IN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS FORT WORTH DIVISION

In re:	§	Chapter 11
	§	
LIFE PARTNERS HOLDINGS, INC., *et al.,*	§	Case No. 15-40289-RFN-11
	§	
Debtors.	§	(Jointly Administered)

DISCLOSURE STATEMENT FOR AMENDED JOINT CHAPTER 11 PLAN PROPOSED BY VIDA CAPITAL, INC.

THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OF REJECTION OF THE PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE. ACCEPTANCES OR REJECTIONS OF THE PLAN MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STAEMENT IS BEING SUBMITTED FOR APPROVAL, BUT HAS NOT BEEN APPROVED BY THE BANKRUTPCY COURT.

GRAY REED & MCGRAW, P.C.
Jason S. Brookner
Texas Bar No. 24033684
Lydia R. Webb
Texas Bar No. 24083758
1601 Elm Street, Suite 4600
Dallas, Texas 75201
Telephone: (214) 954-4135
Facsimile: (214) 953-1332

ATTORNEYS FOR VIDA CAPITAL, INC.

Dated: April 29, 2016

IMPORTANT INFORMATION FOR YOU TO READ

All creditors and equity interest holders are advised and encouraged to read this Disclosure Statement and the Plan in their entirety. Plan summaries and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan and other exhibits annexed to the Plan. The statements contained in this Disclosure Statement are made only as of the date hereof, and there can be no assurance that the statements contained herein will be correct at any time after the date hereof.

This Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and Rule 3016 of the Federal Rules of Bankruptcy Procedure and not necessarily in accordance with federal or state securities laws or other applicable law.

As to contested matters, adversary proceedings, and other actions or threatened actions, this Disclosure Statement shall not constitute or be construed as an admission of any fact or liability, a stipulation, or a waiver.

This Disclosure Statement shall not be admissible in any nonbankruptcy proceeding involving the Debtors or any other party, nor shall it be construed to be conclusive advice on the tax or other legal effects of the Plan on holders of Claims or Equity Interests.

Vida is providing this Disclosure Statement to holders of Claims and Equity Interests, for their information only. **Nothing in this Disclosure Statement may be used or relied upon by any person or entity for any other purpose.**

EXHIBITS AND APPENDECIES TO DISCLOSURE STATEMENT

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DISCLOSURE STATEMENT DATED , 2016

This Disclosure Statement (the "Disclosure Statement") solicits acceptance of the Amended Joint Chapter 11 Plan Proposed By Vida Capital, Inc. ("Vida"), dated April 29, 2016 (the "Plan"). The Plan pertains to Life Partners Holdings, Inc. ("LPHI"), Life Partners, Inc. ("LPI") and LPI Financial Services, Inc. ("LPIFS," together with LPI, the "Subsidiary Debtors" and collectively with LPHI, the "Debtors"), as debtors in the above-captioned jointly administered Chapter 11 cases. The Plan is proposed by Vida Capital, Inc. ("Vida").

The purpose of this Disclosure Statement is to enable a Claim or Equity Interest holder whose Claim or Equity Interest is impaired under the Plan, and who is entitled to vote to accept or reject the Plan, to make an informed decision in exercising its right to vote to accept or reject the Plan. A copy of the Plan is attached hereto as **Exhibit A.**

I. OPENING MESSAGE TO PARTIES IN INTEREST AND BRIEF GUIDE TO DISCLOSURE STATEMENT

This Disclosure Statement is one of three that you are receiving, because three different groups have filed competing plans for the reorganization of the Debtors: Vida, the Chapter 11 Trustee together with the Official Committee of Unsecured Creditors ("Trustee/Committee") and Transparency Alliance. Each of the three disclosure statements you have received is a large and dense document, containing a great deal of information, such as: the background of the Debtors and their business, why the Debtors filed for Chapter 11 and what has happened so far during the bankruptcy cases, the Chapter 11 Trustee's investigation into the Debtors and his findings, the elements and provisions of each of the proposed Chapter 11 plans, and the tax and securities law implications of each of the competing Chapter 11 plans. You are also receiving a lot of paperwork with each plan and disclosure statement, such as Ballots, election forms, court notices and other documents. Put simply, you are receiving a blizzard of papers and information.

For the most part, each of the disclosure statements will contain similar, if not identical, information about the Debtors, their business history, their Chapter 11 cases, and the Trustee's investigation into and conclusions regarding the Debtors' prepetition business activities. The key differences in the disclosure statements will be the description of each party's proposed Chapter 11 plan, how your claim or equity interest is being treated, and the impact of the Chapter 11 plan on you.

Vida recommends that you read the entirety of this Disclosure Statement and Vida's Plan, so that you can compare Vida's Plan to the other plans, and then make an informed decision on how to make your election and cast your vote. Vida believes that its Plan provides the best alternative for, and maximizes the returns to, holders of Claims and Equity Interests. That is because, among other things, Vida services policies and manages funds and investors every day, as part of its normal business. Vida will do everything necessary to service the Policies and Life Partners' investors, manage the Policy portfolio, the Policy Fund and investor accounts, and otherwise maximize the return to investors, without the need for any third party servicers, trustees or managers. This vertical integration keeps all tasks in-house and thereby reduces third party costs. Vida's Plan is simple (as compared to the other proposed plans), and Vida is a "one-stop-shop" with extensive expertise doing exactly what LPI's investors need to receive the

maximum return on their investments. As set forth more fully below, Vida is charging just one fee to manage investors and the Policy portfolio and service the Policies, and is reserving only a portion of what the other parties are reserving for post-confirmation operations. Put another way, Vida's plan is the least expensive for investors.

It is possible, however, that more than one of the proposed plans will meet the legal requirements for approval by the Bankruptcy Court (known as "confirmation"). Were that to happen, the Bankruptcy Court will choose which plan to confirm, because only one plan may be confirmed. In making its choice regarding which plan to confirm, the Bankruptcy Court must take the preferences of claim and interest holders into account.

There has been a lot of activity in the Debtors' Chapter 11 cases: many pleadings have been filed, there has been much collateral litigation, and Trustee has performed an investigation in the Debtors' business practices and history and produced two lengthy reports. Therefore, for your convenience, Vida has created an Appendix to this Disclosure Statement – **Appendix 1** – which contains all of the information relevant to the Debtors, their bankruptcy cases, their business, the surrounding litigation, and related matters. Most of the capitalized terms used in this Disclosure Statement are contained in the discussion in the Appendix.

The Table of Contents to this Disclosure Statement shows you what is included in this document. Vida has attempted to arrange this Disclosure Statement in a way that makes sense, and is logical. Basically, the Disclosure Statement is laid out like this:

- **First:** An executive summary of the Plan and how the Plan treats claims and interests, and information you need about voting and the hearing to approve (*i.e.,* confirm) the Plan.

- **Second:** Some general information on the purposes of this Disclosure Statement, Chapter 11 in general, voting on the Plan, elections under the Plan and the legal requirements for confirming the Plan.

- **Third:** A discussion of who Vida is, what Vida does, what Vida can and will do for you after the Plan is confirmed, and why Vida believes it is the best choice to fill this role.

- **Fourth:** A discussion of Vida's Plan (section V).

- **Fifth:** A discussion of certain financial information related to the Plan (sections VI and VII).

- **Sixth:** Sections VIII and IX of this Disclosure Statement provide a lengthy discussion of the potential tax attributes and impacts of the Plan on holders of claims and interests, and potential securities law ramifications of the Plan. **Remember, however, that you need to consult your own tax advisor in order to determine the tax consequences of the Plan on your claim or interest. The tax discussion in this Disclosure Statement is not tax advice and is being provided for informational purposes only.**

Even though Vida has arranged this Disclosure Statement in a way it thinks will be convenient for you, and even though you are free to read whichever portions of the Disclosure Statement you wish, Vida encourages you to read the entire Disclosure Statement, so that you have a full understanding of Vida's Plan and the Debtors' Chapter 11 Cases. Vida believes that its Plan is the simplest of the Competing Plans, and provides investors with the greatest return. Vida urges you to vote to "accept" the Vida Plan.

II. EXECUTIVE SUMMARY OF PLAN AND TREATMENT OF CLAIMS AND INTERESTS, VOTING AND CONFIRMATION

In summary, the Plan provides that Vida will purchase 100% of the New Stock of LPI and LPIFS in exchange for the payment of $4 million to the Debtors' Estates. Holders of Fractional Interest Claims will be afforded a choice in treatment, and generally may elect to:

(i) become a "Continuing Holder," be deemed to own their Fractional Interests and pay servicing costs and premiums on their own going forward,

(ii) become an "Assigning Holder," be deemed to assign their Fractional Interests and Claims into a "pool" known as the Policy Fund, receive limited partnership interests in the fund in exchange, and be relieved of all future premium payments and servicing charges, or

(iii) (iii) become a "Former Holder," be deemed to have rescinded their transactions with LPI, have their Fractional Interests and Claims abandoned into the Policy Fund and receive a beneficial interest in the Litigation Trust, which will pursue litigation for the benefit of the Litigation Trust Beneficiaries.

Vida, through itself and its affiliates, will manage and service all of the Polices, the Policy Fund and investors' accounts from and after the Effective Date of the Plan. The terms and nature of the services to be provided by Vida will benefit all Continuing Holders and the Policy Fund.

Vida will make an Exit Loan available to pay DIP Claims, Allowed Administrative and Fee Claims and, if necessary, Priority Claims. The Exit Loan will bear simple interest at 13% per annum, and will be re-paid to Vida from Maturity Funds on hand and to be received after the Effective Date by Continuing Holders and the Policy Fund. Vida will also make a loan facility available to the Policy Fund to fund post-Effective Date operations in the event that the Policy Fund runs short on operating capital (which Vida does not expect will occur). To the extent there is sufficient operating capital in the Policy Fund, there will not be a need, or a requirement, to draw on this loan facility.

As set forth more fully below in section IV, Vida is a highly respected asset manager focused on longevity-contingent assets, the majority of which are life settlements. Through two separate wholly-owned subsidiaries, Vida is both an SEC Registered Investment Advisor and a leading Life Settlement Provider. As a result, Vida is well-positioned to execute the Plan and service the Policies.

On the Effective Date of the Plan, a Litigation Trust will be formed, the corpus of which (the "Litigation Trust Assets") will be: (i) the Debtors' Causes of Action against third parties, (ii) causes of action that may be contributed by Claim holders (referred to as "Contributed Causes of Action") and (iii) an amount of Cash to be determined by the Litigation Trustee in consultation with the Official Committee of Unsecured Creditors and Vida (the "Seed Money"). The Litigation Trustee will pursue causes of action and litigation against third parties and distribute the cash received pursuant to the terms of the Plan and the Trust Agreement. On the Effective Date of the Plan, the Litigation Trustee will make an Initial Distribution to holders of Allowed General Unsecured Claims from any cash on hand in the Litigation Trust after deducting the Seed Money and, thereafter, will make subsequent distributions from cash received from liquidating the Litigation Trust Assets. Once all remaining administrative costs and expenses of the Chapter 11 Cases and the Litigation Trust have been paid or reserved for, a final distribution of all remaining cash on hand will be made to the holders of Allowed Claims. To the extent the Litigation Trust Beneficiaries have been paid their Allowed Claims in full, the residual beneficiary for any remaining cash will be the Policy Fund.

A summary of the classification and treatment of Claims and Equity Interests under the Plan are as follows:

Class	Description	Entitled to Vote	Estimated Claims	Approximated Estimated Recovery	Treatment
Classes 1A, 2A and 3A	Priority Non-Tax Claims against LPHI, LPI and LPIFS, respectively	No	Approximately $6.6 million	100%	Each holder of an Allowed Class 1A, 2A and 3A Claim against a Debtor shall be paid in Cash in full on (or as soon as reasonably practicable after) the later of (i) the Effective Date or (ii) fifteen (15) days after such Priority Non-Tax Claim becomes Allowed.
Classes 1B, 2B and 3B	Secured Claims against LPHI, LPI and LPIFS, respectively	No	$0.00	100%	At the option of the applicable Debtor, each holder of an Allowed Class 1B, 2B and 3B Claim against a Debtor shall receive one of the following treatments: (i) payment in full in Cash; (ii) delivery of the collateral securing such Allowed Claim; or (iii) other treatment

Class	Description	Entitled to Vote	Estimated Claims	Approximated Estimated Recovery	Treatment
					that renders such Allowed Claim unimpaired.
Class 1C	SEC Claim against LPHI	Yes	$38.7 million	Unknown	The holder of the SEC Claim shall be entitled to receive its share of (i) Net Cash plus (ii) all Cash thereafter received by the Litigation Trust from the liquidation of the Litigation Trust Assets or otherwise received pursuant to the terms of the Plan and the Trust Agreement. All distributions otherwise payable to the SEC shall be paid to each Continuing Holder and the Policy Fund, Pro Rata, as set forth in section 4.3 of the Plan.
Class 2C	Fractional Interest Claims against LPI	Yes		Unknown – depends upon the Elections made, the performance of the Policy portfolio and the success in liquidating Causes of Action in the Litigation Trust.	Holders of Fractional Interest Claims will be afforded three options (or in the case of Qualified Plan Holders, only two options): (i) to stay in the life settlement program and become a "Continuing Holder," (ii) to contribute claims and Fractional Interests to the Policy Fund and become an Assigning Holder, or (iii) become a "Former Holder" by rescinding all life settlement transactions with Life Partners, transferring all Claims, Fractional Interests, maturity funds and premiums in

Class	Description	Entitled to Vote	Estimated Claims	Approximated Estimated Recovery	Treatment
					escrow to the Policy Fund, and receiving an interest in the Litigation Trust. Qualified Plan Holders may not make this third Former Holder Election. Please read section --- of this Disclosure Statement for an explanation of the Elections that are available and the implications of making an Election.
Classes 1D, 2D and 3C	General Unsecured Claims against LPHI, LPI and LPIFS, respectively	Yes	LPHI: $0.00	Unknown – depends upon the Litigation Trustee's success in liquidating the Causes of Action in the Litigation Trust.	Each holder of an Allowed Class 1D, 2D and 3C Claim against a Debtor shall receive its Pro Rata share of (i) Net Cash plus (ii) all Cash received by the Litigation Trust from the liquidation of the Litigation Trust Assets or otherwise received pursuant to the terms of the Plan and the Trust Agreement. The Litigation Trustee shall make the Initial Distribution of Net Cash to holders of Allowed General Unsecured Claims on the later of (a) the Effective Date or (b) fifteen (15) days after a General Unsecured Claim become Allowed, and shall thereafter make additional distributions in accordance with the provisions of the Plan.

Class	Description	Entitled to Vote	Estimated Claims	Approximated Estimated Recovery	Treatment
Classes 1E, 2E and 3D	Intercompany Claims against LPHI, LPI and LPIFS, respectively	Yes	LPHI: $74 million LPI: $8.3 million LPIFS: $0.00	$0.00	The Intercompany Settlement provides that all Intercompany Claims against the Debtors in Class 1E, 2E and 3D shall be subordinated, cancelled, and released.
Classes 1F, 2F and 3E	Equity Interests in LPHI, LPI and LPIFS, respectively	No	N/A	0%	Holders of Equity Interests in Classes 1F, 2F and 3E shall neither receive nor retain any property on account of their Equity Interests.

Additional competing Chapter 11 plans have also been filed by (i) the Trustee/Committee and (ii) Transparency Alliance, LLC (collectively, the "Competing Plans"). As discussed more fully below, Vida believes that its Plan is more favorable to constituents than the other Competing Plans, even though all of the plans have similar attributes. In particular, Vida believes that its Plan will cost ***less*** than the Trustee/Committee Plan, and will distribute over $215 million ***more*** to investors. *Compare* Trustee/Committee disclosure statement Exhibits C and D with Vida Disclosure Statement **Exhibits J and K**.

Although styled as a "Joint Plan," the Plan consists of three (3) separate plans (one for each of the Debtors). Consequently, except as provided in the Plan for purposes of making and receiving distributions under the Plan, votes will be tabulated separately for each Debtor. Confirmation of one or more of the three separate plans, or the failure to confirm any of three separate plans, will not affect Vida's ability to confirm any of the other plans.

As a result, Vida believes that the Plan is in the best interests of holders of Claims and Equity Interests. Accordingly, Claim holders who are entitled to vote are urged to vote in favor of the Plan. **To be counted, your Ballot must be fully completed, executed and actually received by BMC Group, Inc. (the "Tabulation Agent") at the following address no later than 5:00 p.m. (prevailing Central Time) on ____, 2016 (the "Voting Deadline"):**

IF BY MAIL:
BMC Group, Inc.
Attn: Life Partners Ballot Processing
P. O. Box 90100
Los Angeles, CA 90009

IF BY MESSENGER OR OVERNIGHT DELIVERY:
BMC Group, Inc.
Attn: Life Partners Ballot Processing
3732 W 120th Street
Hawthorne, CA 90250

IF BY ELECTRONIC MAIL:
lifepartners@bmcgroup.com
Please indicate "Life Partners Ballot"
in the "subject" line of the email

IF BY FACSIMILE:
(310) 321-5539

Holders of Claims who are entitled to vote should carefully read this Disclosure Statement and the Plan in their entirety prior to voting on the Plan. Each holder of a Claim or Equity Interest should consult its individual attorney, accountant and financial advisor as to the effect of the Plan on such holder.

Pursuant to section 1128(a) of the Bankruptcy Code, **a hearing on confirmation of the Plan (the "Confirmation Hearing") has been scheduled to commence on ___, 2016 at __:__ __.m., prevailing Central Time**, before the Honorable Russell F. Nelms, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the "Bankruptcy Court"), 501 W. Tenth Street, Fort Worth, Texas 76102. At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the requirements of the Bankruptcy Code.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a Chapter 11Chapter 11 plan. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed no later than **5:00 p.m. prevailing Central Time on _____, 2016** (the "Confirmation Objection Deadline") and simultaneously served on the following parties:

Counsel to Vida Capital, Inc.: Jason S. Brookner **GRAY REED & McGRAW, P.C.** 1601 Elm Street, Suite 4600 Dallas, Texas 75201 Telephone: (469) 320-6132 Facsimile: (214) 953-1332 Email: jbrookner@grayreed.com	Counsel to the Chapter 11 Trustee: David M. Bennett **THOMPSON & KNIGHT LLP** One Arts Plaza 1722 Routh Street, Suite 1500 Dallas, Texas 75201 Telephone: (214) 969-1486 Facsimile: (214) 880-3293 Email: david.bennett@tklaw.com
Counsel to the Official Committee of Unsecured Creditors: Joseph J. Wielebinski **MUNSCH HARDT KOPF & HARR, P.C.** 500 N. Akard Street, Suite 3800 Dallas, Texas 75201 Telephone: (214) 855-7561 Facsimile: (214) 978-4375 Email: jwielebinski@munsch.com	U.S. Trustee: Office of the United States Trustee for the Northern District of Texas Attn: Elizabeth Ziegler and Erin Marie Schmidt 1100 Commerce Street Room 9C60 Dallas, Texas 75242 Email: elizabeth.ziegler@usgoj.gov erin.schmidt2@usdoj.gov

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. If an **objection to confirmation is not timely filed and served, the Bankruptcy Court may not consider it.**

For the convenience of Claim and Equity Interest holders, this Disclosure Statement summarizes the terms of the Plan. However, the Plan and any Exhibits and Schedules thereto are the operative documents, and govern.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN AS A DESCRIPTION OF THE PLAN AND THE CHAPTER 11 CASES, AND NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING VIDA, THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE LEGAL EFFECT OF THE PLAN ON HOLDERS OF CLAIMS OR EQUITY INTERESTS. CERTAIN INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS, BY ITS NATURE, FORWARD LOOKING, AND CONTAINS ESTIMATES, FORECASTS AND ASSUMPTIONS WHICH MAY PROVE TO BE MATERIALLY DIFFERENT FROM ACTUAL RESULTS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED. NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE PLAN SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT OR THE DATE ON WHICH THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT OR INDEPENDENT VERIFICATION. THE INFORMATION CONTAINED HEREIN AND THE RECORDS KEPT BY THE DEBTORS ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT INACCURACY.

NO REPRESENTATIONS OR ASSURANCES CONCERNING VIDA, THE DEBTORS, THEIR BUSINESSES OR THE PLAN ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO, INCORPORATED BY REFERENCE OR REFERRED TO HEREIN. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON OTHER THAN THOSE CONTAINED HEREIN SHOULD NOT BE RELIED UPON AND SHOULD BE REPORTED TO COUNSEL TO VIDA.

THE SECURITIES AND EXCHANGE COMMISSION HAS NEITHER APPROVED NOR DISAPPROVED THIS DISCLOSURE STATEMENT, NOR HAS IT PASSED UPON THE ADEQUACY OR ACCURACY OF THE STATEMENTS CONTAINED HEREIN.

Disclosure Regarding Forward-Looking Statements

This Disclosure Statement contains forward-looking statements within the meaning of section 27A of the Securities Act and section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Disclosure Statement that address activities, events or developments that Vida expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. These statements can be identified by the use of forward-looking terminology, including "may," "believe," "anticipate," "estimate," "continue," "foresee," "project," "could," or other similar words. These forward-looking statements may include, but are not limited to, (a) references to timing and procedures in which the Debtors' Chapter 11 Cases and the distribution of the Debtors' assets pursuant to the Plan will be conducted, (b) financial exhibits, projections and liquidation analysis and (c) any references to the potential recoveries by or distributions to investors. Forward-looking statements are not guaranties of performance. Vida has based these statements on the assumptions and analysis set forth in the Disclosure Statement for the Trustee/Committee Plan filed on March 24, 2016 [Docket No. 1689], which the Trustee/Committee contend are based on experience and perception of historical trends, current conditions, expected future developments, analysis of information available to them, and other factors those parties and their court-appointed financial advisors believe are appropriate under the circumstances. No assurance can be given that these assumptions are accurate. Moreover, those statements are subject to a number of risks and uncertainties. Important factors that could cause the actual results to differ materially from the expectations reflected in the Disclosure Statement's forward-looking statements include, among others:

- Risks associated with ownership of life insurance policies and related investments in general and the investments sold by LPI in particular, including without limitation the need to continue to pay premiums beyond any life expectancy of the insured, premium increases, dependence on third parties to pay premiums, and reliance on third parties to provide policy servicing and administration;

- The wide-ranging fraud scheme alleged by the Chapter 11 Trustee to have been perpetrated by the Debtors' pre-bankruptcy insiders and their accomplices;

- The pre-bankruptcy financial and other record-keeping practices employed by the Debtors and certain third parties they had engaged in the conduct of their operations;

- Risk associated with litigation and other claims; and

- Risk associated with the Debtors' Chapter 11 Cases being converted to cases under Chapter 7 of the Bankruptcy Code.

Other factors that are unknown or unpredictable could also have a material adverse effect on future results.

All forward-looking information in this Disclosure Statement is expressly qualified in their entirety by the foregoing. In light of these risks, uncertainties and assumptions, the events

anticipated by the forward-looking statements may not occur, and you should not place any undue reliance on any of the forward-looking statements. The forward-looking statements speak only as of the date made, and Vida undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

Sources of Information

Unless otherwise stated, all information in this Disclosure Statement pertaining to the Debtors, their business, their Chapter 11 Cases and their finances was derived from information set forth by the Trustee in documents filed by him in the Bankruptcy Court, and from the Trustee/Committee disclosure statement [Docket No. 1689]. Information about Vida was provided by Vida.

III. GENERAL INFORMATION

A. PURPOSES OF THIS DISCLOSURE STATEMENT

Vida prepared this Disclosure Statement to provide information that the Bankruptcy Court has determined to be material and necessary to enable holders of Claims who are entitled to vote on the Plan, to make an informed judgment about the Plan. Confirmation of a plan pursuant to Chapter 11 of the Bankruptcy Code depends, in part, upon the receipt of a sufficient number of votes in favor of the Plan. However, creditors whose Claims are unimpaired are deemed to have conclusively accepted the Plan and are not entitled to vote thereon. As set forth in this Disclosure Statement, holders of Claims in Classes 1A, 2A, 3A, 1B, 2B and 3B are unimpaired and deemed to have accepted the Plan. Holders of Claims in Classes 1C, 1D, 2C, 2D and 3C are impaired and entitled to vote to accept or reject the Plan. Holders of Intercompany Claims in Classes 1E, 2E and 3D are impaired, but they are deemed to accept the Plan as a result of the Intercompany Settlement.

On _____ ____, 2016, after notice and a hearing, the Bankruptcy Court entered an order (the "Disclosure Statement Approval Order"), pursuant to section 1125 of the Bankruptcy Code, approving this Disclosure Statement as containing "adequate information." "Adequate information" is information of a kind, and in sufficient detail, to enable a hypothetical investor typical of the holders of Claims and Equity Interests in the Chapter 11 Cases, to make an informed decision about whether to accept or reject the Plan. A copy of the Disclosure Statement Approval Order is attached hereto as **Exhibit B**.

B. GENERAL INFORMATION CONCERNING CHAPTER 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code, pursuant to which a debtor in possession attempts to reorganize, or liquidate, its business for the benefit of itself, its creditors and equity interest holders.

The commencement of a Chapter 11 case creates an estate, comprised of all legal and equitable interests of the debtor in property as of the date the petition is filed, wherever located and by whomever held. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor

in possession" unless the bankruptcy court orders the appointment of a trustee. As described below, H. Thomas Moran II was appointed as the Chapter 11 trustee for LPHI, and installed as the sole director of LPI and LPIFS (the "Chapter 11 Trustee" or the "Trustee").

The filing of a Chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362(a) of the Bankruptcy Code provides for, among other things, an automatic stay of all attempts to collect prepetition debts against the debtor or to otherwise interfere with the debtor's property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the time a plan of reorganization is confirmed.

The formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. A plan sets forth the means for satisfying the claims against and equity interests in the debtor. Generally, unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a Chapter 11 case (the "Exclusive Period"). A debtor is generally then given 60 additional days (the "Solicitation Period") during which it may solicit acceptance of its plan. The Exclusive Period and the Solicitation Period may be extended or reduced by the court upon a showing of "cause."

Upon the Trustee's appointment as trustee for LPHI, LPHI lost its Exclusive Period. As described more fully in the Appendix, the Subsidiary Debtors' Exclusive Period lapsed on March 4, 2016.

C. GENERAL INFORMATION CONCERNING TREATMENT OF CLAIMS AND INTERESTS

A Chapter 11 plan may provide for anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of a debtor's assets. After a Chapter 11 plan has been filed, certain holders of claims against or equity interests in a debtor are permitted to vote to accept or reject the plan.

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify the claims and interests of a debtor's creditors and equity holders. As required, the Plan divides Claims and Equity Interests in each Debtor into classes on a Debtor-by-Debtor basis, and sets forth the treatment for each class. In accordance with section 1123(a) of the Bankruptcy Code, Administrative Expense Claims have not been classified in the Plan. A debtor is also required, under section 1122 of the Bankruptcy Code, to classify claims against and equity interests in a debtor into classes that contain claims and equity interests that are substantially similar to the other claims and equity interests in such class. Vida believes that the Plan has classified all Claims and Equity Interests in compliance with the provisions of Bankruptcy Code section 1122.

The classification of Claims and Equity Interests under Vida's Plan is set forth above in section II.

D. CLASSES IMPAIRED UNDER A PLAN

Only classes of impaired claims or equity interests that will receive a distribution may vote to accept or reject a plan. A class is "impaired" if the legal, equitable, or contractual rights relating to the claims or equity interests in that class are modified by the plan. Modification for purposes of determining impairment, however, does not include curing defaults or reinstating maturities. Classes of claims or equity interests that are not impaired under a plan of reorganization, and each member of such class, are conclusively deemed to have accepted the plan and thus are not entitled to vote. Similarly, classes of claims or equity interests that will neither receive nor retain any property under a plan are deemed not to have accepted the plan and are thus not entitled to vote.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is impaired under a plan of reorganization unless, with respect to such class, the plan: (1) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest; or (2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default: (a) cures any such default that occurred before or after the commencement of the case, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (b) reinstates the maturity of such claim or interest as it existed before such default; (c) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; (d) if the claim or interest arises from a failure to perform a non-monetary obligation (other than a default from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A)), compensates the holder (other than the debtor or an insider) for any actual pecuniary loss incurred by the holder as a result of such failure; and (e) does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

As set forth previously, Claims in Classes 1A, 2A, 3A, 1B, 2B and 3B are unimpaired and conclusively deemed to have accepted the Plan. Claims in Classes 1C, 1D, 2C, 2D and 3C are impaired and entitled to vote to accept or reject the Plan (the "Voting Classes"). Equity Interests in Classes 1F, 2F and 3E will not receive or retain any property under the Plan and are therefore deemed to reject. Claims in Classes 1E, 2E and 3D are deemed to accept the Plan under the Intercompany Settlement.

E. VOTING ON THE PLAN AND ELECTIONS

1. Voting on the Plan

All holders of Claims in Voting Classes may vote to accept or reject the Plan. A Ballot casting a vote on the Plan may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such Ballot was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

All proofs of claim by creditors of the Debtors (not including Governmental Units), must have been filed with the Clerk of the Bankruptcy Court by September 1, 2015; proofs of claim by Governmental Units were due by November 16, 2015 (the last date to file a claim is referred to as the "Bar Date"). If a claimant already filed a proof of claim with the Bankruptcy Court, or if the claim in question was scheduled by the Debtors as not being contingent, unliquidated, or disputed, a proof of claim need not have been filed. The schedules for all of the Debtors are available for inspection on the Bankruptcy Court's website at www.txnb.uscourts.gov, at the website of the Debtors' claims and noticing agent, EPIQ Systems, at http://dm.epiq11.com/LFP/project#, or upon written request to the Debtors' counsel. Any references in the Plan or Disclosure Statement to any Claims or Equity Interests shall not constitute an admission of the existence, nature, extent or enforceability thereof.

