.C.A.S.
David M. Dillon, F.S.A.
Bonnie S. Albritton, F.S.A.
Brian D. Rankin, F.S.A.
Sarah A. Hoover, F.S.A.
Wesley R. Campbell, F.S.A.
Jacqueline B. Lee, F.S.A.
Robert B. Thomas, Jr., F.S.A., C.F.A. (of Counsel)

Baltimore
David A. Palmer, C.F.E.

L&E
Actuaries & Consultants

Kansas City
Gary L. Rose, F.S.A.
Terry M. Long, F.S.A.
David L. Batchelder, A.S.A.
Leon L. Langlitz, F.S.A.
Gary R. McElwain, FLMI
Christopher H. Davis, F.S.A.
Anthony G. Proulx, F.S.A.
Thomas L. Handley, F.S.A.
Karen E. Elsom, F.S.A.
Jill J. Humes, F.S.A.
D. Patrick Glenn, A.S.A., A.C.A.S.
Jan E. DeClue, A.S.A.
Robert A. Cremer, C.P.C.U., A.R.M., A.U.
Patricia A. Peebles, A.S.A. (Of Counsel)

London/Kansas City
Roger K. Annin, F.S.A., F.I.A.
Timothy A. DeMars, F.S.A., F.I.A.
Scott E. Morrow, F.S.A., F.I.A.

March 9, 2011

Mr. Jean-Michel Paul
Acheron Portfolio Corporation (Luxembourg S.A.
1 Great Cumberland Place
Sixth Floor, Suite 2
London W1H-7AL

CC: Patrick Yan

RE: ABC Participation Agreement Valuation

Dear Jean-Michel:

You requested Lewis & Ellis, Inc. (L&E) to determine the present value of remaining participation payments payable by Acheron Portfolio Corporation (Luxembourg) S.A. (APC Lux) at a rate of 60% of Accelerated Benefits Corporation portfolio maturities realized until such time an initial loan of $38,050,000 if fully paid. We have determined this value based on a range of possible discount rates and assumptions as outlined in this letter.

Value Determined for Participation Payments

The value determined for the remaining payments is $17,787,000 at an 8% discount rate. This value is determined as of April 1, 2011 assuming an outstanding loan at that time of $29,430,533. This loan balance reflects known maturities to the date of this letter, but additional maturities may occur or be discovered between this date and the valuation date. If so, the value would be reduced by the amount of additional maturities (primary adjustment). The remaining projected cash flows used to calculate the value would also be affected by the elimination of the policy(s), but this impact is of much lesser significance in the value determination (secondary adjustment).

The table below shows values based on alternative rates of discount. Lower rates of discount increase the value while higher rates of discount reduce the value. Annual projected cash flows are shown in the attached table.

Discount Rate	7%	8%	9%	10%	11%
Value of Payments	$18,816,000	$17,787,000	$16,843,000	$15,976,000	$15,179,000

Overall, the loan is expected to be repaid under the current schedule in just under 14 years from the date of valuation (April 1, 2011). This time period reflects our expected survivorship curves and is not dependent on the discount rate assumed in valuing the payments.

Assumptions

We were provided with policy data, as of December 2010 for all policies included in the portfolio. The data provided includes: Status, Viator ID, Date of Birth, Gender, Diagnosis, Face Amount, Paid-Up Additional Insurance Amount, Issue Date and Policy Type. We were also provided with an updated listing of maturities in early March, 2011.

Data limitations required some assumptions for certain policies. The following have been assumed in our projections:

- Level death benefit[1] for the life of the policy;
- Insurance remains in-force for the life of the insured with the exception of term policies where the policy expiration date was provided;

Mortality assumptions are the same as used in audited valuations of the portfolio and reflect past experience for the portfolio and trends in mortality for AIDS, which cases dominate the portfolio. Mortality varies by policy based on age of the insured, gender and date of diagnosis of AIDS or AIDS related disease.