2. **Elections**

The Plan provides certain options for treatment, which holders of Fractional Interest Claims may elect ("Elections"). Each holder of a Fractional Interest Claim may elect to become a Continuing Holder, an Assigning Holder or a Former Holder. These Elections are described more fully in section V(B)(4) of this Disclosure Statement, which you should read. In summary:

- Electing to become a Continuing Holder means that you will be deemed the owner of the Fractional Interests purchased through your investment in Life Partners (including IRA Holders who make this Election). You will be required to pay all premiums and servicing fees as and when due, and if you fail to make any such payments, your Fractional Interests will be abandoned to the Policy Fund and you will have no further rights of any kind.

- Electing to become an Assigning Holder means that you will assign all of your rights and Claims acquired through your investment in Life Partners to the Policy Fund – an investment limited partnership – in exchange for a pro rata limited partnership interest in the Policy Fund. You will not be responsible for making any further premium payments or paying any future servicing fees, and you will share in the maturities paid on all Fractional Interests held by the Policy Fund, subject to reserves for operating capital.

- Electing to become a Former Holder means that you will be deemed to have rescinded your investment in Life Partners, and all of your Claims and interests acquired through your investment in Life Partners will be contributed to the Policy Fund. You will then become a beneficiary of the Litigation Trust and be entitled to receive a pro rata share of recoveries from litigation against third parties.

F. CONFIRMATION

There are two methods by which a plan may be confirmed: (i) the "acceptance" method, pursuant to which all impaired classes of claims and interests have voted in the requisite amounts to accept the plan and the plan otherwise complies with section 1129(a) of the Bankruptcy Code;

and (ii) the "cram-down" method under section 1129(b) of the Bankruptcy Code, which is available even if classes of claims vote against the Plan.

1. **Acceptance of the Plan**

A plan is accepted by an impaired class of claims if the holders of at least two-thirds (⅔) in amount and more than one-half (½) in number of the allowed claims in such class actually voting vote to accept the plan. A plan is accepted by an impaired class of equity interests if holders of at least two-thirds (⅔) in amount of allowed equity interests in such class actually voting vote to accept the plan.

BALLOTS OF HOLDERS OF IMPAIRED CLAIMS THAT ARE SIGNED BUT THAT DO NOT EXPRESSLY INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR INDICATE BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL BE COUNTED AS AN ACCEPTANCE OF THE PLAN.

In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or equity interest in an impaired class entitled to vote or that the plan otherwise be found by the bankruptcy court to be in the best interests of each holder of a claim or equity interest in such class (*see* discussion of "Best Interests Test" below).

2. **Confirmation Without Acceptance By All Impaired Classes**

Under section 1129 of the Bankruptcy Code, Vida has the right to seek confirmation of the Plan notwithstanding the rejection of the Plan by a class of Claims or Equity Interests.

A plan may be confirmed notwithstanding its rejection by one or more classes of claims or equity interests if, in addition to satisfying the applicable requirements of section 1129(a) of the Bankruptcy Code, the plan (1) is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan and (2) does not "discriminate unfairly."

A plan is "fair and equitable" under the Bankruptcy Code with respect to a dissenting class of secured claims if either (a)(i) the holders of such secured claims retain the liens securing such claims and (ii) each holder of a claim in such class receives deferred cash payments equal to the present value of such claim; (b) the property subject to the holders' liens is sold, subject to the creditors' right to credit bid, with the creditors' liens to attach to the proceeds of sale; or (c) the holders receive the "indubitable equivalent" of their claims.

A plan is "fair and equitable" under the Bankruptcy Code with respect to a dissenting class of unsecured claims if, with respect to such dissenting class either (a) the plan provides that each holder of a claim of such class receive or retain property of a value equal to the allowed amount of such claim, or (b) no holders of junior claims or equity interests receive or retain any property under the plan on account of such junior claims or interests.

A plan is "fair and equitable" under the Bankruptcy Code with respect to a dissenting class of equity interests if, with respect to such dissenting class, either (a) each holder of an interest of such class shall receive or retain on account of such interest property of a value equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest, or (b) the holder of any interest that is junior to the interest of such class shall not receive or retain any property on account of such junior interest.

This fair and equitable standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting unsecured class of claims or equity interests receives full compensation for its allowed claims or allowed interests, no holder of claims or interests in any junior class may receive or retain any property under the plan on account of such claims or interests. Vida believes that the requirements for non-consensual confirmation will be met and the Plan will be confirmed despite its rejection by any impaired dissenting Class of Claims or Equity Interests.

The requirement that a plan not "discriminate unfairly" means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank. Vida believes that the Plan meets this requirement with respect to any class of Claims that might reject the Plan and with respect to Classes of Equity Interests deemed to reject the Plan, because all Classes of Claims and Equity Interests are being treated the same.

3. **Best Interests Test**

Notwithstanding acceptance of the Plan by each impaired Class, in order for the Plan to be confirmed the Bankruptcy Court must determine that the Plan is in the best interests of each holder of a Claim or Equity Interest in an impaired Class who has not voted to accept the Plan. Accordingly, if an impaired Class does not unanimously accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides for each holder of a Claim or Equity Interest in such Class to receive or retain on account of such Claim or Equity Interest property of a value, as of the Effective Date of the Plan, that is not less than the amount each such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

A liquidation analysis, showing what recoveries would be in a chapter 7 liquidation, was attached to the Trustee/Committee disclosure statement, and is attached as **Exhibit C**. As reflected in **Exhibit C**, constituents will receive under the Plan at least what they would otherwise receive if the Chapter 11 Cases were converted and the Debtors were liquidated in chapter 7.

IV. VIDA CAPITAL, INC.

Pursuant to the Plan, Vida Capital Inc., through itself and its subsidiaries and affiliates, will be responsible for managing the investments and servicing the portfolio of Policies for all Continuing Holders and the Policy Fund (and by implication, the Assigning Holders), all for the benefit of the Policy Fund, Continuing Holders and Assigning Holders. Information about Vida, the services it will provide, and its fees, is provided below.

A. WHO VIDA IS AND VIDA'S QUALIFICATIONS

Vida Capital, Inc. (together with its affiliates, "Vida") was founded in 2009 by Jeff Serra and Austin Ventures, a prominent venture capital firm based in Austin, Texas. Vida is a highly respected institutional asset manager focused exclusively on providing longevity-contingent investment solutions to institutions and individual investors. Vida specializes in the structuring, servicing, financing and management of life settlements.

Given its experience, history, expertise and proven capabilities, Vida is uniquely qualified to manage the investments and service the Policy portfolio for Continuing Holders and the Policy Fund (and, hence, Assigning Holders). And, as it pertains to the Policy Fund, Vida is therefore best suited to maximize the value of the Policy Fund and returns to Assigning Holders.

Through two of its wholly owned subsidiaries, Vida is both an SEC Registered Investment Advisor and a leading Life Settlement Provider. Offering a vertically integrated platform with internal origination, diligence, servicing, and trading capabilities, Vida has a staff of 35 employees with significant experience in longevity assets. Vida currently manages both open-ended hedge fund and closed-end private equity structured investment solutions, including bespoke separate account structures. Vida sits on the boards of the Institutional Longevity Markets Association ("ILMA") and the Life Insurance Settlement Association ("LISA"), and is the Co-US Chair of BVZL (international trade association for life settlements). Biographies for Vida personnel are attached collectively as **Exhibit D**.

As of February 28, 2016, Vida's discretionary net assets under management (invested plus committed capital) totaled more than $945 million, with more than $1.72 billion in face value of life contingent assets and more than 1300 lives.

In 2010 Vida acquired Magna Life Settlements, Inc. ("Magna") a licensed Life Settlement Provider which has been active in the life settlement industry since 2004. Magna was the top-ranked life settlement provider in 2013 and 2014 based on the amount of capital spent on acquiring policies in the secondary market.[1] A life settlement provider is licensed by the department of insurance at the state insurance level, and, in most states, is a required party in every life settlement transaction in the secondary market. Magna's is committed to quality due diligence, experienced management and strong financial backing. Magna's staff has significant experience in life insurance, medical underwriting, claims, actuarial services and financial markets. Magna is licensed or able to transact business in 37 states and the District of Columbia, covering more than 90% of the U.S. population.[2] Magna is licensed in the District of Columbia and the following states: AL, AR, AZ, CA, CO, CT, DE, FL, GA, IL, IN, IA, KS, KY, LA, MD, MA, MI, MN, MS, MO, NJ, NM, NY, NC, OH, OR, PA, SC, SD, TN, TX, UT, VA, WA, WI and WY.

[1] The Deal's 2015& 2014 Annual Market Surveys.

[2] U.S. Census Bureau, 2013.

Presently, at least 42 out of the 50 states now regulate life settlement transactions,[3] and New York, Florida, Texas, New Jersey and California all have regulations that require a licensed entity to perform tracking activities. Based on Vida's review of certain of the Debtors' records, these five states represent a majority of the insureds covered by the Policies, and as set forth above, Magna is licensed in each of these states.

Vida has also successfully transacted on portfolios in bankruptcy. For example, Vida purchased the Universal Settlements International Inc. portfolio out of Canadian receivership through an auction process managed by Ernst & Young, and purchased a substantial portion of the A&O Resources portfolio from its Chapter 11 trustee. *See generally In re Life Fund 5.1, LLC, et al.*, Case No. 09-32672 (Bankr. N.D. Ill.), Docket Nos. 670, 703.

Charts showing the overall current Vida corporate structure and the expected corporate structure as of the Effective Date of the Plan are attached together as **Exhibit E**. Additionally, a chart showing the post-confirmation relationships and flow of funds is attached as **Exhibit F**.

B. VIDA'S TECHNOLOGY, SERVICES AND REPORTING

Vida utilizes the ClariNet software platform to track policies, insureds, premium schedules and all other information necessary to ensure that both Vida and its investors (which will include the Policy Fund and Continuing Holders) have ready access to, and transparency into, to key metrics. ClariNet is a modular web-based platform that offers a suite of products for participants in longevity risk markets. The platform integrates information management, analytics, servicing and structuring, integrates with Excel and is readily customizable and adaptable for the needs of Continuing Holders and the Policy Fund.

The ClariNet platform provides a robust system for ease of case management. Among other things, it incorporates all policy and insured information, allows for the management of premium schedules, and contains multiple illustrations and verifications of coverage. The platform also allows for a full suite of reports (as well as custom reporting functionality), including key metrics such as premiums, case status, funding, maturities, portfolio summary and charts, premium payment instructions, rolling future premium reports, state reporting and valuations. Custom reports may be generated, using up to 97 different fields, plus the addition of customized field names.

All information on the ClariNet platform is private and not shared with other subscribers. The system is encrypted and secure, and has database backups at 15 minute intervals to a mainframe in Oregon. Sample customized ClariNet reports appear at **Exhibit I**.

Using the ClariNet platform, as well as its other internal resources, Vida will make available to all Continuing Holders and the Policy Fund all information related to their invested life settlements, while complying with necessary privacy and HIPAA regulations. This includes, but is not limited to, all relevant life expectancy report information. Vida will also facilitate communication between and among Continuing Holders and the Policy Fund holding an interest

[3] Life Insurance Settlement Association, 2014.

in the same Policy, to ensure that decisions involving their collective interests are made as a group, with the benefit of all available information and transparency. The management, services and information that Vida will provide will include, but not be limited to, the following:

1. Preparing and distributing quarterly invoices to Continuing Holders and the Policy Fund;

2. Preparing and distributing annual premium call reports;

3. Preparing and distributing quarterly reports to Continuing Holders and the Policy Fund regarding their respective investments; and

4. Communicating with and answering questions from investors.

5. Administering premium payment directions to, and interfacing with, the escrow agent(s), who are currently ATLES and PES;

6. Regularly contacting carriers to verify and confirm that premium payments were received and applied to the applicable Policies, and to confirm that the Policies are in force and in good standing;

7. Periodically contacting insureds, as allowed by applicable life settlement regulations, to insureds and designated contacts to verify information such as current residence and current health status;

8. Updating HIPAA forms and physician lists on an as-needed basis;

9. Obtaining updated medical records on an as-needed basis;[4]

10. Facilitating the acquisition of new life expectancy reports from third party providers on an as needed basis, at the discretion of Fractional Interest holders;[5]

11. Corresponding with carriers, including monitoring, processing and reporting on all carrier correspondence received; analyzing illustrations, grace notices and annual statements; annual premium optimization to verify that the most optimal premium schedule is being utilized to keep the Policies active and in good standing;

12. Analyzing individual Policies, including the following:

    A. Performing in-depth qualitative and quantitative analyses of each Policy for which PES and ATLES are designated beneficiaries and/or premium servicing escrow agents;

[4] Any third party acquisition costs for medical record updates are not included in the Quarterly Fee, and will be passed on to Continuing Holders or the Policy Fund, as appropriate.

[5] Any third party acquisition costs for life expectancy reports are not included in the Quarterly Fee, and will be passed on to Continuing Holders or the Policy Fund, as appropriate.

B. Analyzing each life settlement Policy's escrowed premium account;

C. Analyzing each life settlement Policy's internal account value and CSV;

D. Creating, analyzing, and comparing optimized premium schedules such as Cost of Insurance ("COI"), No Lapse Guarantee ("NLG"), and Hybrid (moving between COI and NLG options) against the current utilized premium schedule**,** which allows for better utilization of the premium reserve and/or allows for smaller and less frequent premium calls on certain Policies; and

E. Presenting options to Continuing Holders and the Policy Fund for voting, including paying a reduced premium schedule or taking distributions from unneeded escrowed premiums, which could delay or terminate scheduled capital calls and potentially increase profitability of Continuing Holders' the Policy Fund's investments.

13. Performing regular death sweeps performed across multiple services, including social security number-based and obituary-based searches; and

14. Retrieving death certificates, processing death claims, and ensuring the proper handling of death benefit distributions.

C. MANAGEMENT AND SERVICING FEE AND POLICY PORTFOLIO PERFORMANCE

Vida will charge a Quarterly Management and Servicing Fee (the "Quarterly Fee" or the "Fee") for all of its management and administrative services equal to 0.0875% of the amount of each Policy, pro-rated across all Fractional Interests attributable to such Policy, payable quarterly on the 15th day of each March, June, September and December. This equates to 0.35% per annum to manage the capital and to service the policies. By comparison, asset managers typically charge between 0.70% and 2% to manage equity capital.

So, for example, if a Policy has a $2 million death benefit, the Fee for that Policy is $1,750 per quarter or $7,000 per year ($2 million x 0.000875 x 4). Assuming that the equity invested in such a policy was 50% of face or $1 million, an asset manager who charged 1% of invested capital would charge more than Vida's Plan, or $10,000 per year, to manage these assets, and that does not include the necessary servicing that must also be provided. If a Continuing Holder holds a ¼ Fractional Interest in that Policy and the Policy Fund holds the remaining Fractional Interests, then the Continuing Holder's portion of the Fee is $437.50 per quarter ($1,750 per year), and the portion allocable to the Policy Fund is $1,312.50 per quarter ($5,250 per year).

As set forth in the attached Exhibits, Vida estimates that its Fee will be approximately $8.1 million for the first year of the Plan. The amount of Vida's Fee, however, will decline year-

over-year, as Policies mature and the Policy pool shrinks: with each maturity, there are fewer Policies to service, fewer Policies on which to calculate the annual fee, and an ensuing reduction in the total Fee.

The contemplated servicing fee under the Trustee/Committee Plan is 3% of maturities as they pay out. That is a constant 3% every time a Policy pays, which means the overall servicing fees for the Polices is 3% of $2.4 billion or approximately $72 million over the life of the Policy portfolio. As reflected in Exhibit D to the Trustee/Committee disclosure statement, the projected servicing fees through 2045 are approximately $62 million. In addition, the Trustee/Committee Plan contemplates ***an additional*** $85 million in fees and expenses to be incurred in connection with operating their Position Holder Trust, and for Position Holder Trust Trustee fees. This additional $85 million is not discussed in the Trustee/Committee disclosure statement, but only appears buried in an exhibit along with a footnote.

By comparison, as reflected in **Exhibits J and K** to this Disclosure Statement Vida's aggregate Fee will be approximately $57 million over the same period, for a difference of approximately $5 million. Moreover, Vida has only reserved $1.65 million through 2045 for Policy Fund operational and third party legal costs, which is $83.35 million less than contemplated under the Trustee/Committee Plan.

The Transparency Plan does not set forth any fees other than a "management fee" paid to the policy recovery trustee, which is equal to 0.05% of the Policy face amounts, payable quarterly. However, the Transparency Plan contemplates ***four additional*** but unstated groups of fees: a custodian fee, an escrow fee, an administration fee and a policy servicing fee, none of which has yet to be determined or, apparently, contracted for. These amounts will only be determined later, potentially after parties in interest have cast their votes. As a result, it is impossible at this time to make any meaningful comparison to the actual fees under the Transparency Plan.

The Vida Plan provides a definite and decreasing Fee over the life of the Policy portfolio and is less expensive to Continuing Holders and the Policy Fund on a go-forward basis as compared to the Trustee/Committee Plan. The Vida Fee is also a "one stop shop," meaning there will be no other fees charged to service and maintain the Policies, or manage the Policy portfolio, the Policy Fund and the accounts of Continuing Holders and Assigning Holders.[6] Because the Vida Plan spreads out the Fee over time (paid quarterly based on the then-aggregate face amount of Policy death benefits), it is less expensive on a present value basis as compared to paying a lump sum 3% every time a Policy matures. Vida's Fee is also industry-standard, versus the Trustee/Committee fee, which would be the only one of its kind in the life settlement industry. Further, the Trustee/Committee fee structure creates a "free rider" problem because it forces holders with early maturities to finance the servicing for holders with later maturities, whereas by implication, servicing should get easier and less expensive over time as Policies mature and the Policy portfolio shrinks. It is also impossible to know for certain when Policies will mature, so the fees set forth in the Trustee/Committee Plan are just guesstimates as to when payouts will

[6] This does not account for any "periodic" or "one off" fees for retrieving medical records or life expectancy reports, as stated previously.

occur. That means that, under the Trustee/Committee plan, if there are insufficient maturities at the right time, there is no way to pay the servicing fee. This could result in a catastrophic failure of their plan.

V. VIDA'S PLAN

As stated earlier, the Plan embodies a global settlement of the Ownership Issue by providing holders of Fractional Interest Claims the opportunity to elect from three different treatment options, the formation of a Policy Fund to "pool" Fractional Interests for the benefit of Persons electing to participate, and the formation of a Litigation Trust to pursue Estate Causes of Action for the benefit of Litigation Trust Beneficiaries. Generally, the Plan provides as follows:

- Vida will pay $4 million to the Debtors' Estates for 100% of the new stock of LPI and LPIFS.

- All current Fractional Interest holders and IRA Holders will be deemed to have an Allowed Claim in the amount stated in LPI's Amended Schedule F (unless a proof of claim was timely filed after the Amended Schedule F was filed, and before March 21, 2016), and in exchange will be given the option to choose, for themselves, among the three Elections available to all current holders of Fractional Interests and IRA Holders for treatment of their Allowed Claims; that is, to become a Continuing Holder, an Assigning Holder or a Former Holder, as set forth more fully in this Disclosure Statement.

- Upon Plan confirmation, subject to the occurrence of the Effective Date, all (a) Persons making the Continuing Holder Election will deemed to beneficially own their Fractional Interests and (b) the Policy Fund will hold and administer the remaining Fractional Interests for the benefit of the Policy Fund's limited partners (who are those Persons making the Assigning Holder Election).

- All Continuing Holders and the Policy Fund will be deemed to have entered into the New Management and Servicing Contract with Vida.

- A Litigation Trust will be created to pursue Estate Causes of Action against third parties including, but not limited to, the Causes of Action listed below in section V(D)(4) of this Disclosure Statement. The primary beneficiaries of the Litigation Trust will be current Fractional Interest holders and IRA Holders who make the Former Holder Election, the SEC and the holders of Allowed General Unsecured Claims against the Debtors. The residual beneficiary of the Litigation Trust will be the Policy Fund. Because the Litigation Trust Assets will consist of rights to pursue litigation, including the Licensee Litigation and the Master Licensees Litigation (each as defined in the Appendix), it is difficult to project whether the residual beneficiary of the Litigation Trust will receive any distributions from the trust.

- Through itself and its affiliates, Vida will service the Polices and administer the same for the Continuing Holders and the Policy Fund. Vida will also prepare various reports for the Policy Fund and Continuing Holders.

A. DIP CLAIMS, ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS

The Bankruptcy Code requires that all Administrative Expense Claims against the Debtors' estates be paid in full in cash on the Effective Date of the Plan, unless the holder of such a Claim agrees to a different treatment. DIP Claims constitute a type of Administrative Expense Claim. DIP Claims, Administrative Expense Claims and Priority Tax Claims are not classified under the Plan. On the Effective Date, each Person holding a DIP Claim shall be paid Cash from the Debtors in the full amount of such Claim. In the event there is not enough Cash on hand with the Debtors to pay all DIP Claims in full, then (i) the Debtors shall pay DIP Claims up to the amount of Cash on hand, or in such amount as the Debtors and each holder of a DIP Claim may otherwise agree and (ii) the remainder shall be paid in Cash with funds from the Exit Loan.

Unless the holder of an Allowed Administrative Expense Claim agrees to a different treatment, it shall receive, on account of and in full satisfaction of such Claim, Cash in an amount equal to the Allowed amount of such Administrative Expense Claim on (or as soon as reasonably practicable after) the later of (A) the Effective Date or (B) fifteen (15) days after entry of an order by the Bankruptcy Court allowing such Administrative Expense Claim. To the extent there are insufficient funds in the Estate to pay all Allowed Administrative Expense Claims in full, they shall receive their Pro Rata share of Cash on hand with the Debtors on the Effective Date, with the remaining amount being paid using proceeds from the Exit Loan.

Unless a holder of an Allowed Priority Tax Claim has agreed or agrees otherwise, it shall receive on (or as soon as reasonably practicable after) the Effective Date, Cash in an amount equal to the Allowed amount of such Claim. To the extent interest is required to be paid on any Priority Tax Claim, the rate of such interest shall be the rate determined under applicable nonbankruptcy law, as set forth in section 511 of the Bankruptcy Code. To the extent the holder of an Allowed Priority Tax Claim has a Lien on property of the Debtors, such Lien shall remain in place until the Allowed Priority Tax Claim has been paid in full. On and after the Effective Date, all *ad valorem* property taxes (if any) will be paid as they become due, in the ordinary course.

Pursuant to section 2.2 of the Plan, holders of Administrative Expense Claims (other than DIP Claims) arising from the Petition Date through the Effective Date, other than Professional Persons holding Fee Claims, must file with the Bankruptcy Court a request for payment of such Claims within thirty (30) days after the Effective Date, unless an earlier date has been set by separate order of the Bankruptcy Court. Pursuant to section 2.3 of the Plan, Professional Persons holding Fee Claims that have not been the subject of a final fee application and accompanying Bankruptcy Court order shall similarly file a final application for payment of fees and reimbursement of expenses no later than the date that is thirty (30) days after the Effective Date.

B. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN

Under the Plan, all Claims and Equity Interests, other than Administrative Claims and Priority Tax Claims, have been placed in the Classes as set forth below. A Claim or Equity Interest will be deemed classified in a particular Class only to the extent that it fits within the Class description, and will be deemed classified in other Classes to the extent that any portion of such Claim or Equity Interest fits within the description of such other Classes. Notwithstanding anything to the contrary in the Plan, a Claim or Equity Interest will be deemed classified in a Class only to the extent that such Claim or Equity Interest has not been paid, released, or otherwise settled before the Effective Date.

Under the Plan, Claims against and Equity Interests in each of the Debtors are classified as follows:

LPHI Classifications:

Class	Designation	Impairment	Entitled to Vote
Class 1A	Priority Non-Tax Claims Against LPHI	No	No (deemed to accept)
Class 1B	Secured Claims Against LPHI	No	No (deemed to accept)
Class 1C	SEC Claim Against LPHI	Yes	Yes
Class 1D	General Unsecured Claims Against LPHI	Yes	Yes
Class 1E	Intercompany Claims Against LPHI	Yes	No (deemed to accept)
Class 1F	Equity Interests in LPHI	Yes	No (deemed to reject)

LPI Classifications:

Class	Designation	Impairment	Entitled to Vote
Class 2A	Priority Non-Tax Claims Against LPI	No	No (deemed to accept)
Class 2B	Secured Claims Against LPI	No	No (deemed to accept)
Class 2C	Fractional Interest Claims Against LPI	Yes	Yes
Class 2D	General Unsecured Claims Against LPI	Yes	Yes
Class 2E	Intercompany Claims Against LPI	Yes	No (deemed to accept)
Class 2F	Equity Interests In LPI	Yes	No (deemed to reject)

LPIFS Classifications:

Class	Designation	Impairment	Entitled to Vote
Class 3A	Priority Non-Tax Claims Against LPIFS	No	No (deemed to accept)
Class 3B	Secured Claims Against LPIFS	No	No (deemed to accept)
Class 3C	General Unsecured Claims Against LPIFS	Yes	Yes
Class 3D	Intercompany Claims Against LPIFS	Yes	No (deemed to accept)
Class 3E	Equity Interests In LPIFS	Yes	No (deemed to reject)

1. **Priority Non-Tax Claims**

Except to the extent that a holder of an Allowed Priority Non-Tax Claim against a Debtor in Class 1A, 2A or 3A agrees to a less favorable treatment, each such holder shall receive, in full satisfaction of such Claim, payment in full in Cash on (or as soon as reasonably practicable after) the later of (A) the Effective Date or (B) fifteen (15) days after such Priority Non-Tax Claim becomes Allowed. Holders of Priority Non-Tax Claims are unimpaired, deemed to accept the Plan, and are not entitled to vote thereon.

2. **Secured Claims**

On the Effective Date (or as soon as reasonably practicable thereafter), except to the extent that a holder of an Allowed Secured Claim against a Debtor in Class 1B, 2B or 3B agrees to less favorable treatment, each such holder shall, at the applicable Debtor's option, receive one of the following treatments: (i) payment in full in Cash; (ii) the Collateral securing such Allowed Secured Claim; or (iii) other treatment that renders such Allowed Secured Claim unimpaired in accordance with section 1124 of the Bankruptcy Code. Holders of Secured Claims are unimpaired, deemed to accept the Plan, and are not entitled to vote thereon.

3. **SEC Claim**

The SEC (Class 1C) shall be entitled to receive its Pro Rata share of (i) Net Cash plus (ii) all Cash thereafter received by the Litigation Trust from the liquidation of the Litigation Trust Assets, or otherwise received pursuant to the terms of the Plan and the Trust Agreement. Notwithstanding the above, all distributions from the Litigation Trust otherwise payable to the SEC on account of the SEC Claim shall not be paid to the SEC but instead, shall be paid Pro Rata to each Continuing Holder and the Policy Fund, in each case based on (A) the amount of Fractional Interests held by each Continuing Holder as a fraction of the total amount of all Policies and (B) the amount of Fractional Interests in the Policy Trust as a fraction of the total amount of all Policies.

For the avoidance of doubt, and by way of example only, assume the SEC is entitled to a distribution of $20 million from the Litigation Trust, and that there are a total of $2.4 billion in amount of Policies, comprised of (i) $1 billion in amount of Fractional Interests held by Continuing Holders and (ii) $1.4 billion in amount of Fractional Interests held by the Policy Fund. In this circumstance, 42% or $8.4 million would be payable to Continuing Holders ($1.0 billion/$2.4 billion) and 58% or $11.6 million would be payable to the Policy Fund ($1.4 billion /$2.4 billion). A Continuing Holder holding $1 million in amount of Fractional Interests would thus receive $8,400 ($1 million/$1 billion x $8.4 million).

The holder of the SEC Claim is impaired and entitled to vote on the Plan.

4. **Fractional Interest Claims**

As summarized earlier, holders of Fractional Interest Claims, other than Qualified Plan Holders, will be afforded three different Election choices under the Plan. The choices for IRA Holders are the same as for everyone else, but have been separated out to avoid any confusion, given that IRA Holders hold IRA Notes rather than Fractional Interests. Additionally, in order to avoid the potential application of certain fiduciary and prohibited transactions rules under ERISA, Qualified Plan Holders may not make the Former Holder Election. This is discussed more fully in section V(B)(4), below.

In addition to the obligations set forth below for Continuing Holders and the Policy Fund to pay the Quarterly Fee and continued Policy premiums, each Continuing Holder and the Policy Fund will also have an obligation to repay their respective portions of the Exit Loan. A discussion of the Exit Loan repayment obligation is set forth immediately below, and further

below in section V(C)(1). Further, all holders of Fractional Interest Claims will be required to pay their Catch-Up Amounts by the thirtieth (30^{th}) day after the Effective Date or the time on invoice is provided, whichever is later, or risk losing their investments entirely. This is discussed more fully below.

Elections must be made on the Ballots provided to holders of Fractional Interest Claims and the deadline to vote is the same as the deadline to return the Ballot. That date is referred to as the Voting Deadline, and is ____, 2016.

Holders of Fractional Interest Claims are impaired and entitled to vote on the Plan.