Disclosures

These projections are prepared at the request of APC Lux and are for their exclusive benefit. L&E assumes no responsibility for interpretation of or reliance on this report by any third party unless L&E has provided, in advance, written consent for use of this report by a third party. Any third party with access to this report acknowledges, as a condition of receipt, that L&E does not make any representations or warranty as to the accuracy or completeness of this report. Any third party with access to this report cannot bring suit, claim, or action against L&E, including the individuals who authorized this report, under any theory of law, related in any way to this report.

L&E is not guaranteeing, on any basis, the performance or success of the portfolio, the repayment of invested capital, or any particular rate of capital or income return. These projections are based on the following data and assumptions:

- Inforce policy data provided by Asset Servicing Group (ASG) in January/February 2011, including: current face amount;
- Historical maturities, prior to January 2011, provided by ASG;
- Assumed mortality rates used to project future maturities; and
- Discount rates to determine present values for future cash flows.

To the extent data used to define future assumptions is incomplete, inaccurate or outdated, the assumptions determined may prove to be inaccurate. Even with high-quality data, assumptions determined represent only

---

[1] Death benefit includes Paid-Up Additional Insurance purchased with dividends. Death benefits were adjusted for known Paid-Up Additions and Dividend Accumulations.

an expectation for future events. As such, projected results are not guaranteed. Actual results will vary from projected results.

We have reviewed data provided to us for both completeness and accuracy. We do not guarantee or confirm the completeness or accuracy of the data. Any projections provided in this report are provided in consideration of the limitations stated above.

Summary

We believe the present values offered reflect a fair market value for the remaining participation of APC Lux. We believe a discount rate of 8% provides a fair basis for evaluating risk under the agreement. That is, shifts in AIDS or general population mortality could defer repayment of the loan and thereby reduce the value. In addition, risks associated with the credit worthiness of the insurance carrier (although believed to be minor) or risks associated with potential non-payment of a claim, suggest a discount rate in excess of rates used under some alternative investments. Again, the 8% discount rate provides recognition for these risk components.

Sincerely,

Roger K. Annin

Roger K. Annin, FIA, FSA, MAAA
Senior Vice President and Principal

ABC Portfolio
Probabilistic Cash Flow Projections
Receiver Cash Flows

A. Annual Cash Flows - Measured from April 1, 2011 and for Each Following 12 Month Period

Year	Maturities*	Premiums	Expenses	Receiver's Cash Flow
1	1,743,000	0	0	1,743,000
2	1,830,000	0	0	1,830,000
3	1,904,000	0	0	1,904,000
4	1,989,000	0	0	1,989,000
5	2,071,000	0	0	2,071,000
6	2,149,000	0	0	2,149,000
7	2,218,000	0	0	2,218,000
8	2,304,000	0	0	2,304,000
9	2,366,000	0	0	2,366,000
10	2,417,000	0	0	2,417,000
11	2,457,000	0	0	2,457,000
12	2,478,000	0	0	2,478,000
13	2,482,000	0	0	2,482,000
14	1,022,000	0	0	1,022,000
15	0	0	0	0
16	0	0	0	0
17	0	0	0	0
18	0	0	0	0
19	0	0	0	0
20	0	0	0	0
21	0	0	0	0
22	0	0	0	0
23	0	0	0	0
24	0	0	0	0
25	0	0	0	0
26	0	0	0	0
27	0	0	0	0
28	0	0	0	0
29	0	0	0	0
30	0	0	0	0
31	0	0	0	0
32	0	0	0	0
33	0	0	0	0
34	0	0	0	0
35	0	0	0	0

* Includes any unearned premium refunded upon death

***Participation Description:** 40% of total maturities to Acheron Capital with 60% used to offset initial debt of $38,050,000 (current outstanding amount = $29,430,533)*