(a) Elections for non-Qualified Plan Holders and non-IRA Holders. Other than Qualified Plan Holders and IRA Holders, each Person holding Fractional Interests may, by making an appropriate Election on the Ballot choose to: (i) become a Continuing Holder and remain a part of the life settlement program with Reorganized LPI; (ii) become an Assigning Holder by contributing all of its rights, Claims and interests to the Policy Fund in exchange for a Policy Fund limited partnership interest; or (iii) become a Former Holder by (A) rescinding its transaction(s) with LPI, and (B) being deemed to have abandoned to the Policy Fund their Fractional Interests, proportionate share of Maturity Funds and proportionate share of funds in escrow to pay Policy premiums, and become a beneficiary of the Litigation Trust.

(b) Elections for IRA Holders and Qualified Plan Holders. IRA Holders need not make an Election on the Ballot. Instead, all IRA Holders will *be deemed* to have made the Assigning Holder Election and will receive the treatment accorded to Assigning Holders set forth below, *unless* an IRA Holder specifically makes a Continuing Holder Election or a Former Holder Election. Qualified Holders may not make the Former Holder Election, and may only choose between the Continuing Holder Election and the Assigning Holder Election.

Elections on the Ballot must be made on a Person-by-Person basis, for all Fractional Interests or, as applicable, IRA Notes, held by such Person. A Person may not "split" Elections by making different Elections for different Fractional Interests or IRA Notes held by such Person. Further, if any Person either fails to return a Ballot, fails to make an Election on the Ballot, or makes more than one Election on the Ballot, such Person will be deemed to have made the Continuing Holder Election (other than IRA Holders who will be deemed to have made the Assigning Holder Election). All Elections made on the Ballot (or deemed to be made) will be final and irrevocable.

(c) **Specific Elections.**

(1) Continuing Holder Election. Each Person who elects to become a Continuing Holder will (A) be deemed to be the beneficial owner of its Fractional Interests, (B) be required to pay all Catch-Up Amounts to the Policy Fund within 30 days after the Effective Date or the date of a Catch-Up Amount invoice, whichever is later, (C) be deemed to have entered into the New Management and Servicing Contract as of the Effective Date and (D) thereafter, be required pay its share of all Policy premiums and Quarterly Fees as and when due pursuant to the terms of the New Management and Servicing Contract.

Immediately following the Effective Date, any Maturity Funds held by Reorganized LPI that are attributable to Continuing Holders shall be paid to Vida as a pay-down for each Continuing Holder's Repayment. Any remaining balance of Maturity Funds and escrowed Policy premiums will then be remitted to such Continuing Holder, unless a Continuing Holder directs Vida to retain such amounts to pay future Policy premiums. To the extent there are insufficient Maturity Funds on hand as of the Effective Date with respect to a Continuing Holder to fully repay such Continuing Holder's Repayment Amount, the Continuing Holder may write Vida a check for the balance of such Continuing Holder's Repayment Amount, or all future Maturity Funds payable to the Continuing Holder in question shall be retained by Vida until that Continuing Holder's Repayment Amount has been paid in full with interest, after which time Maturity Funds shall be paid to the Continuing Holder in the normal course.

Any failure by a Continuing Holder to timely pay when due (i) its Catch-Up Amount or, following the Effective Date, (ii) any other Policy premiums or Quarterly Fees as and when due, will result in the irrevocable abandonment and transfer of all of such Continuing Holder's right, title and interest in and to all of its Fractional Interests, along with any remaining Maturity Funds and Policy premium funds in escrow applicable to such Fractional Interests, to the Policy Fund ("**Defaulted Fractional Interests**"). Such Continuing Holder shall thereafter have no further rights of any kind against Vida, the Policy Fund, the Litigation Trust or the Reorganized Debtors. The Policy Fund shall, following such default by a Continuing Holder, use such Continuing Holder's defaulted Maturity Funds and Policy premium funds in escrow to pay the Catch-Up Amount or any then-due Policy premiums and Quarterly Fees, as may be applicable.

Note to IRA Holders: Due to the potential for negative tax implications to IRA Holders who make the Continuing Holder Election, ***all IRA Holders should read this Disclosure Statement for an explanation of the potentially negative tax implications of becoming a Continuing Holder.***

(2) Assigning Holder Election.

Non-IRA Holders: Each Person who is not an IRA Holder and who elects to become an Assigning Holder, shall (i) be deemed to be the beneficial owner of its Fractional Interests as of the Effective Date, (ii) be deemed to have contributed to the Policy Fund all of its Fractional Interests and proportionate share of funds in escrow to pay Policy premiums, (iii) be deemed to have consented to the terms of the Policy Fund Partnership Agreement as of the Effective Date and (iv) receive a limited partnership interest in the Policy Fund equal to an Assigning Holder's Cost Basis in its Assigned Fractional Interests divided by the total Cost Basis for all Assigned Fractional Interests (not including Defaulted Fractional Interests or Abandoned Fractional Interests).

IRA Holders. IRA Holders who are deemed to have made the Assigning Holder Election will be deemed to have (i) exchanged their IRA Notes for a limited partnership interest in the Policy Fund on the Effective Date, equal to the amount of the IRA Notes being exchanged by such IRA Holder divided by the total Cost Basis for all Assigned Fractional Interests (not including Defaulted Fractional Interests or Abandoned Fractional Interests), and (ii) consented to the terms of the Policy Fund Partnership Agreement as of the Effective Date.

On the Effective Date, the Reorganized Debtors shall retain any Maturity Funds on hand applicable to an Assigning Holder to satisfy such Assigning Holder's Catch-Up Amount, and shall transfer the same to the Policy Fund. To the extent any Maturity Funds remain after application to an Assigning Holder's Catch-Up Amount, the same will be remitted to the Policy Fund. To the extent there remains a deficit for any Assigning Holder's Catch-Up Amount, the deficit will be waived.

The Policy Fund will be deemed to have entered into the New Management and Servicing Contract. The Policy Fund will be obligated to pay Vida its share of the Repayment Amount (defined below) from all funds on hand with, or received by, the Policy Fund, before any distributions are made to Assigning Holders. After the Repayment Amount has been paid in full with interest, distributions will be made from the Policy Fund to Assigning Holders in the normal course from the Policy Fund's available cash flow, net of appropriate reserves taken for the Policy Fund's operations.

(3) Former Holder Election. Other than Qualified Plan Holders, each Person who elects to become a Former Holder will be deemed to have rescinded its transactions and purchases with LPI and will not continue in the life settlement program. Each such Former Holder will (i) be deemed to have irrevocably abandoned to the Policy Fund all of its Fractional Interests, proportionate share of Maturity Funds and proportionate share of funds in escrow to pay Policy premiums, as of the Effective Date, (ii) be deemed to be the holder of a General Unsecured Claim against the Debtors' Estates and (iii) become a beneficiary of the Litigation Trust and receive the same treatment under the Plan as other holders of General Unsecured Claims. ***Qualified Plan Holders may not make the Former Holder Election***.

5. **General Unsecured Claims**

Except to the extent that a holder of an Allowed General Unsecured Claim against a Debtor in Class 1D, 2D or 3C agrees to a different treatment, each holder of an Allowed General Unsecured Claim shall receive its Pro Rata share of (i) Net Cash plus (ii) all Cash thereafter received by the Litigation Trust from the liquidation of the Litigation Trust Assets, or otherwise received pursuant to the terms of the Plan and the Trust Agreement. The Litigation Trustee shall make the Initial Distribution of Net Cash to holders of Allowed General Unsecured Claims on

the later of (a) the Effective Date or (b) fifteen (15) days after a General Unsecured Claim become Allowed, and shall thereafter make additional distributions in accordance with the provisions of the Plan.

Holders of General Unsecured Claims are impaired and entitled to vote on the Plan.

6. **Intercompany Claims**

All Intercompany Claims against a Debtor in Class 1E, 2E and 3D shall be cancelled, released and discharged as part of the Intercompany Settlement. The holders of Intercompany Claims shall be relieved of their liabilities to the other Debtors in full and final satisfaction of such Claims and liabilities. Due to the Intercompany Settlement, holders of Intercompany Claims are conclusively deemed to have accepted the Plan.

7. **Equity Interests**

On the Effective Date, all Equity Interests in the Debtors in Class 1F, 2F and 3E shall be cancelled, and shall be of no further force or effect. Holders of Equity Interests shall neither receive nor retain any property under the Plan on account of their Equity Interests. Holders of Equity interests are deemed to reject the Plan.

C. IMPLEMENTATION OF THE PLAN

1. **The Exit Loan**

Vida shall advance funds on the Effective Date to pay off any remaining DIP Claims, Allowed Administrative Claims, Priority Tax Claims and Allowed Fee Claims for which there was insufficient cash on hand to pay in full, in an amount not to exceed the greater of (i) the amount necessary to satisfy all such claims or (ii) $30 million. The Exit Loan shall bear simple interest at 13% per annum from the Effective Date until repaid in full, and all sums are advanced under the Exit Loan shall, upon and following the Effective Date, be secured by a first priority lien on Maturity Funds held on account of, or subsequently paid to, Continuing Holders and the Policy Fund. The amount of the obligation owing from each Continuing Holder and the Policy Fund shall be determined as set forth in section 4.4(c) of the Plan.

Each Person holding a DIP Claim shall be paid an amount equal to the remaining unpaid amount of Maturity Funds actually borrowed by the Debtors from such Person during the Chapter 11 Cases. Similarly, holders of Allowed Administrative Claims and Allowed Fee Claims shall be paid pursuant to sections 2.2 and 2.3 of the Plan. Thereafter, each Continuing Holder and the Policy Fund shall be deemed to have a future obligation owing to Vida in an amount (the "Repayment Amount") equal to the (i) amount of Fractional Interests held by the Continuing Holder or the Policy Fund, as appropriate, divided by (ii) the total amount of Policies held collectively by all Continuing Holders and the Policy Fund, multiplied by (iii) the amount outstanding under the Exit Loan. Vida shall withhold paying Maturity Funds to each Continuing Holder until each Continuing Holder's Repayment Amount has been satisfied in full with interest, unless a Continuing Holder either writes Vida a check for its Repayment Amount or has enough money in its Maturity Funds account on the Effective Date to immediately pay its

applicable Repayment Amount. With respect to the Policy Fund, no distributions shall be made to Assigning Holders until the Policy Fund's Repayment Amount has been satisfied in full with interest and appropriate reserves have been taken to fund the Policy Fund's operations.

The Repayment Amount for each current holder of a Fractional Interest Claim will be invoiced on or around the Effective Date.

By way of example only, and for the avoidance of doubt:

Example A: assume that the total amount of the Exit Loan is $25 million. Assume further that a Continuing Holder holds $5 million in amount of Fractional Interests and that there is a total of $2.4 billion in amount of Policies collectively between Continuing Holders and the Policy Fund. This particular Continuing Holder's individual Repayment Amount would be equal to $5 million/$2.4 billion, or 0.002, multiplied by $25 million, which equals $52,083. That amount would be paid to Vida from Maturity Funds subsequently paid in respect of that Continuing Holder's Fractional Interests until Vida is paid in full, with interest. Or, the Continuing Holder in question could simply write a check to Vida for that holder's Repayment Amount, or release funds in its Maturity Funds account (if any) to make the payment.

Example B: assume that the total amount of the Exit Loan is $25 million. Assume further that $1.0 billion in amount of Fractional Interests go into the Policy Fund and that there is a total of $2.4 billion in amount of Policies collectively between Continuing Holders and the Policy Fund. The Repayment Amount for the Policy Fund would be equal to $1.0 billion/$2.4 billion, or 0.416, multiplied by $25 million, which equals $10,416,666.65. That amount would be paid to Vida from available cash flow in the Policy Fund (including Maturity Funds paid in respect of Fractional Interests in the Policy Fund) until Vida is paid in full, with interest.

2. **Compromise of Ownership Issues and Intercompany Settlement**

Pursuant to Bankruptcy Rule 9019, the Plan shall, and does, constitute a compromise and resolution of all Intercompany Claims and the Ownership Litigation, all of which shall become effective on the Effective Date, and the consideration for which shall be as set forth in the Plan. On the Effective Date, the Ownership Litigation shall be deemed resolved and shall be dismissed with prejudice and the Intercompany Settlement shall be deemed effective. The plaintiffs in the Ownership Litigation are directed to take all actions necessary to effect such dismissal promptly following the Effective Date.

The Intercompany Settlement is, in effect, part of the larger overall settlement of the Ownership Issues, and serves to compromise and settle the enforceability, validity and priority of Intercompany Claims, and all Claims that creditors may have with respect to the marshalling of assets and liabilities of the Debtors in determining relative entitlements to distributions under the Plan. Intercompany Claims will be waived and discharged, and each holder of an Intercompany Claim will be conclusively deemed to have accepted the Plan.

3. **Limited Substantive Consolidation**

For purposes of distribution under the Plan only, the Debtors shall be deemed merged and consolidated such that (i) all guarantees of the Debtors of payment, performance or collection of obligations of any other Debtor shall be eliminated and cancelled, (ii) all joint obligations of the Debtors and multiple Claims filed against such Debtors on account of such joint obligations, shall be considered a single claim against the Debtors, (iii) any Claim filed in the Chapter 11 Cases shall be deemed filed against the consolidated Debtors and a single obligation of the consolidated Debtors on and after the Effective Date and (iv) all duplicative Claims filed against one or more of the Debtors shall be expunged such that only one Claim survives against the consolidated Debtors.

Other than as set forth above, this consolidation shall not affect the legal and organizational structures of the Reorganized Debtors, the Policy Fund or the Litigation Trust, each of which shall, after the Effective Date, maintain its existence as a separate legal entity, with all the powers afforded to it under applicable law in the jurisdiction in which it is organized and pursuant to the organizational documents in effect with respect to such entity, except to the extent such organizational documents are amended by, or are to be amended pursuant to, the Plan or otherwise.

4. **Release of Liens**

Except as otherwise provided in the Plan, upon the occurrence of the Effective Date, any Lien securing a Secured Claim shall be deemed released, and the holder of such Secured Claim shall be authorized and directed to release any Collateral or other property of the Debtors (including any Cash collateral) held by such holder and to take such actions as may be requested by the Reorganized Debtors or the Litigation Trustee to evidence the release of such Lien, including the execution, delivery and filing or recording of releases. As of the Effective Date, the Reorganized Debtors shall be authorized to file on behalf of holders of Secured Claims form UCC-3s or such other forms as may be necessary to implement the provisions of this section of the Plan.

5. **Cancellation of Equity Interests and IRA Notes**

Upon the Effective Date, all Equity Interests in the Debtors and all IRA Notes shall be of no further force or effect, and the obligations of the Debtors or any other entity thereunder, if any, shall be deemed satisfied in full and discharged.

6. **Dissolution of Committee and Cessation of Fee and Expense Payments**

The Committee, and any other statutory committee appointed in the Chapter 11 Cases, shall be dissolved on the Effective Date. Neither the Debtors' Estates, the Policy Fund, the Litigation Trust, nor the Trustee shall be responsible for paying any fees or expenses incurred by the Committee (or any other committee) after the Effective Date; *provided, however*, that the Committee shall nonetheless have post-Effective Date standing to object to Administrative Expense Claims and Fee Claims, and shall be entitled to file a Fee Claim for amounts related thereto, subject to the rights of any party in interest to object thereto

7. **Discharge of the Chapter 11 Trustee**

The Trustee shall be discharged from his duties on the Effective Date. Such discharge shall not affect or impair the Trustee's right to seek a final ruling on any request for compensation made in the Chapter 11 Cases.

8. **Restructuring and Other Corporate Actions and Transactions**

(a) Assets and Liabilities to be Transferred and Assumed: Upon the Effective Date, 100% of the New Stock shall be issued to Vida, and the Assumed Assets shall be transferred to, vest in, and be assumed by the Reorganized Debtors. The Reorganized Debtors will also assume the Assumed Contracts and Assumed Liabilities.

(b) Consideration: As consideration for the New Stock, Vida shall pay the Cash Consideration to the Debtors' Estates.

(c) Employment Agreements. The Reorganized Debtors may retain and continue to employ a select group of current employees in Waco, Texas, as the Reorganized Debtors determine in their sole discretion. The Reorganized Debtors may enter into new employment agreements with such persons, on terms mutually satisfactory to the parties thereto, as the Reorganized Debtors and such current employees may desire to enter into.

(d) Other Transactions. On or as of the Effective Date, or as soon as practicable thereafter, and without the need for any further action other than approval by the New Boards, the Reorganized Debtors may (i) cause any or all of the Reorganized Debtors to be merged, dissolved or otherwise consolidated, (ii) cause the transfer of assets between or among the Reorganized Debtors, or (iii) engage in any other transaction in furtherance of the Plan.

(e) General Corporate Actions. Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including (i) the selection of the directors and officers of the Reorganized Debtors, (ii) the distribution of New Stock, and (iii) all other actions contemplated by the Plan (whether to occur before, on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of LPI, LPIFS, Reorganized LPI and Reorganized LPIFS, and any corporate action required by the foregoing in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by any holders of Equity Interests or New Stock, the Trustee, the managing members, directors or officers of LPI, LPIFS, Reorganized LPI or Reorganized LPIFS. On or (as applicable) prior to the Effective Date, the appropriate officers of LPI, LPIFS, Reorganized LPI and Reorganized LPIFS, as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of Reorganized LPI and Reorganized LPIFS. Such authorizations and approvals shall be effective notwithstanding any requirements under non-bankruptcy law.

(f) New Life Partners Governing Documents; New Management and Servicing Agreement. Upon the Effective Date, (1) the New Life Partners Governing

Documents shall become effective in accordance with their terms and shall be filed with the appropriate Governmental Unit and (2) the New Management and Servicing Contract shall become binding and effective.

(g) Boards of Directors of Reorganized Debtors. The identities of and compensation to be provided to the individuals serving on New Boards will be set forth in the Plan Supplement. After the Effective Date, each of the New Boards shall consist of three (3) members, one (1) of whom shall be the chief executive officer of Reorganized LPI, one (1) of whom shall be the chief executive officer of Reorganized LPIFS, and one (1) of whom shall be the current General Counsel of Vida Capital, Inc. The tenure of each member of the New Boards, and the tenure and manner of selection of subsequent directors for each of the Reorganized Debtors shall be as provided in the New Life Partners Governing Documents.

(h) Officers and Directors of Reorganized Debtors. The officers and directors of the Reorganized Debtors shall be set forth in the Plan Supplement.

(i) Transfer of Policies to Reorganized LPI. Any and all Persons or entities in possession, custody or control of any Policy shall be deemed to have transferred such Policies to Reorganized LPI as of the Effective Date. A copy of the Plan and the Confirmation Order shall be deemed sufficient evidence and conclusive proof that Reorganized LPI is the holder of legal title to such Policies, shall be sufficient to effect such transfer to Reorganized LPI as of the Effective Date, and shall be accepted by any and all insurance companies without the need for the execution of a change of ownership form. Any and all Persons or entities in possession, custody or control of any Policy are directed, as and if requested by Reorganized LPI, to execute any and all documentation requested by Reorganized LPI to effect any transfers of Policies to Reorganized LPI. To the extent any such Person or entity refuses to execute such documentation, the same may be executed by Reorganized LPI on behalf of such Person or entity, Reorganized LPI is expressly authorized to execute the same, and the same shall be accepted as a genuine and authorized transfer of the Policy or Policies in question.

9. **Issuance of New Stock, Limited Partnership Interest and Beneficial Interests; Section 1145 Exemption**

As of the Effective Date, the issuance of (i) the New Stock to Vida by the Reorganized Debtors, (ii) the limited partnership interests in the Policy Fund to Assigning Holders and (iii) the beneficial interests in the Litigation Trust to Litigation Trust Beneficiaries, shall be authorized without the need for any further corporate action. Pursuant to section 1145 of the Bankruptcy Code, the issuance and allocation of shares of New Stock hereunder (and any options to purchase the same), the limited partnership interests in the Policy Fund, and the beneficial interest in the Litigation Trust, shall be exempt from registration under the Securities Act and any state or local law requiring registration for offer or sale of a security.

10. **Effectuating Documents; Further Transactions**

The New Boards, the chairman of the board of directors, president, chief financial officer, any vice-president, the Trustee, or any other appropriate officer of Reorganized LPI and Reorganized LPIFS shall be authorized to execute, deliver, file, or record such contracts,

instruments, releases, indentures, and other agreements or documents, and take such actions, as may be necessary or appropriate, to effectuate and further evidence the terms and conditions of the Plan. The secretary or assistant secretary of the appropriate Debtor shall be authorized to certify or attest to any of the foregoing actions.

11. **Reconciliation of Catch-Up Amounts and Repayment Amounts**

In connection with the process for making Elections and casting Ballots, holders of Fractional Interest Claims will be informed of their Catch-Up Amount (if any), as of the Voting Record Date, and the break-down of amounts owing. If there is a dispute regarding a Catch-Up Amount that cannot be resolved between Reorganized LPI and the holder of a Fractional Interest Claim, the matter shall be resolved by the Bankruptcy Court.

12. **Transfer of Records, Cooperation and Further Assurances**

Following entry of the Confirmation Order, the Committee and the Trustee shall work with Vida to ensure an orderly transfer of the Debtors' business records, including all Policy-related data and information (collectively, the "**Records**"). Thereafter, until the time the Committee is dissolved and the Trustee is discharged, shall cooperate and work with Vida and the Reorganized Debtors in a commercially reasonably manner in connection with all matters related to such Records.

13. **Post-Confirmation Servicing Rights and Arrangements**

On and after the Effective, Vida or an affiliate shall service the Policies, pursuant to the terms of the New Management and Servicing Contract. There shall be a Quarterly Management and Servicing Fee for the services to be provided by Vida, payable in advance prior to the first day of every March, June, September and December, pro-rated for partial quarters, equal to 0.0875% of the amount of each Policy, pro-rated across all Fractional Interests attributable to such Policy. Each Continuing Holder will be responsible for payment of its own individual Quarterly Fee. If any Continuing Holder fails to pay such Fee with respect to any Fractional Interests in full, as and when due, all Fractional Interests held by such Continuing Holder will become Defaulted Fractional Interests and the Continuing Holder will not have any further rights of any kind.

Vida will ensure transparency into all relevant Policy information for Continuing Holders and the Policy Fund relating to their invested life settlements, while complying with necessary privacy and HIPAA regulations. The specific management services and information to be provided by Vida, as well as further information about Vida, its expertise and experience in servicing policies, its principals and the information and reports to be made available to the Policy Fund and Continuing Holders, was set forth more fully above.

14. **Policy Fund Facility**

Vida or an affiliate of Vida will make a loan facility available to the Policy Fund (the "**Policy Fund Facility**") to loan money to the Policy Fund to pay Policy premiums or as otherwise needed to fund Policy Fund operations. The Policy Fund Facility shall bear simple

interest at 13% per annum and be secured by a first priority security interest in the assets of the Policy Fund. If the Policy Fund Facility is drawn upon, then to the extent a replacement facility can be obtained from a third party at a lower interest rate, the Policy Fund Facility will be refinanced. The Policy Fund is not required to draw on the Policy Fund Facility.

15. **The Policy Fund**

The Policy Fund will be established pursuant to the Policy Fund Documents. The Policy Fund Partnership Agreement will govern the operations of the Policy Fund and the relative rights and obligations of Assigning Holders. The Policy Fund will be managed and run by Vida, directly or indirectly.

16. **The Litigation Trust**

(a) Establishment of the Litigation Trust. On the Effective Date, the Litigation Trust shall be established pursuant to the Trust Agreement, for the purposes of administering the Litigation Trust Assets and making distributions to Litigation Trust Beneficiaries against the Debtors which are or may be Allowed, as provided in the Plan. The Policy Fund will be the residual beneficiary of the Litigation Trust. On the Effective Date, the Trust Agreement shall be executed and all other necessary steps shall be taken to establish the Litigation Trust and the beneficial interests therein.

(b) Litigation Trust Assets. The assets of the Litigation Trust shall consist of the Litigation Trust Assets. On the Effective Date, in accordance with section 1141 of the Bankruptcy Code, the Litigation Trust Assets shall automatically vest in the Litigation Trust, free and clear of all Liens, Claims and encumbrances, except to the extent otherwise provided in this Plan.

(c) Purpose of the Litigation Trust. The Litigation Trust shall be established for the sole purpose of liquidating and distributing its assets to holders of beneficial interests in the Litigation Trust (who are the Litigation Trust Beneficiaries), in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or to engage in the conduct of a trade or business. The Litigation Trust, through the Litigation Trustee, shall (i) collect and reduce the assets of the Litigation Trust to Cash, (ii) prosecute, settle and otherwise administer the Litigation Trust Assets, (ii) make distributions to Litigation Trust Beneficiaries in accordance with the terms of the Plan and the Trust Agreement and (iv) take all such other actions as may be reasonably necessary to accomplish the purposes of section 6.14 of the Plan, as more specifically set forth in the Trust Agreement.

(d) The Litigation Trustee. The Litigation Trustee shall be a representative of the Debtors' Estates pursuant to sections 1123(a)(5)(B) and 1123(b)(3)(B) of the Bankruptcy Code, and shall be vested with standing to prosecute, settle and otherwise administer all Causes of Action transferred to the Litigation Trust, without the need for Bankruptcy Court approval or any other notice of approval, except as set forth in the Trust Agreement. The Litigation Trustee shall be exempt from giving any bond or other security in any jurisdiction.

(e) Nontransferability of Litigation Trust Interests. Beneficial interests in the Litigation Trust shall not be transferable, except as otherwise provided in the Trust Agreement.

(f) Costs and Expenses of the Litigation Trust and the Litigation Trustee. All costs and expenses of the Litigation Trust, including the fees and expenses of the Litigation Trustee and any professionals retained by the Litigation Trustee, shall be paid solely out of the Litigation Trust Assets.

(g) Compensation for Trustee and Trust Committee Members. The compensation for the Litigation Trustee and the members of the Trust Committee shall be as set forth in the Trust Agreement.

(h) Distributions. The Litigation Trustee shall reduce the Litigation Trust Assets to Cash and make interim distributions of Cash to Litigation Trust Beneficiaries at such time as the Litigation Trustee may deem appropriate, in accordance with the terms of this Plan and the Trust Agreement. If any funds remain in the Litigation Trust after payment in full of all Litigation Trust Beneficiaries, such remaining funds shall be transferred to and shall vest in the Policy Fund as residual beneficiaries.

(i) Trust Certificates. The beneficial interests in the Litigation Trust shall not be represented by certificates, receipts, or in any other form or manner, except as maintained on the books and records of the Litigation Trust by the Trustee, as set forth in the Trust Agreement.

(j) Retention and Compensation of Professionals by the Trustee. Subject to the terms of the Trust Agreement and any necessary approvals contained therein, the Litigation Trustee may retain and reasonably compensate counsel and other professionals out of the Litigation Trust Assets, on such terms as the Litigation Trustee deems appropriate. The Litigation Trustee may retain any professional who represented parties in interest in the Chapter 11 Cases.

(k) Trust Committee.

(1) The initial members of the Trust Committee shall be as set forth in the Plan Supplement and such members' tenure shall thereafter be governed by the terms of the Trust Agreement. The members of the Trust Committee shall have the right to direct and remove the Litigation Trustee, and shall have such other rights as set forth in the Trust Agreement and as are not inconsistent therewith or with the terms of the Plan. No other Litigation Trust Beneficiary shall have any consultation or approval rights in respect of the management and operation of the Litigation Trust, except as may be set forth in the Trust Agreement.

(2) The Trust Committee shall have the authority and responsibility to advise, assist and supervise the Litigation Trustee in the administration of the Litigation Trust and shall have the authority to remove the Litigation Trustee in accordance with the terms of the Trust Agreement. The Litigation Trustee shall consult with and provide information to the Trust Committee in accordance with

and pursuant to the terms of the Trust Agreement. The Trust Committee shall have the authority to select and engage such professional advisors as the Trust Committee may deem necessary or desirable to assist in the fulfilling its obligations under the Trust Agreement and the Plan, including, without limitation, any professional previously retained by any Litigation Trust Beneficiary, the Committee, or the Debtors. The Litigation Trust shall pay the reasonable and documented fees of such advisors and reimburse such advisors for their reasonable and documented out-of-pocket costs and expenses.

(3) The Trust Committee shall conduct business, have regular meetings and otherwise act in a manner pursuant to and as set forth in the Trust Agreement.

(l) Federal Income Tax Treatment of the Litigation Trust.

(1) For all federal income tax purposes, all parties (including the Debtors, the Litigation Trust, the Litigation Trustee and the Litigation Trust Beneficiaries) shall treat the transfer of the Litigation Trust Assets to the Litigation Trust for the benefit of the Litigation Trust Beneficiaries, whether their Claims are Allowed on or after the Effective Date, as (a) a transfer of the Litigation Trust Assets directly to those holders of Allowed Claims receiving interests in the Litigation Trust (other than to the extent allocable to Disputed Claims and Equity Interests), followed by (b) the transfer by such Persons to the Litigation Trust of the Litigation Trust Assets in exchange for beneficial interests in the Litigation Trust (and in respect of the Litigation Trust Assets allocable to the Disputed Claims Reserve, as a transfer to the Disputed Claim and Administrative Reserve by the Debtors). Accordingly, those holders of Allowed Claims receiving Litigation Trust interests shall be treated for federal income tax purposes as the grantors and owners of their respective shares of the Litigation Trust Assets. The foregoing treatment also shall apply, to the extent permitted by applicable law, for state and local income tax purposes.