B. Present Value of Cash Flows (Value of Portfolio) - Measured on April 1, 2011*

Discount Rate / IRR	7%	8%	9%	10%	11%
PV of Participation Maturities	18,816,000	17,787,000	16,843,000	15,976,000	15,179,000
PV of Participation Premiums	0	0	0	0	0
PV of Participation Expenses	0	0	0	0	0
Maturities-Due and Unpaid	0	0	0	0	0
PV of Participation Cash Flow	18,816,000	17,787,000	16,843,000	15,976,000	15,179,000
as % of Face Amount	18.9%	17.9%	16.9%	16.0%	15.2%

* ***Maturities as reported to run date (March 7) are considered in this valuation.***

EXHIBIT B

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

OKLAHOMA DEPARTMENT OF SECURITIES,)
ex rel. Irving L. Faught,)
Administrator,)
)
Plaintiff,)
)
vs.) Case No. CJ-99-2500-66
)
ACCELERATED BENEFITS CORPORATION,)
a Florida corporation, et al.,)
)
Defendants.)

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

NOV 1 9 2010

PATRICIA PRESLEY, COURT CLERK
By ______ Deputy

* * * * *

SEVENTH JUDICIAL DISTRICT OF OKLAHOMA

TRANSCRIPT OF PROCEEDINGS

HAD ON THE

28TH DAY OF OCTOBER, 2010

BEFORE THE HONORABLE DANIEL L. OWENS

DISTRICT JUDGE

* * * * *

Reported By:

Deborah J. Torbert, CSR, RPR
Official Court Reporter
321 West Park Avenue, Room 315
Oklahoma City, Oklahoma 73102
(405) 713-1406

COPY

APPEARANCES

FOR THE MOVANT, ACHERON:

MR. TERRY D. KORDELISKI, II
Riggs, Abney, Neal, Turpen, Orbison & Lewis
Attorneys at Law
5801 North Broadway, Suite 101
Oklahoma City, Oklahoma 73118

And

MR. CLAUDE G. SZYFER
MS. DANIELLE ALFONZO WALSMAN
Stroock & Stroock & Lavan LLP
Attorneys at Law
180 Maiden Lane
New York, New York 10038-4982

FOR THE CONSERVATOR, H. THOMAS MORGAN II:

MS. SHANNON K. EMMONS
MR. MELVIN R. MCVAY, JR.
Phillips Murrah P.C.
Attorneys at Law
Corporate Tower/Thirteenth Floor
101 North Robinson
Oklahoma City, Oklahoma 73102

ALSO PRESENT:

MS. PATRICIA A. LABARTHE
Oklahoma Department of Securities
First National Center, Suite 860
120 North Robinson
Oklahoma City, Oklahoma 73102

MR. RICHARD MILDREN
Riggs, Abney, Neal, Turpen, Orbison & Lewis
Attorneys at Law
5801 North Broadway Extension, Suite 101
Oklahoma City, Oklahoma 73118

disciplines together in terms of valuing the life insurance policies eligible in the market.

Q. Thank you, Mr. Annin.

And does Lewis & Ellis also provide services to buyers and sellers of policies in the life settlements or viatical's market?

A. We do.

Q. And what are those services?

A. Services are to value portfolios, the policies, and opine on the potential value that the policies would have in the current market.

Q. And do you personally participate in these valuations?

A. Yes.

Q. And as part of that work, does Lewis & Ellis create valuation reports for viatical portfolios like the ABC portfolio?

A. Yes, we do.

MR. SZYFER: Your Honor, if I may, I'd like to have Mr. Annin qualified as an expert in actuarial and life settlements and viaticals.

MS. EMMONS: No objection.

THE COURT: He is qualified by education, training, experience and background to be classified as an expert.

MR. SZYFER: Thank you, Your Honor.

THE COURT: I'll give it such weight and

A. Okay. We are showing by year from the date of the report the expected maturities, premium payments, and expenses from the perspective of the Conservator.

So we have maturities. There are no premiums for the first 15, 16 years because those are paid by Acheron.

Q. And so is this another way to kind of project that in 15, 16 years from 2009, the debt will be repaid?

A. That is correct. It is apparent that sometime during the 16th year, the debt is repaid under this particular projection.