(2) Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including receipt by the Litigation Trustee of a private letter ruling if the Litigation Trustee so requests one, or the receipt of an adverse determination by the IRS, upon audit, or otherwise if not contested by the Litigation Trustee), the Litigation Trustee shall (i) file returns for the Litigation Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and in accordance with the Trust Agreement and this section 6.14 of the Plan and (ii) annually send to each holder of a Litigation Trust interest a separate statement setting forth such holder's share of items of income, gain, loss, deduction, or credit and will instruct all such holders and parties to report such items on their federal income tax returns. The Litigation Trustee also shall file (or cause to be filed) any other statements, returns or disclosures relating to the Litigation Trust that are required by any governmental unit.

(3) As soon as possible after the Effective Date, but in no event later than ninety (90) days thereafter (i) the Litigation Trustee will determine the fair market value as of the Effective Date of all assets transferred to the Litigation Trust and (ii) the Litigation Trustee shall apprise, in writing, the Litigation Trust Beneficiaries of such valuation. In connection with the preparation of the valuation contemplated hereby, the Litigation Trustee shall be entitled to retain such professionals and advisors as the Litigation Trustee shall determine to be appropriate or necessary, and the Litigation Trustee shall take such other actions in connection therewith as it determines to be appropriate or necessary in connection therewith. The Litigation Trust shall bear all of the reasonable costs and expenses incurred in connection with determining such value, including the fees and expenses of any Persons retained by the Trustee in connection therewith.

(4) The Litigation Trustee may request an expedited determination of taxes of the Litigation Trust under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Litigation Trust for all taxable periods through the dissolution of the Litigation Trust.

(5) The Litigation Trustee shall be responsible for payments, out of the Litigation Trust Assets and the proceeds thereof, of any taxes imposed on the Litigation Trust or the Litigation Trust Assets.

(6) The Litigation Trustee may require any of the Litigation Trust Beneficiaries to furnish to the Litigation Trustee its Employer or Taxpayer Identification Number as assigned by the IRS and the Litigation Trustee may condition any distribution or payment to any of them upon receipt of such identification number.

(m) Indemnification. From and after the Effective Date, the Litigation Trustee and each member of the Trust Committee (collectively, the "Indemnified Persons") shall be indemnified and held harmless by the Litigation Trust, to the fullest extent permitted by law and to the extent of its assets legally available for that purpose, from and against any and all losses, costs, damages, reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of attorneys and other advisors and any court costs incurred by any Indemnified Person) or liability by reason of anything any Indemnified Person did, does, or refrains from doing for the business or affairs of the Litigation Trust, except to the extent that the loss, cost, damage, expense or liability resulted (x) from the Indemnified Person's gross negligence, bad faith, willful misconduct or knowing violation of law or (y) from an act or omission from which the Indemnified Person derived an improper personal benefit. To the extent reasonable, the Litigation Trust shall pay in advance or reimburse reasonable and documented out-of-pocket expenses (including advancing reasonable costs of defense) incurred by the Indemnified Person who is or is threatened to be named or made a defendant or a respondent in a proceeding concerning the business and affairs of the Litigation Trust. The Litigation Trust may purchase fiduciary liability insurance for the benefit of the Litigation Trustee and the Trust Committee members.

(n) Dissolution.

(1) The Litigation Trust shall commence on the Effective Date and terminate no later than the fifth (5th) anniversary of the Effective Date; *provided, however*, that, on or prior to the date that is ninety (90) days prior to such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Litigation Trust if it is necessary to the liquidation of the Litigation Trust Assets. Notwithstanding the foregoing, multiple extensions may be obtained so long as Bankruptcy Court approval is obtained not less than ninety (90) days prior to the expiration of each extended term; *provided, however*, that in no event shall the term of the Litigation Trust extend past the tenth (10th) anniversary of the Effective Date; *provided further* that neither the Trust Agreement nor the continued existence of the Litigation Trust shall prevent the Debtors (or the Trustee as appropriate) from closing the Chapter 11 Cases pursuant to section 350 of the Bankruptcy Code and obtaining a final decree pursuant to Bankruptcy Rule 3022.

(2) The Litigation Trust may be terminated earlier than its scheduled termination if (i) the Bankruptcy Court has entered a Final Order closing the Chapter 11 Cases pursuant to section 350(a) of the Bankruptcy Code and (ii) the Litigation Trustee has administered all Litigation Trust Assets and performed all other duties required by the Plan, the Confirmation Order, the Trust Agreement and this Plan.

(3) If at any time the Litigation Trustee determines that the expense of administering the Litigation Trust is likely to exceed the value of the remaining Litigation Trust Assets, the Litigation Trustee shall (i) transfer the balance to the Policy Fund, and (ii) dissolve the Litigation Trust.

D. LEGAL EFFECT OF THE PLAN

1. Revesting of Assets

Upon the Confirmation Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the Debtors' Estates shall vest in the Reorganized Debtors, respectively, or, as the case may be, in the Policy Fund, all as set forth herein, free and clear of all Claims, Liens, encumbrances, charges and other interests, except as otherwise provided in the Plan. Upon the Effective Date, all property held by the Debtors that constitute Litigation Trust Assets shall be immediately transferred to, and vest in, the Litigation Trust.

2. Exculpation

Neither Vida, the Policy Fund, the Reorganized Debtors, Disbursing Agent, the Debtors, the Trustee, the Committee, nor any of their respective present or former members, managers, officers, directors, employees, equity holders, partners, members, affiliates, funds, advisors, attorneys or agents, or any of their predecessors, successors or assigns, shall have or incur any liability to any holder of a Claim or an Equity Interest, or any other party-in-interest, or any of their respective agents, employees, equity holders, partners, members, affiliates, funds, advisors, attorneys or agents, or any of their successors or assigns, for any act or omission in connection

with, relating to, or arising out of the administration of the Chapter 11 Cases, the negotiation and pursuit of approval of the Disclosure Statement, the preparation of the Plan, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the funding of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, and shall be deemed to have acted in good faith in connection therewith and entitled to the protections of section 1125(e) of the Bankruptcy Code, *provided, however,* that notwithstanding anything to the contrary contained in this Plan, this section 11.2 shall not exculpate any party from any liability based upon gross negligence or willful misconduct, nor shall it exculpate any of current or former officers and directors of the Debtors.

3. **Injunction and Stay**

(a) Except as otherwise expressly provided in the Plan, all Persons or entities who have held, hold, or may hold Claims against or Equity Interests in the Debtors are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Equity Interest against the Reorganized Debtors, Vida, the Policy Fund or any other entity released, discharged or exculpated hereunder, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Reorganized Debtors, Vida or the Policy Fund with respect to any such Claim or Equity Interest, (iii) creating, perfecting or enforcing any encumbrance of any kind against the Reorganized Debtors, Vida, the Policy Fund or against the property or interests in property of the Reorganized Debtors, Vida, the Policy Fund or as applicable, with respect to any such Claim or Equity Interest, (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Reorganized Debtors, Vida, the Policy Fund or or against the property or interests in property of the Reorganized Debtors, Vida or the Policy Fund with respect to any such Claim or Equity Interest, and (v) pursuing any Claim released under the terms of this Plan.

(b) Unless otherwise provided, all injunctions or stays arising under or entered during the Debtor's Chapter 11 Case under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

4. **Preservation of Claims**

Except as otherwise provided in sections 11.2 and 11.3 of the Plan, as of the Confirmation Date, pursuant to sections 1123(b)(3)(B) of the Bankruptcy Code, any action, cause of action, liability, obligation, right, suit, debt, sum of money, damage, judgment, Claim, and demand whatsoever, whether known or unknown, in law, equity, or otherwise (collectively, "Causes of Action") accruing to the Debtors or their respective Estates shall vest in the Reorganized Debtors and shall be immediately transferred to and vest in the Litigation Trust on the Effective Date. Thereafter, the Litigation Trustee, as a representative of the Debtors pursuant to section 1123(b)(3)(B) of the Bankruptcy Code, shall have the authority to commence and prosecute Causes of Action for the benefit of the beneficiaries of the Litigation Trust. Such Causes of Action include, but are not limited to, those listed in Schedule A to the Plan, which are also set forth below.

Without in any manner limiting the generality of the Plan, notwithstanding any otherwise applicable principle of law or equity, without limitation, any principles of judicial estoppel, res judicata, collateral estoppel, issue preclusion, or any similar doctrine, the failure to list, disclose, describe, identify, or refer to a right, Claim, Cause of Action, defense, or counterclaim, or potential right, claim, cause of action, defense, or counterclaim, in the Plan, the Disclosure Statement, the Plan Supplement, the Debtors' Schedules or any other document filed with the Bankruptcy Court shall in no manner waive, eliminate, modify, release, or alter any Estate's or the Litigation Trust's right to commence, prosecute, defend against, settle, and realize upon any rights, claims, causes of action, defenses, or counterclaims that any Debtor has, or may have, against any person, entity or party, as of the Effective Date. The Litigation Trustee may, subject to the Plan and the Litigation Trust Agreement, commence, prosecute, defend against, settle, and realize upon any rights, claims, causes of action, defenses, and counterclaims as provided in the Litigation Trust Agreement, in accordance with what is in the best interests, and for the benefit, of the Litigation Trust Beneficiaries.

The Causes of Action that are preserved by the Debtors, and transferred to the Litigation Trust upon the Effective Date, as provided by the Plan and the Litigation Trust Agreement, include, but are not limited to the following:

(a) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran v. Pardo, et al*., Civil Action No. 4:15-cv-905-O in the United States District Court for the Northern District of Texas;

(b) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. 72 Vest, et al.,* Adversary Proceeding No. 16-4035 in the Debtors' Chapter 11 Case;

(c) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran v. Sundelius, et al.*, Adversary Proceeding No. 15-4087 in the Debtors' Chapter 11 Case;

(d) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Ostler, et al.,* Adversary Proceeding No. 16-4022 in the Debtors' Chapter 11 Case;

(e) All claims, defenses, cross-claims, and counter claims related to the existing litigation in *Moran et al. v. A. Roger O. Whitley Group, Inc., et al.*, Adversary Proceeding No. 16-4038 in the Debtor's Chapter 11 Case;

(f) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Happy Endings,* Adversary Proceeding No. 16-4024 in the Debtors' Chapter 11 Case;

(g) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Robin Rock, et al.,* Adversary Proceeding No. 16-4034 in the Debtors' Chapter 11 Case;

(h) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Ballantyne, et al.,* Adversary Proceeding No. 16-4039 in the Debtors' Chapter 11 Case;

(i) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Funds for Life, et al.,* Adversary Proceeding No. 16-4029 in the Debtors' Chapter 11 Case;

(j) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Averitt, et al.,* Adversary Proceeding No. 16-4032 in the Debtors' Chapter 11 Case;

(k) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Coleman, et al.,* Adversary Proceeding No. 16-4037 in the Debtors' Chapter 11 Case;

(l) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Atwell, et al.,* Adversary Proceeding No. 16-4030 in the Debtors' Chapter 11 Case;

(m) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Blanc & Otus, et al.,* Adversary Proceeding No. 16-4031 in the Debtors' Chapter 11 Case;

(n) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Alexandar, et al.,* Adversary Proceeding No. 16-4036 in the Debtors' Chapter 11 Case;

(o) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. ESP Communications,* Adversary Proceeding No. 16-4027 in the Debtors' Chapter 11 Case;

(p) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Cassidy,* Adversary Proceeding No. 16-4033 in the Debtors' Chapter 11 Case;

(q) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Brooks,* Adversary Proceeding No. 16-4025 in the Debtors' Chapter 11 Case;

(r) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. Summit Alliance Settlement Co., et al.,* Adversary Proceeding No. 16-4026 in the Debtors' Chapter 11 Case;

(s) All claims, defenses, cross-claims, and counterclaims related to the existing litigation in *Moran, et al. v. American Heart Association, et al.,* Adversary Proceeding No. 16-4028 in the Debtors' Chapter 11 Case;

(t) All claims, defenses, cross-claims, and counterclaims related to the Assigned Class Litigation, including, but not limited to, claims for the following: violations of the Texas Securities Act (Tex. Rev. Civ. Stat. art. 581-1, et seq.), violations of the Securities Exchange Act (15 U.S.C. § 78a–pp), violations of Rule 10b-5, fraud, breach of fiduciary duty, unjust enrichment, aiding and abetting fraud, aiding and abetting violations of the Texas Securities Act, aiding and abetting breaches of fiduciary duties, conspiracy, and violations of RICO (18 U.S.C. §§ 1961–68);

(u) All claims, defenses, cross-claims, and counterclaims related to any Avoidance Actions, existing and potential, against any insiders, sales agents, licensees, master licensees, brokers, insider companies, affiliates of Brian Pardo, recipients of political contributions, recipients of charitable contributions, shareholders, IRA advisors, IRA brokers, IRA custodians, insurers, banks, law firms, financial professionals, and any other parties, known and unknown, that received property transferred by the Debtors;

(v) All claims, defenses, cross-claims, and counterclaims related to potential litigation against insiders, directors, sales agents, licensees, master licensees, brokers, IRA advisors, IRA brokers, IRA custodians, insider companies, affiliates of Brian Pardo, insurers, banks, law firms, financial professionals, and any other parties, known and unknown, including, but not limited to, claims for the following: violations of the Texas Securities Act (Tex. Rev. Civ. Stat. art. 581-1, et seq.), fraud, breach of fiduciary duty, aiding and abetting fraud, aiding and abetting violations of the Texas Securities Act, aiding and abetting breaches of fiduciary duties, conspiracy, violations of RICO (18 U.S.C. §§ 1961–68), unjust enrichment and constructive trust, and attorneys' fees;

(w) All claims, defenses, cross-claims, and counterclaims related to the existing litigation pending in California Superior Court, Los Angeles County, styled *Life Partners Holdings, Inc. v. Wedbush Securities*, Case No. BC558646;

(x) All claims, defenses, cross-claims and counterclaims related to the existing litigation pending in the United States Bankruptcy Court for the Northern District of Illinois, styled *Life Partners Holdings, Inc. v. OptionsXpress, Inc., et al*., Adversary Proceeding No. 15-00640; and

(y) All claims, defenses, cross-claims and counterclaims related to the existing litigation pending in the United States District Court for the Western District of Texas, styled *Griswold v. Pardo, et al.*, Case No. 2:11-cv-00043-AM.

E. CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVE DATE

1. Conditions to Confirmation of Plan.

Confirmation of the Plan shall not occur, and the Confirmation Order shall not be entered, until each of the following conditions precedent have been satisfied or waived:

(a) An order, in a form and substance satisfactory to Vida, finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code, shall have been entered; and

(b) The Confirmation Order shall be in a form and substance satisfactory to Vida.

2. **Conditions to Effective Date of Plan.**

The Effective Date of the Plan shall not occur until each of the following conditions precedent have been satisfied or waived:

(a) The clerk of the Bankruptcy Court shall have entered the Confirmation Order in the Chapter 11 Cases, in a form and substance satisfactory to Vida, and there shall not be a stay or injunction (or similar prohibition) in effect with respect thereto; and

(b) All other actions and all agreements, instruments or other documents necessary to implement the terms and provisions of the Plan shall have been executed and delivered by the parties thereto, and, in each case, all conditions to their effectiveness shall have been satisfied or waived as provided therein.

Within five (5) Business Days of the Effective Date, Vida shall file a notice of the occurrence of the Effective Date with the Bankruptcy Court. The Litigation Trustee shall serve such notice simultaneously with the Initial Distribution under the Plan.

3. **Waiver of Conditions Precedent.**

Any of the foregoing conditions (with the exception of the conditions set forth in sections 10.1(a) and 10.2(a)) may be waived by Vida in its sole discretion without notice to or order of the Bankruptcy Court. The failure to satisfy or waive any condition may be asserted by Vida regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of Vida to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each such right will be deemed an on-going right that may be asserted at any time.

4. **Effect of Failure of Conditions; Reservation of Rights**

If the foregoing conditions have not been satisfied or waived in the manner provided in sections 10.2 and 10.3 of the Plan, then (i) the Confirmation Order shall be of no further force or effect; (ii) no distributions under the Plan shall be made; (iii) the Debtors, Vida, the Trustee, and all holders of Claims against and Equity Interests in the Debtors shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred; (iv) all obligations of the Debtors and the Trustee with respect to Claims and Equity Interests shall remain unaffected by the Plan; (v) nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or the Trustee or any other Person or to prejudice in any manner the rights of the Debtors or the Trustee, or any Person in any further proceedings involving the Debtors or the Trustee; and (vi) the Plan shall be deemed withdrawn. Upon such occurrence, Vida shall file a written

notification with the Bankruptcy Court and serve it on the parties appearing on the limited service list maintained in the Chapter 11 Cases.

The Plan shall have no force or effect unless and until the Effective Date occurs. Prior to the Effective Date, none of the filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtors, the Trustee, Vida or the Committee with respect to the Plan shall be, or shall be deemed to be, an admission or waiver of any rights of the foregoing parties, or any other party with respect to any Claims or Equity Interests or any other matter.

F. MODIFICATION OR REVOCATION OF THE PLAN; SEVERABILITY

Subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, alterations, amendments or modifications of the Plan may be proposed in writing by Vida at any time prior to or after the Confirmation Date. Holders of Claims and Equity Interests that have accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified; *provided*, *however*, that any holders of Claims who were deemed to accept the Plan because such Claims were unimpaired shall continue to be deemed to accept the Plan only if, after giving effect to such amendment or modification, such Claims continue to be unimpaired.

If the Bankruptcy Court determines that any provision of the Plan is unenforceable either on its or as applied to any Claim or Equity Interest, Vida may modify the Plan in accordance with section 13.5 of the Plan so that such provision shall not be applicable to the holder of any Claim or Equity Interest. Any determination of unenforceability shall not (i) limit or affect the enforceability and operative effect of any other provisions of this Plan; or (ii) require the re-solicitation of any acceptance or rejection of this Plan unless otherwise ordered by the Bankruptcy Court.

G. RETENTION OF BANKRUPTCY COURT JURISDICTION

The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, or related to, the Debtors' Chapter 11 Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(a) To hear and determine pending applications for the assumption, assignment or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom;

(b) To determine any and all adversary proceedings, applications, and contested matters in the Chapter 11 Cases and grant or deny any application involving LPI and LPIFS that may be pending on the Effective Date or that are retained and preserved under section 11.4 of the Plan;

(c) To ensure that distributions to holders of Allowed Claims are effected as provided in the Plan;

(d) To hear and determine any timely objections to Administrative Expense Claims or to proofs of Claim, including any objections to the classification of any Claim or Equity Interest, and to allow or disallow any Disputed Claim, in whole or in part;

(e) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(f) To take any action and issue such orders as may be necessary to construe, enforce, implement execute and consummate the Plan or maintain the integrity of the Plan following consummation;

(g) To consider any amendments to or modifications of the Plan, or to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;

(h) To hear and determine all requests for payment of Fee Claims;

(i) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, the documents that are ancillary to and aid in effectuating the Plan or any agreement, instrument, or other document governing or relating to any of the foregoing, including disputes relating to Catch-Up Amounts;

(j) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including the expedited determination of taxes under section 505(b) of the Bankruptcy Code);

(k) To hear any other matter not inconsistent with the Bankruptcy Code;

(l) To hear and determine all disputes involving the existence, scope, and nature of the exculpations and injunctions issued and granted under sections 11.2 and 11.3 of the Plan;

(m) To issue injunctions and effect any other actions that may be necessary or desirable to restrain interference by any entity with the consummation or implementation of the Plan; and

(n) To enter a final decree closing the Chapter 11 Cases.

H. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

1. Assumption and Rejection

Except as otherwise provided in the attached Schedule of Assumed Contracts, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, each executory contract and unexpired lease to which any of the Debtors is a party shall be deemed rejected, unless such contract or lease (i) was previously assumed, assumed and assigned or rejected by the Debtors, (ii) previously expired or terminated pursuant to its own terms, (iii) is the subject of a motion to assume, assume and assign, or reject filed by the Debtors on or before the Confirmation Date. The Confirmation

Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the lease and contract assumptions or rejections described above, as of the Effective Date. For the avoidance of doubt, the Escrow Agreements and PFAs will be rejected, and any funds on hand with ATLES and PES in respect thereof shall be promptly remitted to Reorganized LPI for further remission to Continuing Holders or the Policy Fund, as appropriate, pursuant to the terms of the Plan

Any monetary amounts payable to cure any prepetition defaults under any Assumed Contracts ("Cure Amounts") shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by the Reorganized Debtors paying such amount(s) promptly following the Effective Date. The Cure Amounts are set forth on the Schedule of Assumed Contracts. If any objection to a Cure Amount, or any other dispute or disagreement regarding any other matter relating to an Assumed Contract cannot be consensually resolved, then an appropriate objection must be filed with the Bankruptcy Court by the counter-party to the Assumed Contract in question no later than twenty (20) days following the Confirmation Date. If no objection is timely filed, such objection shall be forever waived and discharged. Cure Amounts that are the subject of an objection shall not be paid until entry of a Final Order on the merits of the objection; *provided, however*, that Vida and the counter-party to the Assumed Contract in question may settle any dispute related to assumption without the need for an order of the Bankruptcy Court; *and provided further* that Vida may remove any contract or lease from the Schedule of Assumed Contracts if the matter cannot be resolved to Vida's satisfaction in its sole discretion.

Unless otherwise specified, each executory contract and unexpired lease shall include any and all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease.

2. Claims Based on Rejection of Executory Contracts of Unexpired Leases

All Claims arising out of the rejection of executory contracts and unexpired leases (if any) must be served upon the Litigation Trustee and its counsel within thirty (30) days after the earlier of (i) the date of entry of an order of the Bankruptcy Court approving such rejection or (ii) the Effective Date. Any Claims not filed within such time shall be forever barred from assertion against the Litigation Trust, the Debtors and their respective Estates and property.

I. DISTRIBUTIONS

1. Date and Manner of Distributions and Payment

Unless otherwise provided in the Plan, any distributions and deliveries to be made under the Plan shall be made on the Effective Date or as soon as practicable thereafter. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act shall be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

2. **Sources of Cash for Plan Distributions.**

Except as otherwise provided herein or in the Confirmation Order, all Cash required for the payments to be made under the Plan shall come from Cash on hand with the Debtors (including the Cash Consideration), the Exit Loan, and after the Effective Date, from Cash received on account of Policy maturities and liquidating Litigation Trust Assets.

3. **Disbursing Agent.**

All distributions under this Plan shall be made by the Disbursing Agent. The Disbursing Agent shall not be required to give any bond, surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

4. **Rights and Powers of Disbursing Agent.**

The Disbursing Agent shall be empowered to (a) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan, (b) make all distributions contemplated hereby, (c) employ professionals to represent it with respect to its responsibilities and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

5. **Record Date for Distributions.**

At the close of business on the Distribution Record Date, the transfer ledgers or registers for existing Claims against and Equity Interests in the Debtors shall be closed, and there shall be no further changes in the record holders of such Claims and Equity Interests. Neither the Debtors, the Trustee, the Disbursing Agent nor the Litigation Trustee shall have any obligation to recognize any transfer of any of the foregoing occurring after the Distribution Record Date, and shall be entitled instead to recognize for all purposes hereunder, including to effect distributions hereunder, only those record holders stated on the transfer ledgers or registers maintained by the Debtors as of the close of business on the Distribution Record Date.

6. **Recipients of Distributions.**

All distributions to holders of Allowed Claims under the Plan shall be made to the holder of the Claim as of the Distribution Record Date. Changes as to the holder of a Claim after the Distribution Record Date shall only be valid and recognized for distribution if notice of such change is filed with the Bankruptcy Court, in accordance with Bankruptcy Rule 3001 (if applicable) and served upon the Debtors, the Trustee, the Litigation Trustee and their respective counsel.

7. **Delivery of Distributions.**

Subject to Bankruptcy Rule 9010, all distributions under the Plan shall be made at the address of each holder of an Allowed Claim as set forth in the books and records of the Debtors, unless the Debtors and the Litigation Trustee have been notified in writing of a change of address. If any distribution to the holder of an Allowed Claim is returned as undeliverable, no

further distributions to such holder shall be made unless and until the Debtors and the Litigation Trustee are notified of such holder's then-current address, at which time all missed distributions shall be made to such holder without interest; *provided, however*, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one hundred eighty (180) days after the date of the distribution in question. After such 180th day, and notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary (i) all unclaimed property or interest in property in respect of the distribution in question shall revert to the Litigation Trust and thereafter be distributed Pro Rata to the holders of Allowed Claims in accordance with the terms of this Plan, and (ii) the Claim of any holder with respect to such unclaimed property or interest in property shall be discharged and forever barred.

8. **Means of Payment.**

All distributions made pursuant to the Plan shall be in Cash.

9. **Setoffs and Recoupment.**

The Litigation Trustee, the Reorganized Debtors or the Policy Fund may, but shall not be required to, setoff against or recoup from any Claim any rights to payment that any of them may have against the holder of such Claim. Neither the failure to setoff or recoup, nor the Allowance of any Claim shall constitute a waiver or release by the Debtors, the Reorganized Debtors, the Litigation Trust or the Policy Fund of any right to payment, or right of setoff or recoupment.

10. **Disputed Claim and Administrative Reserve.**

On the Effective Date, the Litigation Trustee shall establish the Disputed Claim and Administrative Reserve. Any amounts remaining in the Disputed Claim and Administrative Reserve after the Chapter 11 Cases have been fully administered and all related costs and expenses have been paid, shall be distributed by the Litigation Trustee to holders of Allowed Claims pursuant to the terms of this Plan and the Trust Agreement.

11. **Distributions After Effective Date.**

Distributions made pursuant to the Plan after the Effective Date to holders of Disputed Claims that are not Allowed as of the Effective Date, shall be deemed to have been made on the Effective Date. After the Initial Distribution, additional interim distributions to holders of Allowed Claims shall be made at such time as the Litigation Trustee may deem appropriate, in accordance with the terms of the Plan and the Trust Agreement, and subject to appropriate funding for the Disputed Claim and Administrative Reserve.

12. **Withholding and Reporting Requirements.**

In connection with the Plan and all instruments issued under the Plan, any party issuing any instrument or making any such distribution under the Plan shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting

requirements. Notwithstanding the above, each holder of an Allowed Claim that is entitled to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any applicable tax obligations, including income, withholding and other tax obligations, on account of such distribution. Any party issuing any instrument or making any distribution under the Plan to any holder of any Allowed Claim has the right, but not the obligation, to not issue such instrument or make a distribution until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

13. **No Postpetition Interest.**

Unless otherwise specifically provided for in the Plan or in the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims, and no Claim holders shall be entitled to interest accruing on or after the Petition Date.

14. **Time Bar to Payments.**

Checks issued by the Disbursing Agent under the Plan shall be null and void if not negotiated within one hundred eighty (180) days after the date of issuance. Requests for reissuance of any check shall be made in writing directly to the Disbursing Agent by the person to whom such check was originally issued. Any request for re-issuance of a voided check must be made on or before the end of the 180-day period referenced in this section. After such 180-day period, if no request for re-issuance of a voided check was timely made, such amounts shall constitute unclaimed property and be treated in accordance with section 7.7 of the Plan, and all Claims or Equity Interests in respect of such void checks shall be discharged and forever barred.

J. DISPUTED CLAIMS

1. **Objections to Claims.**

Except insofar as a Claim is Allowed under the Plan or pursuant to Final Order of the Bankruptcy Court, the Litigation Trustee or any other party in interest, shall be entitled to object to Claims. Any objections to Claims shall be served and filed by the Objection Deadline. Any Claim as to which an objection is timely filed shall be a Disputed Claim or Disputed Equity Interest, respectively.

2. **No Distributions Pending Allowance.**

If a timely objection is made with respect to any Claim, no payment or distribution under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes Allowed.

3. **Distributions After Allowance.**

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the holder of such Allowed Claim, in accordance with the provisions of the Plan. As soon as reasonably practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent

shall provide to the holder of such Claim the distribution (if any) to which such holder is entitled under this Plan as of the Effective Date, without any interest.

4. **Disallowance of Late Filed Claims; Proof of Equity Interest.**

Unless otherwise provided in a Final Order of the Bankruptcy Court, any Claim for which a proof of claim is filed after the applicable Bar Date shall be deemed disallowed. The holder of a Claim that is disallowed pursuant to this section shall not receive any distribution on account of such Claim, and neither the Debtors, the Trustee, the Litigation Trustee nor the Distribution Agent shall need to take any affirmative action for such Claim to be deemed disallowed.

K. MISCELLANEOUS

1. **Exemption from Certain Transfer Taxes**

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under or in connection with the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including any merger agreements or agreements of consolidation, deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated under the Plan shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax. All sale transactions consummated by the Debtors or the Trustee and approved by the Bankruptcy Court on and after the Petition Date through and including the Effective Date, including the transfers effectuated under the Plan, the sale by the Trustee of property owned by the Debtors pursuant to section 363(b) of the Bankruptcy Code, and the assumption, assignment, and sale of the Debtors executory contracts and unexpired leases of non-residential real property pursuant to section 365(a) of the Bankruptcy Code, shall be deemed to have been made under, in furtherance of, or in connection with the Plan, and thus, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

2. **Payment of Statutory Fees**

All fees payable under 28 U.S.C. § 1930 shall be paid on the Effective Date and thereafter, as appropriate. After the Effective Date, the payment of such fees shall be the responsibility of the Litigation Trust and neither the Reorganized Debtors nor Vida shall have any responsibility therefor.

3. **Binding Effect**

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code and subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against, or Equity Interest in, the Debtors and such holder's respective successors and assigns, whether or not the Claim or Equity Interest of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

4. **No Payment of Attorneys' Fees**

Except for the fees of Professional Persons, no attorneys' fees shall be paid by the Debtors with respect to any Claim or Equity Interest unless otherwise specified in this Plan or a Final Order of the Bankruptcy Court.

5. **Governing Law**

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise (in which case the governing law specified therein shall be applicable to such exhibit), the rights, duties and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, without giving effect to the principles of conflict of laws that would require application of the laws of another jurisdiction.

VI. PLAN FEASIBILITY

According to the Chapter 11 Trustee, the information obtained by his Professionals has allowed his financial advisors to develop financial models and forecasts for the overall projected performance of the portfolio of Policies and the portion that is projected to be allocated to the Policy Fund.[7] Vida reviewed these projections and has, for the most part, adopted them in **Exhibits J and K** attached hereto. These Exhibits show projected returns to Continuing Holders and Assigning Holders, which exceed those projected by the Trustee by over $215 million. Vida's Plan also projects lower expenses, by about $83.35 million.

Bankruptcy Code § 1129(a)(11) requires the Bankruptcy Court to find that Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further reorganization, of the Debtors. This requirement is known as the "feasibility" test.

Under the Plan, all of the Debtors' assets will be vested in the Reorganized Debtors and transferred to the Policy Fund, except for the Litigation Trust Assets which shall be transferred to the Litigation Trust. Thus, upon consummation of the Plan, there will be no need for further liquidation or reorganization of the Debtors because the Debtors will have no remaining assets and all Claims will be provided for under the Plan.

As set forth in **Exhibits J and K** attached to in this Disclosure Statement, each of the Reorganized Debtors and the Policy Fund will be adequately capitalized or will have access to capital, such that they will be able to discharge their respective obligations under the Plan and the other Plan Documents, in connection with preserving and maximizing the value of and completing the liquidation of all of the Policy-related assets. This will allow for the Policies to be managed for the benefit of Continuing Holders and the Policy Fund (for the benefit of Assigning Holders) so that all such parties may achieve a return on their Fractional Interest Allowed Claims. Returns to holders of Fractional Interests under Vida's Plan are greater than under the

[7] Vida assumes that the same amount of investors who would opt for Position Holder Trust treatment under the Trustee/Committee Plan would similarly opt for Assigning Holder treatment under the Vida Plan and receive limited partnership interests in the Policy Fund.

Trustee/Committee Plan.

Accordingly, Vida believes and submits that the Plan satisfies the feasibility requirement of § 1129(a)(9) of the Bankruptcy Code.

VII. BEST INTERESTS OF CREDITORS TEST

In order to confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court to find that the Plan is in the best interests of all Holders of Claims and Equity Interests that are impaired by the Plan and that have not accepted the Plan. The "best interests" test, as set forth in Bankruptcy Code § 1129(a)(11), requires the Bankruptcy Court to find either that all members of an impaired Class of Claims or Equity Interests have accepted the Plan or that the Plan will provide a Class member who has not accepted the Plan with a recovery of property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date.

To calculate the probable distribution to members of each impaired Class of Claims and Equity Interests if the Debtors were liquidated under Chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the disposition of the Debtors' property if liquidated in Chapter 7 cases under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtors' property by a Chapter 7 trustee.

The amount of liquidation value available to holders of General Unsecured Claims against the Debtors would be reduced by, first, Secured Claims (to the extent of the value of their collateral), and by the reasonable costs and expenses of liquidation, as well as by other administrative expenses and costs of the Chapter 7 cases, followed by the reasonable costs and incurred during the Debtors' Chapter 11 Cases prior to conversion of the cases from Chapter 11 to Chapter 7. Costs of a Chapter 7 liquidation of the Debtors would include the compensation of a Chapter 7 trustee and his or her counsel and other professionals, asset disposition expenses, and litigation costs. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay General Unsecured Claims or to make any distribution in respect of Equity Interests. The liquidation would also prompt the rejection of executory Contracts and unexpired leases and thereby create a greater pool of General Unsecured Claims.

In a Chapter 7 liquidation, no junior class of Claims or Equity Interests may be paid unless all senior classes of Claims and Equity Interests are paid in full. Section 510(a) of the Bankruptcy Code provides that subordination agreements are enforceable in a bankruptcy case to the same extent enforceable under applicable non-bankruptcy law. Therefore, no class of Claims or Equity Interests that is contractually subordinated to another class would receive any payment on account of its Claims or Equity Interests, unless and until such senior classes were paid in full.

In a Chapter 7 liquidation, unsecured creditors and equity holders are paid from available

assets generally in the following order, with no junior class receiving any payments until all amounts due to senior classes have been paid fully or any such payment is provided for:

- Secured Claims (to the extent of the value of the collateral);
- Administrative Claims incurred during the Chapter 7 case;
- Administrative Claims incurred during the bankruptcy case prior to conversion of the case to Chapter 7 (*i.e.*, Chapter 11 Administrative Claims);
- Unsecured Claims;
- Claims expressly subordinated either contractually or by order of the Bankruptcy Court; and
- Equity Interests.

Once the Bankruptcy Court ascertains the recoveries in liquidation of the Debtors' secured and priority creditors, it would then determine the probable distribution to unsecured creditors from the remaining available proceeds of the liquidation. If this probable distribution has a value greater than the value of distributions to be received by the unsecured creditors under the Plan, then the Plan is not in the best interests of creditors and cannot be confirmed by the Bankruptcy Court over the objection of a creditor or equity interest holder that has voted against the Plan.

As shown in the Liquidation Analysis, attached as **Exhibit C** to this Disclosure Statement, which was prepared by the Chapter 11 Trustee's financial advisors, Vida believes that creditors will receive more under the Plan as they would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Accordingly, the Plan satisfies the best interest of creditors test.

According to the Trustee, other factors that could negatively impact the value any distributions in a Chapter 7 case are:

- consideration of the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to holders of impaired Claims and Equity Interests, including:
  - the effect the Ownership Issue would have on the ability of a Chapter 7 Trustee to sell the Policy portfolio or use it as collateral for financing, without lengthy and expensive litigation to resolve the issue;
  - erosion in value of assets in a Chapter 7 case as a result of Policy lapses during any adversarial or portfolio auction scenarios;
  - increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to one or more Chapter 7 trustees and professional advisors to such trustee(s), who may not be familiar

with the Debtors' history and business operations, or the Ownership Issue;

- erosion in value of assets in a Chapter 7 case in the context of the rapid liquidation required under Chapter 7 and the "forced sale" atmosphere that would likely prevail, particularly with respect to the Policies and any attempt to sell them without a definitive resolution of the Ownership Issue;
- significant adverse effects on the Debtors' businesses, and in particular their ability to service the Policies, as a result of the likely departure of key employees;
- the difficulty that would be experienced by investors in attempting to collect recoveries of maturity proceeds and other amounts if the Debtors were unable to continue servicing, resulting in the possibility that collections outside the estate would be decreased, perhaps significantly, even for those Policies that have "internal" funding for future Policy premiums (*i.e.*, CSV or premium escrows); and
- substantial delay in distributions, if any, to the holders of Claims and Equity Interests that would likely ensue in a Chapter 7 liquidation.

VIII. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. GENERAL

The following discussion addresses certain United States federal income tax consequences of the Plan to holders of Claims who are entitled to vote to accept or reject the Plan. This discussion does not address the United States federal income tax consequences to holders of Claims or Equity Interests who are not entitled to vote under the Plan. This discussion is for informational purposes only and, due to a lack of definitive judicial or administrative or interpretation, substantial uncertainties exist with respect to the various tax consequences discussed. This discussion is not a representation concerning any specific tax consequences of the Plan on any holder of a Claim.

The tax discussion below is based on the Internal Revenue Code, the Treasury Regulations, judicial authorities, and current administrative rules and practice, all as in effect on the date of this Disclosure Statement and all of which are subject to change or different interpretation, with effects that could adversely affect the tax consequences described below. The federal income tax consequences of the Plan are complex and subject to substantial uncertainties. No opinion of counsel has been obtained, and no rulings or determinations of the IRS nor any other tax authorities have been or are expected to be obtained. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position that is different from the below discussion, which could result in substantially different federal income tax consequences.

The following discussion does not address all aspects of United States federal income taxation that may be relevant to a particular Claim holder in light of the holder's particular facts and circumstances, nor does it purport to address the tax consequences of the Plan to certain classes of taxpayers who may be subject to special treatment under the Internal Revenue Code (*e.g.*, banks and certain other financial institutions, insurance companies, broker-dealers, holders of Claims who are (or who hold their Claims through) a partnership or other pass-through entity, persons whose functional currency is not the United States dollar, dealers in securities or foreign currency and persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale or conversion transaction). Furthermore, the following discussion does not address United States federal taxes other than income taxes or the state, local or foreign income and other tax consequences of the Plan.

THE FOLLOWING TAX DISCUSSION IS PROVIDED TO ASSIST HOLDERS OF CLAIMS IN DETERMINING HOW TO VOTE ON THE PLAN AND SHOULD NOT BE CONSIDERED AS TAX ADVICE. NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR EQUITY INTEREST. EACH HOLDER OF A CLAIM AND EQUITY INTEREST IS STRONGLY URGED TO CONSULT A TAX ADVISOR REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

B. TAX CONSEQUENCES TO HOLDERS BEFORE THE EFFECTIVE DATE

1. Fractional Interest Holders

(a) ***Ownership.*** As discussed in Appendix 1, the Ownership Litigation has been one of the principal issues in controversy in the Chapter 11 Cases. The Bankruptcy Court has recognized, and the Texas Supreme Court has held, that LPI is the "legal" owner of all of the Policies. It has been the Chapter 11 Trustee's position that LPI owns the Policies, beneficially as well as legally.

For federal tax purposes, ownership is determined on a case by case basis, taking into account all the relevant facts and circumstances relating to the incidents of ownership, including the power to control the assets and derive the economic benefit from the assets. In general, the holder of legal title is the owner of the property and is taxed on the income derived from the property. However, if another person possesses the "benefits and burdens" of ownership, that person is attributed ownership of property for tax purposes. Treasury Regulations provide that the "incidents of ownership" of a life insurance policy include the power to change the beneficiary, to surrender or cancel the policy, to assign the policy, to revoke an assignment, to pledge the policy for a loan, or to obtain from the insurer a loan against the surrender value of the policy.

The Chapter 11 Trustee contends that many objective facts support his belief that, before the Effective Date, LPI is the owner of all of the Policies in their entirety and Fractional Interest holders have no separate property interests in the Policies. In May 2015, the Texas Supreme Court held that the agreements LPI used to solicit money from investors are "investment contracts" that gave the investors a right to receive a portion of the proceeds paid

out on the maturity of a Policy. The Texas Supreme Court recognized that LPI is the owner of legal title to all of the Policies, and as such, is entitled to exercise all rights as the legal owner. The Texas Supreme Court found that LPI is the facilitator and administrator of the investments and that LPI exercises complete control and discretion over the investment and the investment's success: As found by the Texas Supreme Court, without LPI's managerial efforts, the investments would fail.[8]

The Chapter 11 Trustee contends that, as the owner of the Policies, LPI has sole control of the Policies, which by their terms included (i) surrendering the policy or making a partial withdrawal; (ii) taking out a policy loan; (iii) changing the policy to paid-up life insurance; (iv) changing the owner; (v) naming or changing a contingent owner; (vi) adding any optional insurance rider; (vii) changing the face amount; and (viii) changing the death benefit option. Under LPI's purchase agreement with sellers of the Policies, the sellers assigned and transferred to LPI all right, title and interest in and to each Policy, including the right to (i) change the beneficiary on the Policy; (ii) assign or surrender the Policy; (iii) borrow on the Policy; (iv) apply for and maintain waiver of premium under or conversion of the Policy; (v) receive any and all benefits paid under the Policy; and (vi) be notified about any and all matters relative to the Policy as to which the owner of the Policy may or should be notified. Upon the change of ownership, the life insurance company listed LPI as the new owner. Although LPI consistently stated in the transaction documents that it took the Policy as agent for its clients, the insurance companies consistently refused to make the designation "as agent" on the ownership form.

The Chapter 11 Trustee states that he has been unable to locate any document that purports to transfer title to or ownership of any of the Policies, or any "fractional interest" in any Policies, to any investor. In addition, according to the Chapter 11 Trustee, with very few exceptions, no transfer of ownership to, and no lien in favor of, any investor was recorded with the insurance company that issued the Policy: the typical transaction did not include any unrecorded assignment, deed, bill of sale, or other conveyance document that purports to transfer an ownership interest in any Policy from LPI to any investor.

According to the Chapter 11 Trustee, these facts support his belief that LPI has at least a 30% chance of prevailing on the argument that it is the tax owner of all of the Policies in their entirety before the Effective Date.

(b) ***Maturity Funds Facility*****.** The Bankruptcy Court authorized the Debtors to use up to $25 million of Maturity Funds to pay administrative costs of the Chapter 11 Cases and to cover the premiums due on the Policies. In addition, to the extent the Bankruptcy Court later determines that the investors own separate property interests in such funds or a confirmed plan of reorganization provides for such treatment, investors shall receive adequate protection, including the obligation to be repaid with interest, post-petition liens on certain collateral, and super-priority administrative claim status.

If it is ultimately determined that LPI owns the Policies before the Effective Date, no deemed loan arises from the Fractional Interest holders to the Debtors when the Debtors use

[8] *Life Partners, Inc. v. Arnold*, 464 S.W.3d 660 (Tex. 2015).

the Maturity Funds before the Effective Date. According to the Chapter 11 Trustee, based on his belief that LPI owns the Policies, he instructed LPI and the Escrow Agents not to issue Forms 1099-R, "Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.," to Fractional Interest holders when the Debtors use death benefits and CSV from the Policies under the Maturity Funds Facility after the Subsidiary Petition Date and before the Effective Date.

2. **IRA Holders**

(a) ***Ownership.*** The Internal Revenue Code defines an IRA as a trust created or organized in the United States for the exclusive benefit of an individual or his beneficiaries, but only if the written governing instrument creating the trust meets certain requirements, including that no part of the trust funds will be invested in life insurance contracts. A violation of this requirement results in the disqualification of the IRA. There is very little guidance interpreting this requirement. However, if an IRA Holder invests in life insurance contracts, either directly or through an instrument that is secured by a specific Fractional Interest in a Policy, there is a material risk that the IRA Holder could be disqualified as an IRA. But if an IRA Holder holds only a contract claim against LPI that is not secured by any life insurance contracts, the risk that the IRA could be disqualified is significantly reduced.

According to the Chapter 11 Trustee, LPI told investors that it would establish a separate trust for a single life insurance policy ("IRA Trust") and that the IRA Trusts would issue a promissory note to an investor secured by a specified Fractional Interest in the Policy held by the IRA Trust (the "IRA Note"). IRA Holders are required to pay premiums on the Fractional Interests through the Escrow Agents and are entitled to a portion of the death benefits from such Fractional Interests. Further, according to the Chapter 11 Trustee, the IRA Notes appear to be equity, not debt, as they do not provide for the payment of interest at a fixed interest rate or a stated maturity date; the principal and interest are payable only from the death benefits from the specific Fractional Interest in a Policy; the IRA Notes are recourse only to such Fractional Interest; and the IRA Notes are subject to forfeiture if the premium payments are not made. In addition, the IRA Trusts are thinly capitalized, as they purported to hold only the Fractional Interests securing the IRA Notes, and the amounts advanced to LPI were used to purchase and maintain the Policies, which are capital assets. The IRA Trusts never opened a single bank account; never filed a tax return; never maintained separate books and records; and never sent or received any notices to the IRA Holders. Thus, despite their form, the Chapter 11 Trustee believes the IRA Notes likely would be treated as equity for federal tax purposes. Consequently, if the Fractional Interests had been transferred to the IRA Trusts as documented in form, the IRA Holders likely would be viewed as investing in life insurance by virtue of holding IRA Notes.

However, according to the Chapter 11 Trustee, he has not located any conveyance documents that purport to transfer title to or ownership, or any "fractional interest," in any Policies to any IRA Trust, and the typical transaction did not include any unrecorded assignment, deed, bill of sale, or other conveyance that purports to transfer an ownership interest from Life Partners to an IRA Trust. In addition, with very few exceptions, no transfer of ownership to, and no lien in favor of, any investor was recorded with the insurance company that issued the Policy.

According to the Chapter 11 Trustee, because neither the Policies nor the Fractional Interests were transferred to the IRA Trusts, he finds it is reasonable to believe that the IRA Holders held only a contract claim to the death benefits payable under the Policies and did not invest in life insurance contracts. As a result, the Chapter 11 Trustee also believes that none of the IRA Holders were disqualified by virtue of holding IRA Notes.

Individual retirement accounts are exempt from federal income tax unless they have unrelated business taxable income (UBTI). Therefore, if the IRA Holders are not disqualified because they hold only a contract claim to the payment of death benefits under the Policies and do not hold investments in life insurance contracts, the IRA Holders will not have taxable income except to the extent of UBTI. The ownership of a contract claim is the type of passive investment activity that likely does not constitute a trade or business, and the death benefits paid under the contract claim may be viewed as passive income. Consequently, the IRA Holders are unlikely to have UBTI, so long as they did not use debt to acquire their contract claims or to make additional payments on them. Therefore, if the death benefits and CSV were paid to the IRA Holders, it would be reasonable to believe that such payments would not be taxable to IRA Holders and that no 1099-R should be issued to them.

(b) ***Maturity Funds Facility***. The Debtors were authorized to use up to $25 million of Maturity Funds to pay administrative costs of the Chapter 11 Cases and to cover the premiums due on the Policies. In addition, to the extent the Court later determines that the investors own separate property interests in such funds or a confirmed plan of reorganization provides for such treatment, the investors shall receive adequate protection, including the obligation to be repaid with interest, post-petition liens on certain collateral, and super-priority administrative claim status. However, the Confirmation Order will provide that none of the issuers of IRA Notes held any property interest in any Fractional Interest or otherwise in any Policy, and therefore were not able to, and in fact did not, grant any Lien to any IRA Holder.

If LPI owns the Policies before the Effective Date, no deemed loan arises from the IRA Holders to the Debtors when the Debtors use death benefits and CSV from the Policies under the Maturity Funds Facility before the Effective Date. According to the Chapter 11 Trustee, based on his belief that LPI owns the Policies, he instructed LPI and the Escrow Agents not to issue Forms 1099-R to the IRA Holders when the Debtors use death benefits and CSV from the Policies under the Maturity Funds Facility before the Effective Date.

C. TAX CONSEQUENCES TO CONTINUING HOLDERS

1. Non-IRA Holders

Under the Plan, if confirmed, Continuing Holders will be considered to be the owners of Fractional Interests as of the Effective Date. Continuing Holders will therefore retain their adjusted basis in the Fractional Interests and will not recognize a gain or loss due to their confirmed status as Continuing Holders.

In addition, a Continuing Holder will be deemed to own 100% of the Maturity Funds attributable to such Fractional Interests before the Effective Date. Such amounts will be deemed to have been received by the Continuing Holders and loaned to the Debtors when used

under the Maturity Funds Facility. Continuing Holders will recognize ordinary income equal to their respective Fractional Interests of the death benefits received minus the adjusted basis of their Fractional Interest. Continuing Holders will recognize ordinary income if the amount of CSV withdrawn exceeds the adjusted basis of their Fractional Interest. Either Vida or the Trustee will issue to Continuing Holders Forms 1099-R, "Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.," reporting the taxable portion of the death benefits and CSV (or the entire distribution if the taxable amount cannot be determined) deemed received on the Effective Date and loaned to the Debtors under the Maturity Funds Facility. Continuing Holders should then report and pay tax on their taxable portion of the death benefits and CSV. If, for federal income tax purposes, a Continuing Holder is not a U.S. person, an amount equal to 30% of the taxable portion of the death benefits and CSV will be withheld by either Vida or the Trustee and deposited with the IRS.

Upon the occurrence of a post-Effective Date payment default with respect to a Fractional Interest, a Continuing Holder will be deemed to have abandoned all of its Fractional Interests, Maturity Funds and Policy premiums in escrow to the Policy Fund, and the Continuing Holder will have no further rights or interests against Vida, the Reorganized Debtors or the Policy Fund. This abandonment may result in an ordinary loss, as discussed in section 26.07(A)(2) below herein.

2. **IRA Holders**

(a) ***Maturity Funds Facility***. The Confirmation Order will provide that none of the original IRA Note issuers held any property interest in any Fractional Interest or otherwise in any Policy and therefore, was not able to, and in fact did not, grant any Lien to any IRA Holder. Consequently, the IRA Holders who elect to become Continuing Holders will not be deemed to have received any portion of the death benefits when used by the Debtors under the Maturity Funds Facility. An IRA Holder who makes a Continuing Holder Election for an IRA Note relating to a Policy that has matured will receive notification of the amount of Maturity Funds used by the Debtors that is payable to the Continuing IRA Holder. That statement is a tracking mechanism to determine how much to pay the Continuing IRA Holders on their contract claims. The payments are not repayment on a loan for federal income tax purposes because the original IRA Note issuers did not, according to the Trustee, hold any property interest in any Fractional Interest or otherwise in any Policy before the Effective Date.

(b) ***Conversion from IRA Holder to Continuing Holder***. An IRA Holder may elect to become a Continuing Holder thus exchanging its IRA Note for the Fractional Interests that were purported to secure the IRA Note. If this conversion is made, the owner of a traditional IRA will recognize income equal to the fair market value of the Fractional Interest distributed to the IRA owner. If the IRA Holder is under age 59½, then the distribution will be subject to an additional 10% early withdrawal penalty. In the event the IRA Holder is a Roth IRA, the distribution will be nontaxable if it is a qualifying distribution. Generally, a qualifying distribution is a distribution made on or after the date on which the IRA owner attains age 59½; *provided, however*, that a distribution from a Roth IRA will not be treated as a qualifying distribution if such distribution is made within the five-year taxable period beginning with the first taxable year for which the IRA owner made a contribution to a Roth IRA established for such IRA owner. A non-qualifying Roth IRA distribution is includible in gross income to the

extent that the amount of the distribution, when added to all other prior Roth IRA distributions that were not included in income, exceeds the IRA owner's contributions. If the Roth IRA owner is under age 59½, then the taxable portion of the non-qualifying distribution will be subject to an additional 10% early withdrawal penalty. An IRA owner will receive a Form 1099-R reporting the distribution.

The exchange of an IRA Note for Fractional Interests held outside of the IRA will be treated as an exchange of the Allowed Claim for the Fractional Interests. The owner of an IRA will realize gain or loss equal to the difference between the fair market value of the Fractional Interests and the adjusted basis of its Allowed Claim. Once held outside of the IRA, the tax consequences to the IRA Holder will be the same as to all other Continuing Holders.

D. TAX CONSEQUENCES TO THE POLICY FUND AND ASSIGNING HOLDERS (INCLUDING IRA HOLDERS)

1. Tax Classification of the Policy Fund

The Policy Fund is intended to qualify as a partnership for U.S. federal income tax purposes under Internal Revenue Code section 761 and will not make any elections to be treated as other than a partnership. A partnership is not a taxable entity and incurs no federal income tax liability. Since a partnership is not a taxable entity and incurs no federal income tax liability, each partner in the partnership will be required to take into account his or her allocable share of income, gain, loss and deductions of the partnership without regard to whether corresponding cash distributions are received. Consequently, a partner may be allocated income from the partnership although he or she has not received a cash distribution in respect of such income. The following discussion assumes that the Policy Fund will be respected as a partnership for U.S. federal income tax purposes.

2. Tax Treatment of Funding of the Policy Fund

Assigning Holders will contribute their Fractional Interests and/or Allowed Claims in exchange for limited partnership interests in the Policy Fund pursuant to the terms of the Plan. Vida Management VII, LLC will serve as general partner of the Policy Fund.

Assigning Holders will receive a Pro Rata beneficial limited partnership interest in the Policy Fund based on the fair market value of their Fractional Interests or Allowed Claims on the date of contribution to the Policy Fund. This amount will also be equal to their beginning capital account in the Policy Fund.

Internal Revenue Code section 721(a) states that the contribution of property to a partnership in exchange for a partnership interest is generally a nontaxable transaction to the contributing partner and to the partnership. Under Internal Revenue Code section 721(b), the general nonrecognition rule of section 721(a) does not apply to gains realized upon a contributed property to a partnership "investment company" where the contribution results in the diversification of the transferor's assets. Because all of the assets being contributed to the Policy Fund are considered to be securities, the Policy Fund will be an investment company.

If property is contributed that has a fair market value different than its adjusted basis, then it is considered to have a pre-contribution built-in gain or loss and is referred to as Internal Revenue Code section 704(c) property. At the time of contribution, any precontribution gain will be recognized by the contributing partner, but any precontribution loss will not be recognized by the contributing partner. This precontribution gain will result in phantom income to the contributing partner because he or she will not receive a cash distribution at the time of contribution. This precontribution built-in loss in the property will be allocated to the contributing partner at a later date when the property is disposed of, which in this context means the maturing of a life insurance policy.

When an Assigning Holder contributes its Fractional Interests or Allowed Claims to the Policy Fund in exchange for a limited partnership interest, such holder will have a basis in its partnership interest equal to the holder's adjusted basis in the Fractional Interests and/or Allowed Claims increased by the amount of any gain recognized as a result of the contribution. The Policy Fund's basis in the contributed property is equal to the contributing partner's adjusted basis in the property increased by any recognized gain by the contributing partner.

3. **The Policy Fund Tax Reporting**

The Policy Fund will file a Form 1065 each year with the IRS to report the income and loss of the partnership. However, because a partnership is a flow-through entity, the Policy Fund will not pay any tax except as set forth below. The Policy Fund will furnish to each partner a Schedule K-1 which sets forth his, her or its allocable share of the Policy Fund's income, gains, losses, deductions and credits, if any.

The federal income tax information returns filed by the Policy Fund may be audited by the IRS. The Internal Revenue Code contains partnership audit procedures that significantly simplify the manner in which IRS audit adjustments of partnership items are resolved. Adjustments (if any) resulting from such an audit may require each partner to file an amended tax return, and possibly may result in an audit of the partner's return. Any audit of a partner's return could result in adjustments of non-partnership as well as partnership items.

Under sections 6221 through 6233 of the Internal Revenue Code, partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss, deduction and credit is determined at the partnership level in a unified partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code provides for one partner to be designated as the "Tax Matters Partner" for these purposes. Vida Management VII, LLC will serve as the Tax Matters Partner for the Policy Fund.

The Tax Matters Partner is entitled to make certain elections on behalf of the partnership and partners and can extend the statute of limitations for assessment of tax deficiencies against a partner with respect to partnership items. In connection with adjustments to partnership tax returns proposed by the IRS, the Tax Matters Partner may bind any partner with less than a one percent profit interest in the partnership to a settlement with the IRS unless the partner elects, by filing a statement with the IRS, not to give such authority to the Tax

Matters Partner. The Tax Matters Partner may seek judicial review (to which all the partners are bound) of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, such review may be sought by any partner having at least a one percent profit interest in the partnership and by partners having, in the aggregate, at least a five percent profit interest. Only one judicial proceeding will go forward, however, and each partner with an interest in the outcome may participate.

The partners will generally be required to treat partnership items on their federal income tax returns in a manner consistent with the treatment of the items on the partnership information return. In general, that consistency requirement is waived if the partner files a statement with the IRS identifying the inconsistency. Failure to satisfy the consistency requirement, if not waived, will result in an adjustment to conform the treatment of the item by the partner to the treatment on the partnership return. Even if the consistency requirement is waived, adjustments to the partner's tax liability with respect to partnership items may result from an audit of the partnership's or the partner's tax return. Intentional or negligent disregard of the consistency requirement may subject a partner to substantial penalties.

Pursuant to the Bipartisan Budget Act of 2015, if the IRS makes audit adjustments to the Policy Fund's income tax returns for tax years beginning after 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from the Policy Fund. The Policy Fund will generally have the ability to shift any such tax liability to the general partner and the limited partners in accordance with their respective interests in the Policy Fund during the year(s) under audit, but there can be no assurance that the Policy Fund will be able to do so under all circumstances. If the Policy Fund is required to make payments of taxes, penalties and interest resulting from audit adjustments, the Policy Fund's cash available for distribution to the partners might be substantially reduced. Pursuant to this new legislation, Vida Management VII, LLC as general partner, will designate a person to act as the partnership representative who shall have the sole authority to act on behalf of the Policy Fund with respect to dealings with the IRS under these new audit procedures.

4. **Assigning Holder Tax Reporting**

In general, all items of the Policy Fund's income, gain, loss and deduction will be allocated among the partners in accordance with their respective partnership interests unless another method of allocation is required under the partnership agreement or the applicable Treasury Regulations under section 704 of the Internal Revenue Code. Allocations of income may result in phantom income to the partners as the Policy Fund may not make distributions to the partners at the same time as the allocations of income.

When benefits are paid on a life insurance policy, the value of the benefits less the partnership's basis in the property will be reported as a gain by the Policy Fund. This gain will be allocated to the partners based on their interests in the partnership. If the partners had a pre-contribution loss when they contributed the property to the Policy Fund, they will be the allocated the loss, if any, to offset other allocable gain.

Distributions by the Policy Fund to a partner generally will not be taxable to such partner for federal income tax purposes to the extent of that partner's tax basis in his or her

partnership interest immediately before the distribution. Cash distributions in excess of such basis generally will be considered to be gain from the sale or exchange of the partnership interest.