Q. And in 2009, 16 years from 2009 is approximately 2025; is that correct, Mr. Annin?

A. That is correct.

Q. So from 2008 to 2009, L&E projected that it would take five additional years --

A. Yes.

Q. -- for the maturities to hit the debt amount; is that correct, Mr. Annin?

A. Yes. Yes.

Q. Thank you. And Mr. Annin, do you have an understanding of what the age profile of the viators in the ABC portfolio are?

A. Only a generalized. I have not looked at that in great detail. We certainly do that in our work. It's just not fresh in my memory, but I believe that the average age of the guarantee 2011 payments, as we heard earlier. And then coupled or tacked onto that would be the assumption that the reserve would be released by the Conservator consistent with a trade being done.

Q. And in your expert opinion, do you think it's appropriate to include the reserve account as part of Acheron's offer since that's money that's going to the investors?

A. That's an interesting question. I think that it immediately-liquifies the reserve and makes it available to the investor.

I think the reserve would have to be valued differently because of the way in which it's established; would have a different discount rate attached to it; would be looked at differently than, than the discount rate applying to the rest of the portfolio.

Q. And did you actually, Mr. Annin, have you calculated what you think the discount rate of Acheron's offer of totaling $15.1 million would be?

A. We took the 15.1 million, assuming that the reserve was included, you know, at face value in the 15.1. And using that 15.1 million relative to the outstanding, outstanding projected payments, as we have them today, came up with an 11.1 percent discount rate for that offer.

Q. Thank you. And did you also look at the discount rate that's at issue here?

A. Well, to frame it up, looking at that level of increase in potential risk of timing being a reasonable outer limit of the cash flow based on all information that's known or knowable as of today, it's a fairly modest increase.

The net present value differential was approximately seven percent less than it was in the base case. So again, a fairly modest risk element related to timing, which, I, in my initial conceptual understanding of this, thought was going to be clearly the most significant risk component.

So after having that information and using as a kind of point reference initially the 3.65 percent yield, looking at the yield curve and the steepness thereof, going to a, say, a 10-year A-rated bond, that yield to maturity goes from 3.65 up to 4.1 percent.

So about a 50-basis point increase there, by increasing two years on the yield curve of a corporate A-rated bond.

So look at that, consider also the default risk component that we talked about within this portfolio, and judgmentally determined that a five, possibly at the outer end, six percent discount rate would be reasonable, given the risk profile and stability of cash stream associated with this 60 percent investor tranche of the portfolio.

MS. EMMONS: Okay. Your Honor, that's all the questions I have.

Q. Is it safe to say that this is the first life settlement or viatical's portfolio that you've ever tried to value?
A. I did not try and value the entire portfolio. To be clear, I valued the 60 percent tranche of the investors.
Q. Right.
A. Which is different than a viatical portfolio, so -- but that would be a correct statement given that qualification.
Q. Right. You've never actually valued a life settlements or viatical's portfolio in your career, have you?
A. Correct.
Q. Mr. Lisle, who on behalf of the Conservator contacted you?
A. I believe it was the attorney, Ms. Emmons.
Q. Have you ever testified on behalf of the Conservator before?
A. No.
Q. Have you ever testified on behalf of an entity controlled by Mr. Moran before?
A. No.
Q. Have you ever worked with the Phillips Murrah firm before?
A. Yes.
Q. How many times?
A. I think two or three.
Q. And was that within the last couple of years?

think everybody is uncertain about the market right now.

As a matter of fact, in our dealings with the investment banks that we deal with, all the outside money is looking for investments in -- I can't remember the term -- but it's not, not the equities. It's -- oh, what's the term that's used? It doesn't matter.

So in my opinion, it has made this particular note much, much more valuable than it was back in those days. So...

Q. So with an uncertain economy, the present value, in an uncertain market, having this indefinite payout is better than having cash in hand?

A. Absolutely. I absolutely believe that.

Q. Okay. So even though the portfolio has declined in value due to maturities, you've drastically increased the asking price because the economy has gotten more uncertain?