As discussed above, when a Fractional Interest holder or IRA Holder contributes its Fractional Interests or Allowed Claim to the Policy Fund in exchange for a limited partnership interest, the contributing partner will have a basis in its partnership interest equal to the contributing partner's adjusted basis in the Fractional Interests or Allowed Claim increased by the amount of gain recognized as a result of the contribution. The partnership's basis in the contributed property is equal to the contributing partner's adjusted basis in the property increased by any recognized gain by the contributing partner. A partner's tax basis will generally be increased by such partner's allocable (a) share of partnership income and (b) share of partnership liabilities that are without recourse to any partner ("nonrecourse liabilities"), if any. Generally, a partner's basis in its interest will be decreased (but not below zero) by such partner's allocable (i) share of partnership distributions, (ii) share of decreases in nonrecourse liabilities of the partnership, (iii) share of losses of the partnership, and (iv) share of nondeductible expenditures of the partnership that are not chargeable to capital.

Although it is not anticipated that the Policy Fund will produce significant tax deductions or losses, there are certain limitations that would apply with respect to any losses that might be incurred. The passive loss limitations contained in section 469 of the Internal Revenue Code generally provide that individuals, estates, trusts and certain closely held corporations and personal service corporations can only deduct losses from passive activities (generally, activities in which the taxpayer does not materially participate) to the extent of the taxpayer's income from other passive activities or investments. Passive losses that are not deductible in any year because of this limitation may be carried forward and deducted to the extent of the taxpayer's passive income in future years. In addition, such losses may be carried forward and deducted in full when the partner disposes of his or her entire investment in the Policy Fund to an unrelated party in a fully taxable transaction.

In addition to the foregoing limitations, a partner may not deduct from taxable income its share of partnership losses, if any, to the extent that such losses exceed the lesser of (i) the adjusted tax basis of a partner's partnership interest at the end of the partnership's taxable year in which the loss occurs and (ii) the amount for which the partner is considered "at risk" under section 465 of the Internal Revenue Code at the end of that year. In general, a partner will initially be "at risk" to the extent of the amount of the Allowed Claims contributed to the Policy Fund. A Partner's "at risk" amount increases or decreases as its adjusted basis in the partnership interest increases or decreases, except that nonrecourse liabilities (or increases or decreases in such liabilities) of the partnership generally do not affect the partner's "at risk" amount. Losses disallowed to a partner as a result of these rules can be carried forward and will be allowable to the partner to the extent that the partner's adjusted basis or "at risk" amount (whichever was the limiting factor) is increased in a subsequent year.

If a partnership interest is sold or otherwise disposed of, the determination of gain or loss from the sale or other disposition will be based on the difference between the amount realized and the tax basis for such partnership interest. Upon the sale of the partnership interest, a partner's "amount realized" will be measured by the sum of the cash or other property received

plus the portion of the partnership's nonrecourse liabilities allocated to the interest sold. To the extent that the amount of cash or property received plus the allocable share of the partnership's nonrecourse liabilities exceeds the partner's basis for the partnership interest disposed of, the partner will recognize gain. The tax liability resulting from such gain could exceed the amount of cash received upon the disposition of such partnership interest.

The General Partner of the Policy Fund will comply with all applicable governmental withholding requirements. Thus, in the case of any Policy Fund partner that is not a U.S. person, the General Partner of the Policy Fund may be required to withhold up to 30% of the income or proceeds allocable to such person, depending on the circumstances (including whether the type of income is subject to a lower treaty rate).

Notwithstanding anything herein to the contrary, IRAs are generally exempt from U.S. federal income taxation unless they have UBTI. Therefore, IRA Holders will not have taxable income except to the extent of UBTI. The income realized by the Policy Fund upon maturity of a Policy would not be characterized as UBTI as long as the Fractional Interests held by the Policy Fund were not acquired with, and premiums were not paid with, borrowed funds. However, the Policy Fund will be obligated to repay a portion of the Exit Loan, and may make additional borrowings from third parties to repay the Exit Loan or otherwise for use in the Policy Fund's operations. Such borrowings by the Policy Fund will give rise to debt-financed income and thus UBTI to IRA Holders, unless the debt is discharged more than 12 months before the Maturity Funds are received.

IRA Holders should also consider the application of the required minimum distribution rules discussed below in subsection G(2).

5. **ERISA**

It is anticipated that some of the limited partners in the Policy Fund will be Qualified Plan Holders. The provisions of section 4975 of the Internal Revenue Code describe certain transactions between a qualified retirement plan or an IRA and "disqualified person," as such term is defined in the Internal Revenue Code, involving the use of the plan assets of a qualified retirement plan or an IRA by such person, which are prohibited ("Code Prohibited Transactions"). Code Prohibited Transactions are required to be corrected and also result in the imposition of an excise tax payable by the disqualified person. In the case of an IRA, the occurrence of a Prohibited Transaction can also cause the IRA to lose its tax exempt status.

The provisions of section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), describe certain similar transactions between a qualified retirement plan and "party-in-interest," as such term is defined in ERISA, involving the use of plan assets of a qualified retirement plan by such person, which are prohibited ("ERISA Prohibited Transactions"). ERISA Prohibited Transactions are required to be corrected and may also result in liability for the fiduciaries of the qualified retirement plan.

Whether transactions entered into by the Policy Fund would be considered Code Prohibited Transactions or ERISA Prohibited Transactions depends on whether assets of the

Policy Fund are deemed to be "plan assets" for purposes of ERISA, as a result of Qualified Plan Holders holding beneficial interests in the Policy Fund.

Regulations (the "Plan Asset Regulations") promulgated under ERISA by the United States Department of Labor (the "DOL") generally provide that when a plan acquires an equity interest in an entity (including a beneficial interest in a trust) that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, the plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that equity participation in the entity by "benefit plan investors" is not "significant" or that the entity is an "operating company," in each case as defined in the Plan Asset Regulations.

The Plan Asset Regulations include rules related to significant participation by benefit plan investors. However, the Pension Protection Act of 2006 amended ERISA to modify the significant participation rules in the Plan Asset Regulations. Section 3(42) of ERISA provides that the assets of an entity will not be treated as plan assets if, immediately after the most recent acquisition of any equity interest in the entity, less than twenty-five percent (25%) of the total value of each class of equity interest (disregarding, for purposes of such determination, the value of any equity interests held by persons (other than benefit plan investors) and their affiliates who have discretionary authority or control with respect to the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets) is held by "benefit plan investors." For this purpose, "benefit plan investors" include qualified employee pension, profit sharing and annuity plans, Keogh plans, individual retirement accounts and annuities, and certain health and education savings accounts and entities whose underlying assets include plan assets by reason of a plan's investment in the entity, but generally exclude governmental plans, certain church plans, plans maintained to comply with workers compensation, unemployment compensation or disability insurance laws, plans maintained outside the United States for nonresident aliens, excess benefit plans and top-hat plans. An entity will be considered to hold plan assets only to the extent of the percentage of the equity interest held by benefit plan investors.

If the assets of the Policy Fund are deemed to be "plan assets" as a result of Qualified Plan Holders holding partnership interests in the Policy Fund, Section 4975 of the Code and Section 406 of ERISA would generally extend to the Policy Fund. Such treatment may have an adverse effect on the operations of the Policy Fund and such Qualified Plan Holders. However, the General Partner of the Policy Fund may use reasonable efforts to avoid the occurrence of a Code Prohibited Transaction or an ERISA Prohibited Transaction, including requesting a prohibited transaction exemption from the DOL.

In addition, if the assets of the Policy Fund are deemed to be "plan assets" as described above, the participation by Qualified Plan Holders in the Policy Fund will result in the application of certain fiduciary provisions under ERISA to the Policy Fund and to the conduct of its General Partner. Such treatment may have an adverse effect on the operations of the Policy Fund.

Further, if the assets of the Policy Fund are deemed to be "plan assets" as described above, the Plan Asset Regulations provide that the assets of such Qualified Plan

Holders and IRA Holders, include both a limited partnership interest in the Policy Fund and an undivided interest in each of the underlying assets of the Policy Fund for purposes of determining Code Prohibited Transactions and ERISA Prohibited Transactions. As the Policy Fund will hold Fractional Interests, it is possible that the IRS may view Assigning Holders who were formally IRA Holders as holding an impermissible investment in life insurance contracts by virtue of their ownership of limited partnership interests in the Policy Fund.

A FIDUCIARY OF AN IRA HOLDER SHOULD CONSULT ITS LEGAL ADVISOR CONCERNING THE ERISA AND OTHER LEGAL CONSIDERATIONS DISCUSSED ABOVE BEFORE MAKING A CONTINUING HOLDER ELECTION. A FIDUCIARY OF A QUALIFIED PLAN HOLDER SHOULD CONSULT ITS LEGAL ADVISOR CONCERNING THE ERISA AND OTHER LEGAL CONSIDERATIONS DISCUSSED ABOVE BEFORE MAKING A CONTINUING HOLDER ELECTION.

E. TAX CONSEQUENCES TO THE LITIGATION TRUST AND ITS BENEFICIARIES

1. Tax Classification of the Litigation Trust

The Litigation Trust created pursuant to the Plan is intended to qualify as a liquidating trust for U.S. federal income tax purposes under Treasury Regulations Section 301.7701-4(d). In general, a liquidating trust is not a separate taxable entity, but rather is treated for U.S. federal income tax purposes as a grantor trust (*i.e.*, all income and loss is taxed directly to the liquidating trust beneficiaries). However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for U.S. federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining a ruling as to the grantor trust status of a liquidating trust under a Chapter 11 plan. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties will be required to treat, for U.S. federal income tax purposes, the Litigation Trust as a grantor trust. The Litigation Trust beneficiaries are the owners and grantors of the Litigation Trust and its assets. The following discussion assumes that the Litigation Trust will be respected as a grantor trust for U.S. federal income tax purposes.

The Litigation Trust does not intend to request a ruling from the IRS concerning its tax status as a grantor trust. In the absence of a ruling, there can be no assurances that the IRS would not take a contrary position either from the inception of the Litigation Trust or at any time prior to the termination of the Litigation Trust when it might determine that the Litigation Trust no longer qualifies as a liquidating trust for U.S. federal income tax purposes. Most significantly, the Litigation Trust's status as a liquidating trust might be jeopardized after it has initially satisfied the requirements of a liquidating trust if any of the following were to occur prior to its termination: (i) the liquidation purpose of the Litigation Trust becomes so obscured by business activities that the declared purpose of liquidation can be said to be lost or abandoned; (ii) the term of the Litigation Trust is unreasonably prolonged; or (iii) all of the Litigation Trust's net income and net proceeds from the sale of its assets are not distributed at least annually to its beneficiaries, subject to an exception for amounts retained that are reasonably necessary to maintain the value of the trust's assets or to meet claims and contingent claims (including disputed claims). If the IRS were to successfully challenge the classification of the Litigation

Trust, the U.S. federal income tax consequences to the Litigation Trust, the Litigation Trust beneficiaries, and the Debtors could vary from those discussed herein (including the potential for an entity-level tax on income of the Litigation Trust). If, contrary to the parties' intent, the Litigation Trust were determined to be a business entity for federal tax purposes, it would be taxable as a partnership unless it was considered a "publicly traded partnership" taxable as a corporation. As a result, the U.S. federal income tax consequences to the Litigation Trust and the Litigation Trust beneficiaries could vary from those discussed herein.

2. **Tax Treatment of Funding of the Litigation Trust**

The Litigation Trust Assets will be contributed to the Litigation Trust for the benefit of the Litigation Trust beneficiaries, and such beneficiaries will receive Litigation Trust interests in exchange for their Allowed Claims. For all federal income tax purposes, all Persons must treat the transfer and assignment to the Litigation Trust of the Litigation Trust Assets as (a) a transfer of the Litigation Trust Assets directly to the Litigation Trust beneficiaries in satisfaction of their Allowed Claims and (b) the transfer of the Litigation Trust Assets by the Litigation Trust beneficiaries to the Litigation Trust in exchange for Litigation Trust interests. Accordingly, the Litigation Trust beneficiaries will be the owners and grantors of their portion of the Litigation Trust Assets they are deemed to contribute to the Litigation Trust. The deemed transfer of the Litigation Trust Assets directly to the Litigation Trust beneficiaries in satisfaction of their Allowed Claims will be a taxable exchange. The Litigation Trust beneficiaries will have a gain or loss equal to the fair market value of their interest in the Litigation Trust Assets less the adjusted basis of their Allowed Claim. The Litigation Trust Assets will be valued based on the Allowed Claim amounts. Therefore, the Litigation Trust beneficiaries should have no gain or loss upon the funding of the Litigation Trust. All parties to the Litigation Trust must consistently use such valuation for all U.S. federal income tax purposes

3. **The Litigation Trust Tax Reporting**

The Litigation Trustee will file federal income tax returns for the Litigation Trust as a grantor trust pursuant to Internal Revenue Code section 671 and Treasury Regulations Section 1.671-4(a) promulgated thereunder. Although the Litigation Trust will not pay tax, the Litigation Trustee will file a blank IRS Form 1041, "U.S. Income Tax Return for Estates and Trusts," annually on a calendar year basis and attach a separate statement to that form, and issue such statement to each beneficiary of the Litigation Trust (or the appropriate middleman), separately stating each Litigation Trust beneficiary's Pro Rata portion of the Litigation Trust's items of income, gain, loss, deduction, and credit. The Litigation Trustee will instruct the Litigation Trust beneficiaries to use the information provided to them in the annual statements in preparing their U.S. federal income tax returns.

4. **The Litigation Trust Beneficiaries**

The Litigation Trust Beneficiaries will consist of Former Holders, the SEC and holders of Allowed General Unsecured Claims. The Litigation Trust Beneficiaries will be treated as the grantors and owners of their Pro Rata portion of the Litigation Trust Assets for federal income tax purposes. The Litigation Trust Beneficiaries (or the appropriate middleman) will receive from the Litigation Trustee annually on a calendar year basis a statement separately

stating such beneficiary's Pro Rata portion of the Litigation Trust's items of income, gain, loss, deduction, and credit. If the grantor statement is issued to an IRA custodian or other middleman, such person is required to issue the grantor statement to the beneficiary. Each beneficiary of the Litigation Trust will be required to include its Pro Rata portion of the Litigation Trust's items of income, gain, loss, deduction, and credit in computing its taxable income and pay any tax due. The Litigation Trust Beneficiaries must treat on their return any reported item in a manner that is consistent with the treatment of the item on the Litigation Trust's return and attached statements. A Litigation Trust Beneficiary must notify the IRS of any inconsistent treatment.

Taxable income or loss allocated to a Litigation Trust Beneficiary will be treated as income or loss with respect to the beneficiary's undivided interest in the Litigation Trust Assets. The character of any income and the character and ability to use any loss will depend on the particular situation of the Litigation Trust Beneficiary. All of the income of the Litigation Trust will be treated as subject to tax on a current basis. The U.S. federal income tax obligations of a Litigation Trust Beneficiary are not dependent on the Litigation Trust distributing any cash or other proceeds. Thus, a beneficiary may incur a U.S. federal income tax liability with respect to its allocable share of Litigation Trust income even if the Litigation Trust does not make a concurrent distribution to the beneficiary. Because the beneficiary is already regarded for U.S. federal income tax purposes as owning the underlying assets (and was taxed as appropriate at the time the cash was earned or received by the Litigation Trust), a distribution of cash or other assets by the Litigation Trust will not, of itself, constitute taxable income to a Litigation Trust Beneficiary.

Moreover, upon the sale or other disposition (or deemed disposition) of any Litigation Trust Asset, each Litigation Trust Beneficiary must report on its U.S. federal income tax return its share of any gain or loss measured by the difference between (1) its share of the amount of cash and/or the fair market value of any property received by the Litigation Trust in exchange for the Litigation Trust Asset so sold or otherwise disposed of and (2) such beneficiary's adjusted tax basis in its pro rata share of such Litigation Trust Asset. The character of any such gain or loss to the Litigation Trust Beneficiary will be determined as if such holder itself had directly sold or otherwise disposed of the Litigation Trust Asset. The character of items of income, gain, loss, deduction and credit to any Litigation Trust Beneficiary, and the ability of the Litigation Trust Beneficiary to benefit from any deductions or losses, depends on the particular circumstances or status of the Litigation Trust Beneficiary. Here, the Litigation Trust Assets mostly consist of litigation claims and causes of action. As the Litigation Trust recovers amounts on the litigation claims and causes of action, income will be realized equal to the difference between the amount of the recoveries and the basis of the litigation claims and causes of action and will be attributed to the Litigation Trust Beneficiaries as just described.

The Litigation Trustee will comply with all applicable governmental withholding requirements. Thus, in the case of any Litigation Trust Beneficiaries that are not U.S. persons, the Litigation Trustee may be required to withhold up to 30% of the income or proceeds allocable to such persons, depending on the circumstances (including whether the type of income is subject to a lower treaty rate).

5. **ERISA**

It is anticipated that some of the Litigation Trust beneficiaries will be IRA Holders. The provisions of Section 4975 of the Internal Revenue Code describe certain transactions between an IRA and "disqualified person," as such term is defined in the Internal Revenue Code, involving the use of the plan assets of an IRA by such person, which are prohibited ("Code Prohibited Transactions"). Code Prohibited Transactions are required to be corrected and also result in the imposition of an excise tax payable by the disqualified person. In the case of an IRA, the occurrence of a Code Prohibited Transaction can also cause the IRA to lose its tax-exempt status.

Whether transactions entered into by the Litigation Trust would be considered Code Prohibited Transactions depends on whether assets of the Litigation Trust are deemed to be "plan assets" for purposes of ERISA, as a result of IRAs holding beneficial interests in the Litigation Trust.

"The Plan Asset Regulations" generally provide that when a plan acquires an equity interest in an entity (including a beneficial interest in a trust) that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, the plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that equity participation in the entity by "benefit plan investors" is not "significant" or that the entity is an "operating company," in each case as defined in the Plan Asset Regulations. Beneficial interests in the Litigation Trust will be neither publicly-offered securities nor securities issued by an investment company registered under the Investment Company Act of 1940, and the Litigation Trust will not be an operating company.

The Plan Asset Regulations include rules related to significant participation by benefit plan investors. However, the Pension Protection Act of 2006 amended ERISA to modify the significant participation rules in the Plan Asset Regulations. Section 3(42) of ERISA provides that the assets of an entity will not be treated as plan assets if, immediately after the most recent acquisition of any equity interest in the entity, less than twenty-five percent (25%) of the total value of each class of equity interest (disregarding, for purposes of such determination, the value of any equity interests held by persons (other than benefit plan investors) and their affiliates who have discretionary authority or control with respect to the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets) is held by "benefit plan investors." For this purpose, "benefit plan investors" include qualified employee pension, profit sharing and annuity plans, Keogh plans, individual retirement accounts and annuities, and certain health and education savings accounts and entities whose underlying assets include plan assets by reason of a plan's investment in the entity, but generally exclude governmental plans, certain church plans, plans maintained to comply with workers compensation, unemployment compensation or disability insurance laws, plans maintained outside the United States for nonresident aliens, excess benefit plans and top-hat plans. An entity will be considered to hold plan assets only to the extent of the percentage of the equity interest held by benefit plan investors.

If the assets of the Litigation Trust are deemed to be "plan assets" as a result of IRAs holding beneficial interests in the Litigation Trust, Section 4975 of the Code would generally extend to the Litigation Trust and to the conduct of its Trustee. Such treatment may have an adverse effect on the operations of the Litigation Trust and such IRA Holders. However, the Trustee of the Litigation Trust may use reasonable efforts to avoid the occurrence of a Code Prohibited Transaction, including requesting a prohibited transaction exemption from the DOL.

In addition, if the assets of the Litigation Trust are deemed to be "plan assets" as described above, the participation by Qualified Plan Holders in the Litigation Trust would result in the application of certain fiduciary and prohibited transaction provisions under ERISA to the Litigation Trust and to the conduct of its Trustee. Accordingly, in order to avoid the application of the fiduciary rules and prohibited transaction under ERISA, Qualified Plan Holders are not allowed to participate in the Litigation Trust.

A FIDUCIARY OF AN IRA SHOULD CONSULT ITS LEGAL ADVISOR CONCERNING THE ERISA AND OTHER LEGAL CONSIDERATIONS DISCUSSED ABOVE BEFORE MAKING A FORMER HOLDER ELECTION.

F. INFORMATION REPORTING AND WITHHOLDING

The Debtors, the Reorganized Debtors, Vida, the Policy Fund and the Litigation Trust will comply with all applicable reporting requirements of the Internal Revenue Code and will withhold all amounts required by law to be withheld from payments made pursuant to the Plan. In general, information reporting requirements may apply to distributions or payments made to a holder of a Claim. Additionally, backup withholding, currently at a rate of 28%, generally will apply to such payments unless a U.S. holder provides a properly executed IRS Form W-9 or otherwise establishes an exemption. Any amounts withheld under the backup withholding rules will be allowed as a credit against such U.S. holder's federal income tax liability and may entitle such U.S. holder to a refund from the IRS, provided that the required information is timely provided to the IRS. Withholding at a rate of 30% under the Foreign Account Tax Compliance Act ("FATCA") may be imposed on a payment of U.S.-sourced income to a non-U.S. person unless the person provides proper documentation regarding its U.S. ownership.

A payment of death benefits under a life insurance contract is subject to 10% withholding, unless it is reasonable to believe that the payment is not includable in the gross income of the payee. However, a payee may elect out of withholding and instead provide for the payment of the tax due on the taxable portion of the death benefits paid through estimated tax payments, increased wage withholding, or otherwise. Payors are required to give notice to payees of their right to elect out of withholding. Penalties may be incurred under the estimated tax payment rules if the payments of estimated tax are not adequate and sufficient tax is not withheld.

Vida expects an intermediary to be named as the designated beneficiary for all of the Policies and for no Continuing Holder to be named as a beneficiary of any particular Policy. Vida will direct the intermediary, as the initial payee of death benefits from the insurance company, to elect out of withholding. Vida will pay the death benefits to the Continuing Holders

and the Policy Fund and will comply with all withholding tax requirements. The Policy Fund should not be treated as a payor of designated distributions subject to withholding.

Continuing Holders who do not provide a correct taxpayer identification number may not elect out of withholding. In addition, Continuing Holders who are located outside of the U.S. generally may not elect out of withholding. Continuing Holders who do not elect out of withholding will be subject to 10% withholding on the payment of death benefits from Vida, so long as they receive more than $200 in aggregate payments during a taxable year, except that non-U.S. Continuing Holders generally will be subject to 30% withholding.

G. OTHER TAX CONSEQUENCES

The tax consequences of certain other transactions contemplated by the Plan that may assist Continuing Holder's determine how to vote on the Plan are as follows:

1. Theft, and Other Loss Deductions

Section 165 of the Internal Revenue Code allows a deduction for any loss sustained during the taxable year and not compensated for by insurance or otherwise. An Election by a Fractional Interest Holder will not impact whether such holder may claim a theft loss deduction, although it may impact the timing and amount of such deduction. However, if a Fractional Interest holder makes an election and does not abandon its Fractional Interest and any rights to distributions under the Plan, such holder will not be allowed an abandonment or worthlessness deduction. The Fractional Interest holder may only be allowed an abandonment or worthless deduction if he or she opts to become a Former Holder.

(a) *Theft Loss*

A current Fractional Interest holder may deduct a theft loss if it can prove that the loss resulted from a taking of property that was illegal under the law of the State of Texas and was done with criminal intent; a conviction is not required. The loss would be deductible in the year the theft was discovered in an amount equal to the lesser of the fair market value of the Fractional Interest and its adjusted basis. However, if in the discovery year, there exists a claim for reimbursement with respect to which there is a reasonable prospect of recovery, the portion of the loss with respect to which reimbursement may be received may not be deducted until the taxable year in which it can be ascertained with reasonable certainty whether or not such reimbursement will be received.

(b) *Abandonment or Worthlessness Loss*

Some investors may be entitled to claim an abandonment loss or worthlessness loss under Section 165 of the Internal Revenue Code. The amount of the deduction would be limited to the investor's adjusted basis in its Fractional Interests and should be ordinary in nature. Property is not worthless if there is a reasonable hope and expectation that it will become valuable in the future – even if such property has no current liquidating value. The IRS has taken the position

that the pursuit of repayment through legal action is a subjective indication that property is not worthless.

An investor who fails to pay all of the Catch-Up Amount by the deadline is deemed to have abandoned its Fractional Interests and will not be entitled to a distribution on account of such Fractional Interests and may be allowed an ordinary loss equal to the adjusted basis of its Fractional Interests.

2. **Required Minimum Distributions**

An interest in the Policy Fund may be illiquid and therefore cause an IRA Holder not to comply with the required minimum distribution rules. Both a Qualified Plan Holder and an IRA Holder are subject to the required minimum distribution rules under Section 401(a)(9) of the Internal Revenue Code. These rules generally require that a minimum amount be withdrawn from a retirement plan annually beginning with the year in which the account holder reaches age 70½ or, if later, the year in which the account holder retires. Special rules may apply to a beneficiary when the account holder dies. Failure to receive a required minimum distribution causes an excise tax on the payee equal to 50% of the shortfall between the actual amount distributed and the required minimum distribution. Traditional IRAs are subject to the required minimum distribution rules, with some modifications. However, Roth IRAs are not subject to the required minimum distribution rules prior to the death of the IRA owner. Qualified Plan Holders and IRA Holders are strongly urged to consult with their own tax advisors regarding the application of the required minimum distribution rules.

Subject to any restrictions or fees imposed by the custodian for an IRA account in the name of IRA Holder, the New Management and Servicing Contract will permit partial in-kind distributions to assist IRA Holders in satisfying the required minimum distribution rules under Section 401(a)(9) of the Internal Revenue Code, provided that all required documentation and applicable transfer fees payable (if any) are submitted in a timely manner. In such event, the IRA Holders could be distributed a portion of the Policy Fund held in their IRAs. Upon such distribution, the IRA owner would recognize income equal to the fair market value of the property distributed, and would receive a Form 1099-R reporting the distribution. While the IRA owners would receive a partial in-kind distribution to satisfy the required minimum distribution rules, they may not receive sufficient, if any, cash to pay the taxes due on the distribution.

3. **Tax Rates and the Net Investment Income Tax**

The IRS takes the position that the receipt of death benefits on a purchased life insurance contract results in ordinary income equal to the death benefits received less the amount invested in the life insurance contract. Ordinary income rates currently range from 15% to 39.6%. UBTI is taxed at corporate income tax rates, which currently range from 15% to 35%.

An additional net investment income tax is imposed on all individuals except nonresident aliens and certain trusts and estates, including IRAs. The tax equals 3.8% of the lesser of (i) a taxpayer's net investment income for the year, and (ii) the excess of an individual's modified adjusted gross income for the year over the threshold amount. Thus, the tax is only imposed if an individual's adjusted gross income for the year exceeds the threshold amount,

which is $250,000 for married taxpayers filing jointly or a surviving spouse, $125,000 for married taxpayers filing separately, and $200,000 in all other cases.

For purposes of this tax, net investment income includes net gain attributable to the disposition of property. The IRS does not consider the receipt of death benefits on an insurance contract purchased for value to result from the disposition of property. Therefore, the death benefits paid as a result of the maturity of a Policy and distributed to Continuing Holders and Assigning Holders (including IRA Holders) (in the form of distributions from the Policy Fund) should not be net investment income subject to this additional 3.8% tax.

Holders of Allowed Claims who, pursuant to the compromise in the Plan, exchange, or are deemed to exchange, their Allowed Claims or Fractional Interests for a distribution as set forth in the Plan, will have a gain or loss that is attributable to the disposition of property. For example, Continuing Holders, Assigning Holders, and Former Holders will be deemed to exchange their Allowed Claims for a Fractional Interest, Policy Fund interest, and a Litigation Trust interest, respectively. This exchange will likely be a disposition of property for purposes of the net investment income tax. To the extent this exchange results in a gain to the holder of the Allowed Claim, that gain would be net investment income subject to the additional 3.8% tax. However, if the exchange results in a loss to the holder of the Allowed Claim, there would be no net investment income subject to this tax.

H. IMPORTANCE OF OBTAINING PROFESSIONAL TAX ADVICE

The foregoing is *merely* a summary of certain potential United States federal income tax consequences of the Plan, and is not a substitute for careful tax planning with a tax professional. Holders of Claims are ***strongly urged*** to consult with their own tax advisors regarding the federal, state, local and foreign income and other tax consequences of the Plan.

THE FOREGOING DISCUSSION OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY TO ASSIST HOLDERS OF CLAIMS IN DETERMINING HOW TO VOTE ON THE PLAN. IT SHOULD NOT BE CONSIDERED TAX ADVICE AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, NON-US. INCOME, ESTATE, GIFT, AND OTHER TAX CONSEQUENCES OF THE PLAN.

IX. SECURITIES LAW COMPLIANCE AND PRIVATE SALES

A. ISSUANCE AND RESALE OF THE POLICY FUND LIMITED PARTNERSHIP INTERESTS AND LITIGATION TRUST INTERESTS

1. Issuance of the New Interests

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state securities laws if three principal requirements are satisfied: (a) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, an affiliate participating in a joint plan with the debtor or a successor to the debtor under the plan; (b) the recipients of the securities must hold a claim against, interest in, or an administrative expense claim in the case concerning the debtor or such affiliate; and (c) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor or such affiliate, or principally in such exchange and partly for cash or property.