A. I've increased the, increased the asking price based on what the face amount is and based on the discount rate of anywhere from five to seven percent.

Q. Okay. And in your March 26, 2010, letter rejecting the Acheron offer, you counteroffered with an offer 23.5 million. Right?

A. Right.

Q. And you included as part of that purchase price the 1.8 million in the PRA. Right?

A. I think we reduced the price by that 1.8. So we the way it works. And making 11 percent in this market in any investment, I think, is brilliant, if you're able to do that.

But the Court will not -- I don't believe Acheron has met its burden. I will not submit this and have this offer submitted to the investors.

Am I saying I wouldn't consider something else? No, I'm not because I think -- I've dealt with Mr. Moran a long time. I've looked at all the bills. I see why most of this money gets spent, and it's on dealing with investors that are calling everyday wondering what's going on and those other type things.

It would be beneficial for everybody, including Acheron, to do a lump sum payoff of this portfolio, but only if it's at a reasonable rate. 11 percent discount rate is not reasonable in this Court's mind based upon the testimony from this record, from the witnesses that were called, all those in opposition to what the employee of Acheron has testified to. And that's understandable.

So with that, I'm going to deny the request; but I'll say again, like I've said it for five or six months now, it would seem to me that there is a common ground that the Conservator and Acheron could reach for a discount rate in this case, to come up with a sum of money that is reasonable that we can take to these investors and let them make a decision on a reasonable offer with some reasonable numbers. But this rate is not reasonable in this Court's mind.

So with that, we'll close the record. I'm not going to tell you what a reasonable discount rate is because I don't get into negotiations. But anything --

I would say this: I think anything above eight percent this Court wouldn't even consider, even if the Conservator brought it to the Court because I know how many million it is. I've been calculating up here as I've listened to this testimony with my trusty solar-powered calculator. But I think there's a reasonable rate here somewhere along that range that everybody could talk to each other about and reach a number that is fair.

So anything else on behalf of the Movant, that being Acheron?

MR. SZYFER: Nothing further, Your Honor.

THE COURT: Anything on behalf of the Conservator?

MS. EMMONS: Nothing, Your Honor.

THE COURT: Anything further on behalf of the Department of Securities, although you weren't involved?

MS. LABARTHE: Nothing, Your Honor.

THE COURT: Thank you for your brevity and I'm sorry we've had to start so late today, but my doctor demands that in-camera or in-office visit once a year and I'm not going to deny him that request.

EXHIBIT C

---------- Forwarded message ----------
From: **Kim Hinkle** <khinkle@theasg.net>
Date: Sat, Apr 23, 2011 at 7:34 PM
Subject: ABC/Acheron Portfolio
To: pyan@acheroncapital.com
Cc: Tom Moran <tmoran@theasg.net>, tkeever@theasg.net

Mr. Yan,

Mr. Moran asked that I forward the below to you:

Dear Patrick:

Acheron has offered a cash payment of $16.2 million as payment for the $29,430,533 that Acheron currently owes under the terms of the APA for the Portfolio. Acheron is not offering to pay $18 million. The $18 million "offer" includes the premium reserve account. Again, the money in the PRA is the property of the ABC investors. The PRA is not Acheron's property. Acheron does not have any rightful claim to the PRA. Acheron is not entitled to any credit for the money in the PRA. The only amount being offered by Acheron is $16.2 million and this offer is not one that I can in good conscience take to Judge Owens.

$16.2 million represents a nearly 10% discount rate according to Lewis & Ellis' most recent projections. As you must appreciate after the evidentiary hearing on Acheron's last motion, this is not acceptable. At the hearing on October 28th Todd Lisle testified that a 6% discount rate would be appropriate for assessing the present value of the remaining purchase price owed by Acheron.

Applying a 6% discount rate, the present value of the remaining purchase price due from Acheron under the APA is $21,476,136. Payment of this amount by Acheron, excluding any consideration of the PRA, is the amount that I would be willing to ask the Court to consider. To be clear and avoid any misunderstanding, Acheron would make a cash payment of $21,476,136 to the Conservatorship. Distribution of the PRA would not be considered as any type of credit in favor of Acheron or used to satisfy any portion of Acheron's payment of the $21,476,136.

After you have had an opportunity to consider this proposal, please let me know your thoughts.

Tom

Sincerely,

Kimberly D. Hinkle

General Counsel

Asset Servicing Group, LLC

The Heritage Group Agency, Inc.

521 W. Wilshire Blvd. Suite 150

Oklahoma City, Oklahoma 73116

405-753-9100 ext. 502

khinkle@theasg.net

www.theasg.net

Disclaimer

EXHIBIT D

PM PHILLIPS MURRAH P.C.
Attorneys and Counselors at Law

March 26, 2010

VIA FACSIMILE AND
U.S. MAIL

Mr. Michael C. Turpen, *Esq.*
Mr. Richard Mildren, *Esq.*
Riggs, Abney, Neal, Turpen, Orbison & Lewis
5801 Broadway Extension, Suite 101
Oklahoma City, Oklahoma 73118

Re: *Oklahoma Dept. of Securities v Accelerated Benefits Corp., et al.*
District Court of Oklahoma County, State of Oklahoma
Case No. CJ-99-2500-66

Dear Mike and Richard:

As we discussed at the hearing on March 12th, Acheron's current offer of $10.2 million is not acceptable. After considering how best to protect the Investors' interests, Mr. Moran is prepared to make a counter-proposal that, if accepted by Acheron, he would support submitting to the Court and the Investors for their consideration.

Under the terms of the Option Purchase Agreement ("OPA"), the Investors can anticipate receiving over $10.2 million from Acheron within six years from now.[1] Furthermore, under the terms of the OPA, the Investors are entitled to receive payments from Acheron long after they receive the $10.2 million that Acheron will have paid over the next six years.

Under Acheron's proposal, it would be paying merely what it is required to pay under the OPA over the next six years. Moreover, under its proposal, Acheron would then retain 100 per cent of future maturities – including the 60 per cent of maturities that Acheron would have had to pay to the Investors under the OPA. We see no benefit to the Investors in this. We are, however, mindful that the Court and the Investors may want to consider a lump sum payment of the balance due from Acheron under the OPA. But any prepayment of the remaining purchase price

---

[1] This assumption is based on the projections from the Lewis & Ellis Valuation of Receiver's Portion of Portfolio Maturities as of July 31, 2009.

for the Portfolio must be sufficient to compensate the Investors for the loss of future payments under the OPA.

Acheron's offer of $10.2 million represents a discount rate of 17.6 per cent, which is entirely too steep of a discount rate to impose on the ABC Investors. After considerable analysis and discussion, we have determined that the appropriate discount rate is 5 per cent. This conclusion is based on a number of factors, including the realistic rate of return that the Investors could obtain on the payments currently due to them under the terms of the OPA.

Utilizing a discount rate of 5 per cent, the total amount due to the Investors in the event Acheron is allowed to prepay the purchase price is $23.5 million. Because the Investors would receive the $1.8 million held in the premium reserve account in the event of a prepayment and termination of the Conservatorship, we are willing to recommend the following to the Court: that an offer by Acheron to prepay the balance of the purchase price for $21.7 million be submitted to the Investors for their consideration and, ultimately, to the Court for its determination as to whether this offer would be in the best interests of the Investors.

After you have had an opportunity to discuss this with your clients, please let us know your thoughts.

Very truly yours,

Shannon K. Emmons
For the Firm

SKE/MRM

cc: Melvin R. McVay, Jr., *Esq.*
H. Thomas Moran (electronic mail)
Sheri Townsend (electronic mail)
Patricia A. Labarthe, *Esq.* (electronic mail)
William Whitehill, *Esq.* (electronic mail)
Claude G. Szyfer, *Esq.* (facsimile)
Boris Ziser, *Esq.* (facsimile)