As described in this Disclosure Statement, the Policy Fund and the Litigation Trust will be successors to the Debtors under the Plan. The Policy Fund limited partnership interests and Litigation Trust beneficial interests (collectively, the "New Interests") will be issued to current Claim holders entirely in exchange for their Allowed Claims. Therefore, the "offer and sale" of the New Interests, to the extent they involve the issuance of "securities" for purposes of the Securities Act, all will be exempt from the registration requirements of (i) the Securities Act and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer or sale of securities, pursuant to section 1145(a)(1) of the Bankruptcy Code.

The residual beneficial interest in the Litigation Trust will be issued to the Policy Fund pursuant to an exemption from registration set forth in section 4(a)(2) under the Securities Act, which exempts issuances by an issuer not involving a public offering.

Subject to approval by the Bankruptcy Court, the Confirmation Order will provide that the issuance of New Interests (other than the residual beneficial interest in the Litigation Trust to be issued to the Policy Fund), to the extent they involve the issuance of "securities" for purposes of the Securities Act, are entitled to the exemption from registration under (i) the Securities Act and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer or sale of securities, provided under Section 1145(a)(1) of the Bankruptcy Code, as securities issued pursuant to the Plan by a successor of the Debtors entirely in exchange for Claims against the Debtors.

In addition, again subject to approval by the Bankruptcy Court, the Confirmation Order will provide that the terms of the Plan vesting the ownership of Fractional Interests in Continuing Holders, to the extent Fractional Interests are "securities" for purposes of the Securities Act, shall be deemed an issuance of securities pursuant to the Plan that satisfies the exemption from registration under the (i) Securities Act and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer or sale of securities, provided under

Section 1145 of the Bankruptcy Code, as securities issued by a successor of the Debtors in exchange for Claims against the Debtors.

2. **Resale of New Interests and Fractional Interests**

(1) *Application of Federal Securities Law*

Non-Affiliates

Securities issued pursuant to section 1145(a) are deemed to have been issued in a public offering pursuant to section 1145(c) of the Bankruptcy Code. As a result, the exemption from registration contained in section 1145(a) of the Bankruptcy Code, resales of such securities issued under the Plan will be exempt from registration under the Securities Act pursuant to section 4(a)(1) of the Securities Act, unless the holder thereof is deemed to be an "issuer," an "underwriter" or a "dealer" with respect to such securities. For these purposes, an "issuer" includes any "affiliate" of the issuer. Whether or not any particular person would be deemed to be an "affiliate" of the Debtors' successors or an "underwriter" or a "dealer" with respect to any securities issued under the Plan will depend upon various facts and circumstances applicable to that person. Any person intending to re-sell New Interests is urged to consult such person's own legal counsel as to such person's status as an "issuer," an "affiliate," an "underwriter" or a "dealer" and whether the offer and sale of the same are subject to the registration requirements under the Securities Act or other applicable law.

Affiliates

Affiliates of the Debtors' successors (including persons controlling the successors) may be deemed to be underwriters of the New Interests and Fractional Interests for purposes of the Securities Act. Accordingly, the offer and sale of the New Interests by such affiliates must be made pursuant to a valid exemption from registration under the Securities Act. Rule 144 promulgated under the Securities Act provides a safe-harbor from the registration provisions of the Securities Act for the resale of securities held by affiliates of an issuer, if all applicable conditions to Rule 144 are met. Among other things, Rule 144 requires that an affiliate limit its sales within the preceding 90 days to the greater of 1% of the number of outstanding securities in question or the average weekly trading volume, if any, in the securities in question during the four calendar weeks preceding the date of any sale. Rule 144 also requires that an affiliate satisfy certain other conditions related to manner of sale, notice requirements and the availability of current public information regarding the issuer of the securities.

Vida is not providing any opinion as to any exemption or safe harbors from registration under the Securities Act upon which any person may rely. Any person intending to rely on an exemption or safe harbor from registration under the Securities Act and other applicable law is urged to consult their own legal counsel as to the applicability thereof to any particular circumstances.

(2) *Application of State Securities Law*

The securities issued under the Plan pursuant to section 1145(a) of the Bankruptcy Code may be resold without registration under state securities laws pursuant to an exemption provided by applicable law. However, the availability of any state exemption depends on the securities laws of the jurisdiction in which the offer and sale take place. Holders of New Interests and Fractional Interests should consult with their own legal advisors regarding the availability of these exemptions in their particular circumstances.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER AND OTHER ISSUES ARISING UNDER APPLICABLE SECURITIES LAWS, VIDA MAKES NO REPRESENTATIONS OR WARRANTIES CONCERNING THE RIGHT OF ANY PERSON TO TRANSFER THEIR NEW INTERESTS OR FRACTIONAL INTERESTS, AND RECOMMENDS THAT ALL SUCH HOLDERS CONSULT THEIR OWN LEGAL COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

B. EXCHANGE ACT CONSIDERATIONS

Section 12(g)(1) of the Exchange Act provides that within 120 days after an issuer's first fiscal year end on which such issuer has (a) total assets exceeding $10 million and (b) a class of equity securities held of record by either (i) 2,000 persons or (ii) 500 persons who are not accredited investors, such issuer must register such equity securities with the SEC. The Chapter 11 Trustee has taken the position that LPI is the issuer of the Fractional Interests. Vida therefore contends that, as a successor to the Debtors, Reorganized LPI may also be deemed the "issuer" of the Fractional Interests to be held by Continuing Holders for federal securities law purposes. Vida expects that the Policy Fund and the Litigation Trust each will have their respective interests held by more than 2,000 persons and likely will hold total assets exceeding $10 million.[9] In addition, Vida assumes there will be more than 2,000 Continuing Holders, with value well in excess of $10 million. Accordingly, Reorganized LPI and the Policy Fund will register their respective limited partnership interests and the Fractional Interests pursuant to the Exchange Act, unless Vida or the Policy Fund receives written relief from the staff of the Division of Corporation Finance (the "Staff") of the SEC not to register them (or any subset of them). After the Effective Date, and following completion of Exchange Act registration, the Policy Fund will comply with the reporting requirements of the Exchange Act, including, without limitation, filing current reports on Form 8-K, quarterly reports on Form 10-Q and annual reports on Form 10-K.

Unless the Litigation Trust fails to receive relief from the Staff of the SEC that it will not recommend any enforcement action to the SEC in connection with the Litigation Trust not registering its Trust interests under the Exchange Act, the Litigation Trust will not register its trust interests under the Exchange Act. As a liquidating trust the beneficial interests in which are not freely transferable, Vida believes that the Litigation Trust satisfies the requirements of

[9] Vida is not making any representations as to what the value of the Causes of Action is or will be, but the Trustee believes their value is in excess of $10 million.

existing SEC interpretive guidance not to register Litigation Trust interests under the Exchange Act.[10]

Registrants in bankruptcy are not relieved of their reporting obligations under the Exchange Act. However, the Staff of the SEC may grant no-action relief to a registrant that is subject to the jurisdiction of a bankruptcy court for the purpose of modifying the reporting requirements to which such registrant is subject, depending on the circumstances of such registrant. Given that Vida will be preparing detailed informational reports relating to the Policies and the outstanding Fractional Interests held by Continuing Holders, as well as the results of the Policy Fund's activities, in order to satisfy the requirements of the Exchange Account, Vida intends to seek no-action relief from the Staff of the SEC in order to modify and limit the reporting obligations applicable to the Policy Fund, and its limited partnership interests under the Exchange Act. There can be no assurance that Vida will obtain any such no-action relief, nor can there be any assurance as to what extent such no-action relief may modify or limit any registration or reporting obligations.

Absent no-action relief from the Staff of the SEC, the Policy Fund will be subject to the full registration requirements of the Exchange Act as to its securities and become obligated to file periodic and other reports (*i.e.*, quarterly reports, annual reports and current reports) with the SEC, as discussed above.

C. INVESTMENT COMPANY ACT CONSIDERATIONS

The Investment Company Act requires registration of any entity primarily engaged in the business of investing, reinvesting, owning, holding or trading in securities or an entity that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities with a value exceeding 40% of the value of its total assets (exclusive of Government securities and cash items) on an unconsolidated basis, unless an exemption or exception from registration applies. Pursuant to section 7(b) of the Investment Company Act and no-action guidance from the staff of the Division of Investment Management (the "Investment Management Staff") of the SEC, liquidating vehicles engaging in transactions that are merely incidental to such entity's dissolution do not have to register under the Investment Company Act.

The Litigation Trust will not hold securities and, therefore, will not be subject to the Investment Company Act. In analyzing whether the Policy Fund could be subject to the Investment Company Act, the fact that it is being created for the purpose of liquidating and distributing the assets of the Debtors' bankruptcy estate should be persuasive. Further, the Policy Fund will have a term restricted to the minimum timeframe necessary to liquidate the assets, which, given that the assets of the Policy Fund will consist entirely or almost entirely of Policy-related assets, is until all of the Policies mature. Holding the Policies until maturity is how long it will take to liquidate the assets without incurring a significant reduction in the total gross amount, and net present value, of the liquidation proceeds that are realizable from the assets.

[10] See Exchange Act Release No. 9660 (June 30, 1972); (Release 34-9660), Staff Legal Bulletin No. 2. (April 15, 1997); and REMIC Trust, SEC Staff No-Action Letter (March 28, 20111).

(Coincidentally, until final maturity is how long the investors signed up to hold their investments.) Although, under existing interpretive advice from the Investment Management Staff of the SEC, liquidating vehicles have definite term of three to five years, subject to extensions. However, Vida is optimistic that the Policy Fund will be treated as a liquidating vehicle exempt under section 7(b) of the Investment Company Act from that Act's registration requirements. Vida intends to seek relief from the SEC or its Investment Management Staff to confirm that the Policy Fund will not be required to register under the Investment Company Act.

In granting relief from registration requirements in the past where the certificates representing an issuer's securities will be freely transferrable, the Investment Management Staff of the SEC has imposed various conditions on the issuer and the securities. In order to satisfy these conditions, none of the Policy Fund limited partnership interests or Fractional Interests will be listed on any securities exchange. Further, the Policy Fund will not engage the services of a market maker or otherwise facilitate the development of an active trading market for, or promote sales of, its limited partnership interests, or any Fractional Interests, as the case may be, or collect or publish information regarding the prices at which any of those securities are traded.

Assuming that the Policy Fund is deemed to be a liquidating vehicle incidental to the dissolution of the Debtors based on all of the foregoing, the Policy Fund will not be subject to the registration requirements of the Investment Company Act. However, if the Policy Fund is not deemed to be a liquidating vehicle incidental to the dissolution of the Debtors, then it may be required to register under the Investment Company Act, which imposes not-insignificant legal and operational restrictions on investment companies.

Failure to register as an investment company, if required, could subject the Policy Fund to significant adverse regulatory or other penalties and collateral consequences. Accordingly, if necessary to comply with the requirements for registered investment companies under the Investment Company Act or otherwise obtain relief by the SEC, the organizational form of the Policy Fund may be changed, and if so, Vida will do so in a way to preserve the economic benefits of ownership of Policy Fund limited partnership interests to the maximum extent possible.

D. PRIVATE SALES OF FRACTIONAL INTERESTS

After the Effective Date, sales of Fractional Interests may only be made in compliance with all applicable federal and state securities laws and FINRA regulations. The holder of the Fractional Interests to be sold must provide Vida with a request to record the change of ownership and an opinion of counsel satisfactory to Vida that such sale may be made pursuant to an exemption under all applicable securities laws; *provided, however*, that Vida shall not be under any obligation, and no Continuing Holder shall have any right to require Vida, to file any registration statement pursuant to the Securities Act or any other federal or state securities law to facilitate any sale.

With regard to any private sales of Fractional Interests after the Effective Date, neither the Policy Fund nor Vida will act as a broker-dealer or facilitate the sale in any way, and will not charge any commission, in connection with any transaction. Vida will either register the change of ownership as the transfer agent for Fractional Interests or will engage a third-party transfer

agent(s) to do so. Vida or the transfer agent will confirm the sale within ten (10) business days or such time as required by applicable law, provided the above prerequisites are met and the transfer request is accompanied by payment of reasonable transfer fees.

X. CERTAIN RISK FACTORS

A. CERTAIN BANKRUPTCY RISKS AND CONSIDERATIONS

Although Vida believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, Vida cannot give any assurance that the Bankruptcy Court will reach the same conclusion and indeed confirm the Plan. Moreover, Vida cannot give any assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes. Although Vida believes that the Effective Date will occur soon after the Confirmation Date, Vida cannot give any assurance as to exact timing. In the event the conditions precedent to confirmation of the Plan have not been satisfied or waived as of the Effective Date, then the Confirmation Order could be vacated, no distributions under the Plan would be made, and the Debtors and all holders of Claims and Equity Interests will be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred.

In the event the Plan is not confirmed or these Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code, the Debtors will likely incur substantial expenses as the bankruptcy proceedings would be prolonged, most likely negatively affecting recoveries for holders of Claims and Equity Interests.

B. RISKS RELATED TO LIFE SETTLEMENTS POLICIES AND FRACTIONAL INTERESTS

There exist numerous risks inherent in the ownership of life insurance policies, in general, and "fractional interests" in policies. These risks include:

(a) The deferral of maturity caused by increased lives of insureds and the concomitant risk of continued and increasing premiums payable on Policies. The actual mortality of an individual cannot be predicted with any level of confidence.

(b) Under most of the Policies, premiums increase over time, the longer the insured lives. As an individual grows older, premiums will also grow, and ultimately will be a significant percentage of the death benefit each year. Under most of the Policies, the carriers also have the ability, subject to compliance with applicable law, to increase premiums, and there can be no assurances that premium rates and resulting Policy carrying costs will not increase materially in the future. Recently, a number of insurance carriers announced proposed premium rate increases.

(c) According to the Chapter 11 Trustee, given the potential burden of premium payments, and to provide near term relief from the risks imposed by Fractional Interest holders' reliance on other investors for the economic survival of their investments, the Chapter 11 Trustee has obtained approval to utilize CSV where available to satisfy the carrying costs under the

Policies that have it, and designed and obtained approval for the Maturity Funds Facility to pay premium shortfalls during the Chapter 11 Cases.

(d) The Chapter 11 Trustee states that he has also instituted a premium optimization project to reduce ongoing premium expenses, and that the results to date have been utilized in preparing his numbers and projections. Those numbers thus have flowed into Vida's Plan Model, including continuing to use CSV, where available, to satisfy the respective Continuing Holders' share of premiums on a Policy-by-Policy basis. Under the Plan, Assigning Holders will be relieved of the burden of paying ongoing premiums to preserve their investments, and all CSV and premium escrows related to their Assigned Fractional Interests will belong to the Policy Fund, to be used as provided in the Plan.

(e) There is a risk that an insurance company may not pay death benefits under a given Policy upon maturity. For example, the insurer may assert that life insurance coverage was fraudulently obtained on the insured, or that the owner did not have an insurable interest in the insured. Additionally, the heirs or family members of the insured may challenge the transaction by which LPI purchased one of the Policies. There also exist risks relating to the solvency of the insurance company.

C. RISKS ASSOCIATED WITH LITIGATION CLAIMS

The Chapter 11 Trustee believes that the prosecution of the Causes of Action assigned to the Litigation Trust will generate proceeds which will lead to a distribution to Litigation Trust Beneficiaries. Litigation, by its nature, is uncertain. There are therefore, risks that the Litigation Trustee may not succeed in litigation, that the Litigation Trust may not be able to collect on judgments obtained in litigation, or that the costs of pursuing litigation may affect the viability of pursuing litigation against certain parties, or the likely recovery of such litigation. All of these risks affect the likelihood and amount of recovery to Litigation Trust Beneficiaries.

D. RISKS ASSOCIATED WITH HISTORICAL REPORTED INFORMATION

LPHI is currently obligated to file reports with the SEC pursuant to Sections 13 of the Exchange Act, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. However, according to the Trustee, LPHI is not current in its reporting obligations and the financial and other information included in the reports that LPHI filed with the SEC prior to the LPHI Petition Date may be materially misleading and should not be relied upon, especially in light of the Court's finding that LPHI engaged in dishonest, fraudulent and deceptive conduct and the Chapter 11 Trustee's finding that the Debtors' pre-petition business practices included substantial fraud and self-dealing, in each case, during the periods covered by such reports.

In the absence of accurate financial information and other information regarding the historical operation of the Debtors and individual investors' accounts under their investment contracts with LPI, the Chapter 11 Trustee, the Debtors, the Reorganized Debtors and Vida may not be able to provide complete and accurate information relating to an investor's account, and in some instances, will be required to utilize estimates with regard to certain account status

questions that will have to be answered under the Plan (*e.g.*, Claim amounts, Catch-Up Amounts, etc.).

It is possible that Fractional Interests, the Policy Fund limited partnership interests and the Litigation Trust interests may be subject to the registration and reporting requirements of the Exchange Act and potentially, under the Investment Company Act of 1940 (the "Investment Company Act"). The Policy Fund intends to seek relief from the SEC to modify and limit its potential reporting and registration obligations. There can be no assurance that the SEC will grant relief to the Policy Fund or, if the SEC grants relief, what modifications or limitations the SEC may set.

Registration of Fractional Interests, Litigation Trust interests, and Policy Fund limited partnership interests under the Exchange Act will require that the Policy Fund, the Litigation Trust, and the Reorganized Debtors expend significant time and resources to comply, including disclosure of historical financial information audited by an independent auditor covering a period as long as three fiscal years. Estimated costs of complying with these obligations is included in **Exhibit J**.

E. RISKS ASSOCIATED WITH BENEFICIAL OWNERSHIP OF POLICIES

There is no return on an investment in life insurance unless the insured dies before the policy lapses or expires.

Investors will not receive any return until the insured has deceased and the insurer has paid out the death benefit on the related Policy. The longer the insured lives, the lower the annualized and cumulative rate of return on a holder's investment will be. If all of the ongoing premiums necessary to keep a Policy in force are not paid, and not just the holder's pro rata share, the policy will lapse and terminate and the maturity proceeds payable under the policy will be lost forever.

Any projected rate of return from a Fractional Interest is based on an estimated (or assumed) life expectancy for the person insured under the related Policy. The actual rate of return on the purchase may vary substantially from the projected rate of return based upon the actual period of time between the date of purchase and the date of death (referred to as the "life span") of the insured, which may be less than, equal to or greatly exceed the estimated (or assumed) life expectancy of the insured. The rate of return would be higher if the life span were less than, and lower if the life span were greater than, the life expectancy of the insured at the time of the purchase transaction. Accordingly, the rate of return on a Fractional Interest may vary substantially from any expected rate of return calculated at the time an Election is made based upon the fact the actual life span of the insured may be less than, or substantially longer than, the life expectancy used to calculate the expected rate of return.

Any projected rate of return on a Policy Fund limited partnership interest is based on an estimated (or assumed) life expectancy curve for all of the individuals insured under Policies in the portfolio. The actual rate of return from ownership of a Policy Fund limited partnership interest may vary substantially from the projected rate of return based upon the actual period of time that elapses between the Effective Date and the dates of death of the insured individuals

under the Policies, which may be less than, equal to or greatly exceed the estimated (or assumed) life expectancy curves. The rate of return would be higher if maturities happen faster than projected, and lower if the rate of maturities is slower than projected. **Accordingly, the rate of return on a Policy Fund limited partnership interest may vary substantially from any expected rate of return calculated at the time an Election is made based upon the fact the actual rate of Policy maturities may be faster than, or substantially slower than, the life expectancy curve used to calculate the expected rate of return.**

According to the Chapter 11 Trustee, life expectancy reports obtained by the Debtors prior to the bankruptcy proceedings were part of a scheme to defraud investors.

As described elsewhere in this Disclosure Statement and in his initial Declaration filed in the Chapter 11 Cases, the Chapter 11 Trustee has concluded that LPI purposefully used reduced LEs in the sale of investment contracts to induce investors to invest in its Life Settlement securities. In short, according to the Chapter 11 Trustee, LPI used a captive LE underwriter (paid on commission) to create a false arbitrage between the LEs LPI used to buy the policies in the first instance, and the much shorter LEs LPI used to market its investment "opportunities" to investors. Accordingly, there are significant risks in relying on any of those LEs in evaluating which Election to make with respect to a Fractional Interest.

Life expectancy determinations are inherently imprecise, and no one can predict with any degree of certainty the actual life span of an insured.

A life expectancy report provides an estimate of how long the insured will live based upon available medical and actuarial data. However, no one can predict with any degree of certainty how long an individual will live. Within any given life insurance policy portfolio, there will most likely be insureds who die earlier than expected, those who die approximately when expected and those who live longer than expected. Some factors that may affect the accuracy of a life expectancy report or other calculation of the estimated length of an individual's life are:

- the experience and qualifications of the medical professional or life expectancy company providing the life expectancy estimate;
- the reliability and completeness of all medical records received;
- the reliability of, and revisions to, actuarial tables or other mortality data published by public and private organizations;
- the nature of any illness or health conditions of the insured; and
- future improvements in medical treatments and cures, and the quality of medical care the insured receives.

Delays caused by litigation involving claims of a lack of insurable interest or fraud, or the unfavorable results of any such litigation, could have a material adverse impact on our receipt of death benefit payment.

There have been many cases in which either a life insurance company has attempted to rescind a Policy, or the spouse or other relative of a deceased individual has asked the court to force the insurance carrier to pay the death benefits to them instead of the named beneficiary of the policy, typically an investor who bought the policy from the insured, or a prior transferee. These lawsuits usually relate to claims of a lack of insurable interest on the part of the person who procured the policy in the first place, or fraud in the original insurance application. Some courts have held that a later-transferred policy is valid and enforceable so long as the initial policyholder possessed an insurable interest at the time of policy procurement. However, a minority of courts have questioned the validity of a policy subsequently transferred by the policyholder to an individual or entity lacking an insurable interest, even though the initial policyholder had an insurable interest at the time of purchase.

Some of the Policies in the portfolio may be subject to similar claims. It is impossible to detect all cases in which fraud or misrepresentation was involved in the origination of a life insurance policy. Such claims could result in a court decision that the death benefits are not payable or are payable to someone other than the Policy Fund for the Policy, which may not be rendered until after lengthy litigation.

Holders of Fractional Interests could lose some of the death benefits they purchased if the insurance company that issued the Policy goes out of business.

Insurance companies are rated based on their financial safety and soundness. A lower rating means that the company is more likely to go out of business. Each state maintains an insurance guarantee fund for the benefit of policyholders of insurance companies that have gone out of business. The guarantee fund may impose a limit on the amount that can be recovered on each Policy.

The life settlement industry has become subject to greater securities regulation and oversight.

In August 2009, the SEC established a Life Settlements Task Force to investigate the life settlements market. On July 22, 2010, the SEC released a staff report by the Life Settlements Task Force that recommended the SEC consider recommending to Congress that it amend the definition of "security" under the federal securities laws to include life settlements as securities. Although federal securities laws have yet to be amended to include life settlements within the definition of "security," the Texas Supreme Court has held that the Fractional Interests are "securities" under the Texas Securities Act, and the SEC has made its position clear that it agrees with the Texas Supreme Court. Accordingly, the Litigation Trust and the Policy Fund may be constrained by additional registration and securities compliance requirements under the Exchange Act and possibly also under the Investment Company Act.

The Policy Fund may be required to register under the Investment Company Act which would increase the regulatory burden and potentially negatively affect the value of the its limited partnership interests.

The Policy Fund may be required to register as an investment company under the Investment Company Act and analogous state law. While Vida believes that the Litigation Trust

does not qualify as an investment company and that the Policy Fund should be exempt from registration as an investment company under the Investment Company Act and analogous state law, either the SEC or state regulators, or both, may disagree and could require registration of either or both immediately or at some point in the future. As a result, there could be an increased regulatory burden which could negatively affect the value of the Policy Fund interests.

F. RISKS ASSOCIATED WITH ELECTIONS OR NOT PAYING CATCH-UP AMOUNTS

Investors who do not make a timely Election with respect to their Fractional Interests will be deemed to have made Elections as provided in the Plan.

Investors who do not pay Catch-Up Amounts or other amounts, as and when due, will be deemed to have defaulted and will be deemed to have abandoned all of their Fractional Interests to the Policy Fund.

G. RISKS ASSOCIATED WITH FINANCIAL PROJECTIONS

Using and revising information provided in the Trustee/Committee disclosure statement, Vida has prepared financial projections for the portfolio of Policies and the Policy Fund's share of the results based on certain assumptions, as set forth in **Exhibits J and K** hereto. The projections have not been compiled, audited, or examined by independent accountants, and neither Vida nor its advisors make any representations or warranties regarding the accuracy of the projections or the ability to achieve forecasted results.

Many of the assumptions underlying the projections are subject to significant uncertainties that are beyond Vida's control, or the control of the Policy Fund, the Reorganized Debtors and the Litigation Trust, including, but not limited to, the timing, confirmation, and consummation of the Plan, and all of the other risks described in this Disclosure Statement. Some assumptions may not materialize, and unanticipated events and circumstances may affect actual financial results. Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic, and competitive risks, and the assumptions underlying the projections may be inaccurate in material respects. In addition, unanticipated events and circumstances occurring subsequent to the approval of this Disclosure Statement by the Bankruptcy Court may affect the actual financial results achieved. Such results may vary significantly from the forecasts and such variations may be material.

H. RISKS ASSOCIATED WITH ABSENCE OF ANY ESTABLISHED TRADING MARKET FOR FRACTIONAL POSITIONS

Historically, LPI operated an online trading platform for the resale of Fractional Interests. However, the Chapter 11 Trustee closed that market out of concern, among other things, that it involved the sale of unregistered securities. Therefore, no public trading market for Fractional Interests exists. As part of its ongoing securities law compliance efforts, the Policy Fund will not hire any market maker for Policy Fund limited partnership interests, or otherwise take actions to develop a trading market and may, under certain circumstances, be required to take action to prevent certain trading related activity. There can be no assurance that an active trading market

for Fractional Interests will develop and, if developed, that such market will be sustained. In either case, it may be difficult to sell Fractional Interests at an attractive price. The market price of Fractional Interests may be below a Continuing Holder's original cost, and Continuing Holders may not be able to sell their Fractional Interests at all.

I. POTENTIAL FOR DILUTION FROM CLAIMS

Despite the efforts of the Debtors and their Bankruptcy Professionals to estimate the amounts of Allowed Claims as set forth in this Disclosure Statement, the actual amount of Allowed Claims may differ from such estimates. Because the ultimate extent and value of certain distributions under the Plan are shared ratably based on the aggregate amount of Allowed General Unsecured Claims, if those amounts are greater than the amount currently estimated by the Debtors, the recovery to holders of General Unsecured Claims may be materially reduced.

XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Vida believes that the Plan affords holders of Claims the potential for the greatest realization on their Claims and investments. If, however, enough acceptances are not received from the impaired Classes sufficient for Vida to confirm its Plan, either the Trustee/Committee Plan could be confirmed, the Transparency Plan could be confirmed, or a different plan could be confirmed. Other alternatives include: (a) liquidation of the Debtors under chapter 7 of the Bankruptcy Code; and (b) formulation of yet another competing Chapter 11 plan.

Holders of Claims and Equity Interests in impaired classes entitled to vote will be allowed to vote for all or any of the Vida Plan or the Competing Plans. Thus, there could be a possibility that more than one Plan actually meets the requirements for confirmation. If that happens, the Court may only confirm one plan, and the Court is directed by section 1129(c) of the Bankruptcy Code to consider "the preferences of creditors and equity security holders" when determining which Plan to confirm. It is therefore possible that a different plan is confirmed.

XII. CONCLUSION AND RECOMMENDATION

As stated at the beginning of this Disclosure Statement, Vida believes that its Plan is in the best interests of all holders of Claims and Equity Interests, provides them with the greatest return on their investment, and is preferable to all other alternatives. Consequently, Vida urges all holders of Claims who are entitled to vote to **ACCEPT** the Plan, and to complete and return their Ballots. The Voting Deadline is 5:00 p.m. prevailing Central Time on ____, 2016. To be counted, your Ballot must be fully completed, executed and actually received by the Tabulation Agent by that date and time.

Dated: April 29, 2016
Dallas, Texas

VIDA CAPITAL, INC.

By: */s/ Jeff Serra*
Jeff Serra, President and CEO

GRAY REED & McGRAW, P.C.
Jason S. Brookner
Texas Bar No. 24033684
Lydia R. Webb
Texas Bar No. 24083758
1601 Elm Street, Suite 4600
Dallas, Texas 75201
Telephone: (214) 954-4135
Facsimile: (214) 953-1332

APPENDIX 1

History of the Bankruptcy Case and Life Partners

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* * *

All information in this Appendix 1 was derived from the disclosure statement filed jointly by the Chapter 11 Trustee and the Official Committee of Unsecured Creditors, unless otherwise indicated.

* * *

I. BACKGROUND AND EVENTS LEADING UP TO CHAPTER 11

A. ORGANIZATIONAL INFORMATION

LPHI is a public reporting company incorporated in Texas, whose stock was formerly publicly traded. LPI is not current in its public reporting and its common stock has been delisted from the NASDAQ (formerly trading under the symbol "LPHI"), and is currently not eligible to be quoted on the over the counter markets. LPHI is a holding company and is the parent company, by virtue of being the 100% stock owner, of LPI.

LPI is a Texas corporation, which was incorporated in 1991, and has conducted business under the registered service mark "Life Partners" since 1992. LPI was formed to engage in the secondary market for life insurance policies known generally as "life settlements," involving the purchase of previously issued life insurance policies insuring the lives of individuals (the "Insureds"). LPI sold investment contracts denominated as fractional positions, which the Texas Supreme Court has held were securities that were subject to the registration requirements under the Texas Securities Act. LPI has never registered any fractional positions for sale under any state or federal law.

LPIFS is a Texas corporation and a wholly owned subsidiary of LPI.

Prior to the Debtors' bankruptcy filings, the Debtors' management included: (i) Brian Pardo, who was the chief executive officer, president, and chairman of the board of directors of LPHI;[1] (ii) R. Scott Peden, who was the secretary and general counsel of LPHI and president of LPI; (iii) Colette Pieper, who was the chief financial officer of LPHI; and (iv) Mark Embry, who was LPI's chief operations officer and chief information officer.

On January 20, 2015, LPHI filed a voluntary chapter 11 bankruptcy petition with the Bankruptcy Court. On March 19, 2015, the Bankruptcy Court entered an order (the "Trustee Order"), appointing H. Thomas Moran II as the Chapter 11 Trustee of LPHI.[2] On April 7, 2015, the Bankruptcy entered an order (the "Governance Order"), granting the Chapter 11 Trustee authority to modify the Subsidiary Debtors' corporate governance documents for purposes of electing himself as the sole director of the Subsidiary Debtors and for authority to file Chapter 11

[1] Additionally, a trust controlled by Pardo's family (the "Pardo Family Trust"), directly or indirectly, owns over 50% of the common stock of LPHI.

[2] Dkt No. 229.

bankruptcy petitions on their behalf.[3] As a result of Trustee Order and the Governance Order, Pardo and Peden were removed by the Chapter 11 Trustee from their management roles in the Debtors, and the Debtors are currently managed by the Chapter 11 Trustee.

B. OVERVIEW OF THE DEBTORS' BUSINESS

From its inception in 1991 through the early 2000s, Life Partners dealt exclusively in the purchase and administration of life insurance policies held by persons who were thought to be terminally ill. Those types of life settlements are specifically referred to as "viaticals" in the industry. In the early 2000s, Life Partners transitioned into the purchase and administration of life insurance policies for which the insured is over the age of 65 (sometimes referred to as "senior" life settlements). In either instance, viaticals or senior life settlements (collectively, "Life Settlements"), the existing policyholder would sell the policy to LPI and receive an immediate cash payment.[4]

To build its portfolio of life insurance policies (the "Policy Portfolio"), LPI was generally contacted by owners of policies, or their representatives, to sell their policies. The policy owner, or its representative, would provide LPI with certain information about the policy so that LPI could verify, among other things, the policy existed and that the policy could be transferred. LPI would then solicit money from investors to fund its purchase of the policy. When enough money was raised to purchase the policy, LPI would do so through the execution of a "Life Settlement Purchase Agreement." Once the purchase was completed, LPI recorded its ownership of the policy with the insurance company and would then designate one of its two "escrow agents" as the record beneficiary.

LPI purchased many types of life insurance policies, including term, universal life, whole life and variable universal life. LPI also purchased hundreds of group life insurance policies. As of the Subsidiary Petition Date, LPI is or was the record owner of approximately 3,392 life insurance policies (the "Policies" with each being a "Policy") with an aggregate face value of approximately $2.4 billion.[5] Life Partners has not purchased any new life insurance policies since the appointment of the Chapter 11 Trustee.

On May 8, 2015, the Texas Supreme Court held that the agreements LPI used to solicit money from investors were "investment contracts."[6] These contracts recite that investors contracted for the right to receive a portion of the proceeds paid out on maturity of a policy. In most cases, the investors would either invest directly or through their Individual Retirement Accounts (or "IRAs"). Once an investor purchased an investment contract relating to a policy, the

[3] Dkt No. 261.

[4] LPI is currently a licensed Life Settlement provider in several states. A life insurance policy that has been purchased in the secondary market is sometimes referred to as a "life settlement policy."

[5] Ownership of at least some of the Policies is recorded in the name of other persons with whom LPI had relationships.

[6] *Life Partners, Inc. v. Arnold,* 464 S.W.3d 660 (Tex. 2015).

percent of death benefit the investor had contracted to receive was described as a "position" in a policy (referred to in this Disclosure Statement and the Vida Plan as a "Fractional Interest"), and investors typically invested in more than one Fractional Interest (*i.e.*, payouts under multiple policies). The investment contracts further obligated investors to "contribute additional amounts" to pay premiums on the policy until maturity.

As of the Subsidiary Petition Date, LPI had contracts with two entities, Purchase Escrow Services, LLC ("PES") and Advance Trust and Life Escrow Services, LTA ("ATLES") (together the "Escrow Agents"), to receive and hold money invested to fund policy acquisition and future premium payments and serve in the capacity of record beneficiary. Pursuant to their respective agreements with LPI, ATLES and PES have certain stated duties, which include: receiving money from investors, holding funds for payment of premiums to life insurance companies, holding funds for new investments with LPI (whether for new policies LPI was purchasing or for investments being resold), and receiving and distributing death benefits to the investors. ATLES and PES could act only on the instructions of LPI and, pursuant to their agreements with LPI, cannot distribute funds without LPI's prior approval.

As of the Subsidiary Petition Date, ATLES held approximately $52,800,000 in premium reserves and PES held approximately $5,200,000 in premium reserves, for a total of approximately $58,000,000 to which Life Partners has access but is controlled, in some respects, by PES and ATLES. When a policy matures and the insurance company sends the check for death benefits, the check is made out to either PES or ATLES, as the record beneficiary. Historically, PES or ATLES would then distribute death benefits to investors who had purchased Investment Contracts relating to the applicable policy.

Life Partners solicited prospective investors through its network of various sales agents (referred to as "licensees" even though they were not required to hold any "license"). Upon deciding to invest with Life Partners, an investor would enter into an agency agreement and one or more policy funding agreements ("PFAs") with Life Partners. If an investor was investing through an IRA, he signed substantially the same documents, with changes to reflect the investment through an IRA.

Life Partners divided the amount of each investment (*i.e.*, per Fractional Interest bought) among the following: (1) to the seller of the Policy, (2) to LPI (for a fee), (3) to the licensee (for a commission), (4) to ATLES/PES (for a fee), and (5) to ATLES or PES for the payment of future premiums (a so-called "premium escrow"). The investors were told they were either buying fractional "interests" or "positions" in the policies or "notes" (the "IRA Notes") secured by such Fractional Interests.

In addition, Life Partners generated documents that purport to create "trusts" to sign the IRA Notes the investors received. Each non-recourse "promissory note" is payable out of a percentage of the death benefits of a corresponding life insurance policy. However, the "promissory notes" have neither a fixed repayment date nor a fixed interest rate. In addition, under the PFA, the IRA holder was obligated to make additional "contributions" to pay premiums

(without any modification of the "note") and, if the additional amounts were not paid, the "note" would be deemed abandoned.

The Chapter 11 Trustee states that he has been unable to locate any document that purports to transfer title to or ownership of any of the Policies to any LPI investor. The PFAs were not recorded or registered by Life Partners in any manner. In addition, with very few exceptions, no transfer of ownership to, and no lien in favor of, any investor was recorded with the insurance company that issued the Policy. The typical transaction did not include any unrecorded assignment, deed, bill of sale, or other conveyance document that purports to transfer an ownership interest in the subject policy from LPI to any investor. On the other hand, certain investors dispute LPI's title because, among other reasons, the transaction documents referenced LPI "as agent."

Following LPI's purchase of a life insurance policy and related sale of investment contracts to its investors, LPI was responsible for, among other things, determining the frequency and amount of premiums to pay the insurance companies in order to keep each policy in force. Historically, LPI had instructed what it called escrow agents to pay premiums in amounts and frequency as LPI directed. LPI was also responsible for monitoring the health status of insureds and, when a policy matured, for gathering all required information and preparing a claim for the death benefits. Historically, the claim has been sent to instruct the escrow agent, as record beneficiary, to submit the claim to the insurance company.

Prior to LPI filing bankruptcy, it was LPI's business practice to bill and pay premiums in a set amount, irrespective of the cost of insurance and expenses due on the policy. This practice caused, in many instances, cash value to build up at the policy level. Despite the fact that accumulated cash surrender value ("CSV") can be used to satisfy premium requirements, and if not used is typically extinguished when a Policy matures, LPI did not take advantage of the right to use CSV to satisfy premiums, nor did it disclose the existence of the CSV to the investors. As a result, LPI accumulated cash value in policies such as universal life or whole life. Under the terms of the Policies, LPI may also use CSV to obtain loans and related cash advances. If a Policy loan remains outstanding when the Policy matures, the death benefit may be reduced by the amount of that loan.

In addition, LPI and its licensees historically facilitated "resale" transactions (on which they collected additional fees and commissions) and, to that end, several years ago, LPI began to operate an online trading platform it called the "LP Market." Shortly after his appointment, the Chapter 11 Trustee closed that market out of concern that, among other things, it involved the sale of unregistered "securities" in violation of applicable securities laws.

C. PRE-PETITION LITIGATION AGAINST THE DEBTORS

Prior to their bankruptcy filings, the Debtors were defendants in numerous lawsuits, which alleged that LPHI had violated federal and state securities laws, and had engaged in dishonest, fraudulent or deceptive conduct. Regulatory agencies also brought suit, including the SEC, alleging violations of the federal securities laws, and the State of Texas, alleging violations of the Texas Securities Act. LPHI and LPI were also defendants in numerous lawsuits throughout the

United States, including several class action lawsuits seeking rescission or damages in connection with LPI's sale of Fractional Interests.

For example, in March 2011, Michael Arnold and other investors commenced a class action lawsuit in the District Court of Dallas County, Texas (the "Arnold State Court Action") on behalf of themselves and other Texas investors who purchased a life settlement from LPHI or LPI. The plaintiffs alleged that the sale of life settlements constituted the sale of unregistered securities in violation of the Texas Securities Act. The plaintiffs sought the rescission of their settlement contracts, the return of all amounts invested, and their costs, expenses, interest and attorneys' fees. The District Court dismissed the case on the grounds that the sale of interests in the Life Settlements did not constitute a sale of securities under state law. However, that decision was reversed in part by the Dallas Court of Appeals in 2014. On May 8, 2015, the Texas Supreme Court affirmed the Court of Appeals decision, holding that LPI's sale of interests in Life Settlements constituted the sale of securities under the Texas Securities Act.

Other actions have been initiated by groups of investors against the Debtors since 2011. Two such cases are currently pending in the Bankruptcy Court: the Willingham multi-district litigation, *Willingham v. Life Partners, Inc.* Adv. Pro. No. 16-04046-rfn, (Bankr. N.D. Tex.) (the "Willingham Litigation"), and *McDermott v. Life Partners, Inc.* Adv. Pro. No. 16-04045-rfn (Bankr. N.D. Tex.) (the "McDermott Litigation"). Additionally, other cases were filed by other individual investors, including: (i) David Whitmire (Adv. Pro. No. 15-40289, Bankr. N.D. Tex.) (the "Whitmire Litigation"); (ii) Danny Birtcher (Adv. Pro. No. 16-04041-rfn, Bankr. N.D. Tex.) (the "Birtcher Litigation"); (iii) Todd McClain (Adv. Pro. No. 16-04043-rfn, Bankr. N.D. Tex.) (the "McClain Litigation"); (iv) Stephen Eccles (Adv. Pro. No. 16-04044-rfn, Bankr. N.D. Tex.) (the "Eccles Litigation"); (v) Arthur and Jeanne Morrow (Case No. 3:14-cv-141, W.D. Pa.) (the "Morrow Litigation"); (vi) John Woelfel (Case No. 14-80433-CIV-JIC, S.D. Fla.) (the "Woelfel Litigation"); (vii) Whitehurst v. Life Partners, Inc. (Adv. Pro. No. 16-03059, Bankr. S.D. Tex.) (the "Whitehurst Litigation"); and (viii) Marilyn Steuben (Adv. Pro. No. 2:16-ap-01109-ER, Bankr. C.D. Ca.) (the Steuben Litigation and collectively, with the Willingham Litigation, the Whitmire Litigation, the Birtcher Litigation, the McClain Litigation, the Eccles Litigation, the Morrow Litigation, the Woelfel Litigation, and the Whitehurst Litigation, the "MDL Litigation").

Pre-petition, the Willingham Litigation, Whitmire Litigation, Birtcher Litigation, McClain Litigation, and Eccles Litigation had been filed in Texas state court and consolidated in the multi-district litigation captioned *In re Life Partners Inc*, MDL No. 13-0357 (191st District Court for Dallas County, Texas). The defendants in the MDL Litigation include LPI, LPHI, Brian Pardo, Scott Peden, and Pardo Family Holdings. The investor plaintiffs in the MDL Litigation (the "MDL Plaintiffs") assert various claims, including breach of fiduciary duty, fraud, civil conspiracy, conversion, unjust enrichment, and violations of the Texas Securities Act. The MDL Plaintiffs seek damages, rescission of their settlement contracts, the return of all amounts invested, the return of dividends issued by LPHI to the other defendants, exemplary damages, and their costs, expenses, and interest.

Prior to the LPHI Petition Date, the MDL Litigation had collectively reached relatively advanced stages of litigation. For example, the Willingham Litigation specifically had proceeded

through the discovery phase and was set for trial at the time LPHI filed its bankruptcy petition. In addition, a sanctions hearing was set in that matter in January 2015 over a failure of the defendants to produce discovery. The sanctions hearing and trial of the Willingham Litigation, along with the remaining MDL Litigation, were stayed by the filing of the LPHI bankruptcy petition.

On August 16, 2012, the State of Texas commenced its own action against LPHI, LPI, Pardo, Peden, ATLES and PES in the District Court of Travis County seeking injunctive and other relief.[7] The State of Texas asserted that the defendants had engaged in fraudulent activities in connection with the sale of securities. While the District Court dismissed the action on the grounds that LPI had not promoted or marketed any securities, that decision was reversed by the Austin Court of Appeals in 2014. The Texas Supreme Court, which consolidated the appeal with the appeal in the Arnold State Court Action, affirmed, holding that LPI's sale of interests in Life Settlements constituted a sale of securities under the Texas Securities Act.

Additional pending suits against the Debtors include:

- *Wasson v. Dewitt v. Life Partners, Inc.*, Adv. Pro. No. 16-04040-rfn (Bankr. N.D. Tex.), in which two investors sued a licensee for breach of fiduciary duty, fraud, and negligent misrepresentation relating to the sale of fractional interests in Life Settlements to the investors. The licensee-defendants filed a third-party petition against LPI seeking contribution and indemnity against the investors' claims;

- *Eastwood v. Life Partners, Inc.*, Adv. Pro. No. 16-06003 (Bankr. W.D. Tex.), in which three investors filed suit against LPI and LPIFS alleging that LPI and LPIFS lacked authority to impose a platform service charge under the contracts between the investors and LPI. The investors seek a declaratory judgment that the LPIFS and LPI have breached the investors' contracts with LPI by attempting to charge the platform service charge. The investors also seek costs and attorneys' fees;

- *JMD Resources, LLC v. Life Partners, Inc.*, Adv. Pro. No. 16-05016 (Bankr. W.D. Tex.), in which an investor filed suit against LPI and LPHI asserting various claims for fraud and breach of contract, and seeking damages, a rescission of its settlement contracts, the return of all amounts invested, exemplary damages, and their costs, expenses, and interest; and

- *Ostreicher v. Lincoln National Life Insurance Co. et al.*, Adv. Pro. No. 16-04053 (Bankr. W.D. Tex.), in which the trustee of a trust sued LPI and several other defendants alleging that a life insurance policy that the trust owned was wrongfully

[7] In 2012, the Texas State Securities Board ("TSSB") asked Thompson & Knight partner Richard B. Roper to serve as receiver when it requested a receivership as a part of injunction proceedings against Life Partners in Travis County District Court. Mr. Roper approached the Trustee about engaging him and his company, Asset Servicing Group ("ASG"), as professionals to assist with the policy analysis and servicing issues that would arise if prior LPI management was removed as a part of the court's order in the TSSB action. The Trustee and several ASG employees traveled to Waco in order to meet with Mr. Roper to prepare in advance of the temporary injunction hearing. However, a receiver was never appointed, and no further work was done at that time by the Trustee or ASG.

transferred to LPI. The suit includes claims against LPI for a declaratory judgment, conversion, tortious interference with contract, and unjust enrichment. The plaintiff-trust seeks a declaratory judgment that it owns the life insurance policy at issue, compensatory damages, punitive damages, and interest.

D. THE SECURITIES AND EXCHANGE COMMISSION LITIGATION

On January 11, 2012, the SEC commenced an action (the "SEC Litigation") before the United States District Court for the Western District of Texas, Austin Division, against LPHI, Pardo and Peden alleging numerous violations of the Securities Act and the Exchange Act. Following a jury trial, a judgment was entered finding that the defendants had filed numerous false and misleading forms with the SEC in violation of Sections 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder. The jury also found that Pardo violated Exchange Act Rule 13a-14 by knowingly certifying false public reports.

As a result of the jury's verdict, the Court entered a $38,700,000 judgment against LPHI (the "SEC Judgment"). Specifically, the SEC Judgment required LPHI to disgorge $15,000,000 in ill-gotten profits and pay a civil penalty of $23,700,000. Further, the SEC Judgment permanently enjoined LPHI from further violations of the Securities Act and the Exchange Act. The Court also entered judgment against Pardo in the amount of $6,161,843 and Peden in the amount of $2,000,000.

On December 30, 2014, the defendants filed a notice of appeal of the SEC Judgment to the United States Court of Appeals for the Fifth Circuit.

On January 5, 2015, the SEC filed an emergency motion with the District Court, seeking the appointment of a receiver to take over LPHI's operations from its existing management, including Pardo and Peden (the "Receiver Motion"). The SEC asserted that in order to protect Life Partners' investors and creditors, the Court should appoint a receiver for Life Partners to ensure that its current officers "are unable to continue to waste assets and to ensure that LPHI is operated in compliance with the federal securities laws." The District Court set a hearing on the Receiver Motion for January 21, 2015, before the United States Magistrate Judge (the "Receivership Hearing").

In connection with that possible appointment, Moran traveled to Waco and made efforts to assemble a team of professionals to assist him in the event he was appointed receiver. On January 21, 2015, Moran and a Thompson & Knight LLP representative traveled to Austin to attend the hearing on the appointment of a receiver. Because there would have been a need to freeze certain aspects of Life Partners' operations immediately if the receivership were granted, members of his team from Asset Servicing Group ("ASG"), additional counsel from Thompson & Knight, and forensic accountants from MMS Advisors, LLC ("MMS") were in Waco awaiting the judge's decision at the same time.

The day before the Receivership Hearing, however, LPHI filed its bankruptcy petition. As a result, the magistrate judge instructed the SEC to seek relief first from the Bankruptcy Court.

Moran was never appointed receiver in the SEC enforcement action and the professionals were not engaged by Moran. After consideration of several candidates, the U.S. Trustee's Office later selected Moran and recommended to the Bankruptcy Court that he be appointed Chapter 11 Trustee (as discussed below).

After LPHI filed for bankruptcy, it filed a suggestion of bankruptcy in the Fifth Circuit, which stayed all proceedings on the defendants' appeal and the SEC's cross-appeal. On motion by Pardo and Peden, the Fifth Circuit lifted the stay only as to Pardo and Peden's appeal. On a subsequent motion by Pardo and Peden, the Fifth Circuit severed Pardo and Peden's appeal and the SEC's cross-appeal against Pardo and Peden from LPHI's appeal and the SEC's cross-appeal against LPHI. The SEC then voluntarily dismissed its cross-appeal against LPHI.

Briefing is complete on Pardo and Peden's appeal, in which Pardo and Peden seek reversal of the judgment that they aided and abetted LPHI's violations of Section 13(a) and Rule 12b-20, 13a-1, and 13a-13. Pardo and Peden also seek reversal of the civil penalties assessed against them. The SEC's cross-appeal is also fully briefed, in which the SEC seeks reversal of the district court's judgment notwithstanding the verdict regarding one of the jury's findings. Oral argument in the Fifth Circuit took place on April 25, 2016 and the matter is under advisement.

II. THE BANKRUPTCY FILINGS

A. LPHI'S BANKRUPTCY FILING AND RETENTION OF PROFESSIONALS

On January 20, 2015 (the "LPHI Petition Date"), the day before the scheduled hearing on the SEC's Receiver Motion, LPHI filed a voluntary Chapter 11 bankruptcy petition with the Bankruptcy Court. In a press release issued shortly after its bankruptcy filing, LPHI stated that it filed its chapter 11 bankruptcy petition so that it could pursue an appeal of the SEC Judgment, and avoid the appointment of a receiver by the Court in the SEC Action.

Prior to the appointment of the Chapter 11 Trustee, LPHI retained numerous professionals pursuant to Bankruptcy Court order, consisting of attorneys to represent it during the course of its Chapter 11 Case. Specifically, pursuant to an order entered on April 28, 2015, the Bankruptcy Court authorized the retention of Forshey & Prostok, LLP ("F&P") as counsel for LPHI in connection with its chapter 11 case for the period covering the LPHI Petition Date through February 6, 2015.[8] LPHI then replaced F&P with Pronske Goolsby & Kathman, P.C. ("PG&K"). Pursuant to an order entered on May 5, 2015, the Bankruptcy Court approved LPHI's retention of PG&K, as LPHI's counsel for the period from February 5, 2015 through March 13, 2015.[9]

The Bankruptcy Court also authorized LPHI's retention of special litigation counsel. Pursuant to an order entered on April 17, 2015, the Court authorized LPHI's retention of Kevin Buchanan & Associates, P.L.L.C. (the "Buchanan Firm") as special counsel to LPHI for the period

[8] Dkt. No. 302.

[9] Dkt No. 318.

from the LPHI Petition Date through March 9, 2015, which is the date of the Court's decision appointing a Chapter 11 Trustee to replace LPHI's management.[10] Similarly, pursuant to an order entered on September 18, 2015, the Bankruptcy Court approved LPHI's retention of C. Alfred Mackenzie (the "Mackenzie Law Firm") as special litigation counsel for LPHI from the LPHI Petition Date through March 9, 2015.[11]

Each of the aforementioned counsel for LPHI has filed final applications seeking the allowance of their fees and expenses in these Chapter 11 Cases. Pursuant to an order entered on April 28, 2015, the Bankruptcy Court awarded fees and expenses to F&P in the amount of $154,409.11. After taking into account the retainer it received for its fees, the outstanding amount due to F&P is $96,795.97, which constitutes a Fee Claim against LPHI pursuant to Bankruptcy Code §§ 503 and 507(a)(2).[12]

Pursuant to an order entered on May 5, 2015, the Bankruptcy Court awarded final fees and expenses to PG&K in the amount of $126,617.68.[13] After taking into account the $100,000 retainer it received from LPI, the outstanding amount due to PG&K is $26,617.68, which constitutes a Fee Claim against LPHI pursuant to Bankruptcy Code §§ 503 and 507(a)(2).

Pursuant to an order entered on July 1, 2015, the Bankruptcy Court awarded final fees and expenses to the Buchanan Firm in the amount of $140,235.46. Since the Buchanan Firm did not receive a retainer for its services, this amount constitutes a Fee Claim against LPHI pursuant to Bankruptcy Code §§ 503 and 507(a)(2).[14]

Pursuant to an order entered on September 23, 2015, the Bankruptcy Court awarded final fees and expenses to the Mackenzie Law Firm in the amount of $4,792.50, which was paid in full from a retainer which had been previously provided to the Mackenzie Law Firm.

Each of the aforementioned counsel for LPHI has been paid in full.

B. APPOINTMENT OF THE COMMITTEE

Section 1102 of the Bankruptcy Code provides that as soon as practical after the filing of a voluntary chapter 11 bankruptcy petition, the United States Trustee shall appoint a committee of creditors holding unsecured claims. Accordingly, on January 30, 2015, the United States Trustee appointed the Committee.[15] The original members of the Committee were Bert Scalzo, Adriana

[10] Dkt. No. 278.

[11] Dkt. No. 981.

[12] Dkt. No. 303.

[13] Dkt. No. 318.

[14] Dkt. No. 561.

[15] Dkt. No. 42.

Atchley, and Glenda Pirie. On June 4, 2015, following the commencement of the Subsidiary Debtors' Chapter 11 Cases, the U.S. Trustee filed its Amended Notice Appointment of the Committee, adding members Robert "Skip" Trimble and Marc Redus. Subsequently, on June 23, 2015, Atchley submitted her resignation from the Committee, and effective as of September 15, 2015, Pirie submitted her resignation from the Committee. Both Atchley and Pirie indicated a desire to focus on personal matters and their resignations have been accepted by the Committee. The current members of the Committee are Robert "Skip" Trimble, Marc Redus, and Bert Scalzo. Pursuant to a Bankruptcy Court order entered on April 6, 2015, the law firm of Munsch, Hardt, Kopf & Harr, P.C. ("Munsch Hardt") was appointed as counsel to the Committee.[16] As of March 24, 2016, Munsch Hardt has been paid a total of $1,673,802.09, representing $1,654,587.03 in fees and $19,147.99 for the reimbursement of expenses incurred through January 31, 2016.

On December 4, 2015, the Court entered an order approving the Committee's retention of Lewis & Ellis, Inc. and D3G Capital Management, LLC (collectively, the "Policy Data Analysts") as the Committee's Policy Data Analysts in these Chapter 11 Cases.[17] As of March 24, 2016, the Policy Data Analysts have been paid a total of $152,460.00, representing $152,460.00 in fees and $0.00 for the reimbursement of expenses incurred through November 30, 2015.

C. AD HOC AND OTHER INFORMAL COMMITTEES AND GROUPS

In addition to the Committee, certain ad hoc committees and other groups have been formed by certain creditors and parties in interest, which have participated in the Chapter 11 Cases.[18] There is an Ad Hoc Committee of Direct Fractional Owners of Life Settlement Parties, an Amicus Curiae Committee of Fractional Interest Holders, a Small Individual Investors Group, and a group of Certain IRA Investors, among others.

On April 15, 2015, Pardo field a motion seeking to compel the U.S. Trustee to form an official committee of shareholders of LPHI, to which the Committee objected and sought to conduct discovery upon Pardo. Pardo withdrew his request on May 11, 2015.[19]

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[16] Dkt. No. 259.

[17] Dkt. No. 1272.

[18] Ad hoc committees are informal committees formed by similarly situated creditors or holders of interests for the purpose of addressing the common rights and concerns of their members. Since ad hoc committees are neither appointed by the U.S. Trustee nor the Bankruptcy Court, the payment of the fees and expenses of professionals retained by members of ad hoc committees are generally not borne by the debtor's bankruptcy estate, except upon a motion of the ad hoc committee for reimbursement of expenses on the grounds that the ad hoc committee made a "substantial contribution" that conferred a direct benefit upon the debtor's bankruptcy estate. Any request for Court approval of fees or reimbursement to any ad hoc committee or other group based on "substantial contribution" will proceed on a case-by-case basis and only if such an applicant elects to seek this relief.

[19] *See* Dkts. Nos. 273, 329.

D. THE APPOINTMENT OF THE CHAPTER 11 TRUSTEE

On January 23, 2015, the SEC filed a motion (the "SEC Trustee Motion") with the Bankruptcy Court, seeking the appointment of a chapter 11 trustee to replace LPHI's management. On January 26, 2015, the United States Trustee filed its own motion (the "U.S. Trustee's Motion") for an order appointing a chapter 11 trustee (the SEC Trustee Motion and U.S. Trustee's Motion are hereafter collectively referred to as the "Trustee Motions"). On February 5, 2015, the Committee filed a joinder in the Trustee Motions. Evidentiary hearings on the Trustee Motions were held before the Bankruptcy Court on February 9, 10, 12, 17, and 19, and March 3, 2015.

Prior to a determination of the Trustee Motions, LPHI announced that Pardo had resigned as president, chief executive officer and chairman of LPHI's board of directors and as an officer of the Subsidiary Debtors, and Peden had resigned as secretary of LPHI and as an officer of the Subsidiary Debtors. LPHI further announced: (i) the appointment of Pieper as acting president, chief executive officer, treasurer and secretary of LPHI and acting chief executive officer of the Subsidiary Debtors, in addition to her then existing role as Chief Financial Officer of LPHI; (ii) the appointment of Embry as acting president and secretary of the Subsidiary Debtors in addition to his continuing role as LPI's chief operations officer and chief information officer; and (iii) Pardo and Peden would be retained as "consultants" for LPHI.

Moreover, additional proceedings were held to resolve the SEC's *Emergency Opposed Motion to Supplement the Record Regarding Material Developments Concerning the Motion of the SEC for Appointment of a Chapter 11 Trustee*, filed on February 24, 2015 (the "Motion to Supplement").[20] In the Motion to Supplement, the SEC raised certain press releases and public filings that had been issued by LPHI following the foregoing hearings to consider the Trustee Motions.

On February 25, 2015, the Committee filed its Joinder to the SEC's Motion to Supplement.[21] On February 26, 2015, the Bankruptcy Court entered its order partially granting the Motion to Supplement, and following a further hearing conducted on March 3, 2015, the Bankruptcy Court granted the Motion to Supplement.[22]

At the conclusion of a March 9, 2015 hearing, the Bankruptcy Court issued its findings of fact and conclusions of law with respect to the Trustee Motions. The Bankruptcy Court found that: (i) cause existed for the appointment of a chapter 11 trustee based upon LPHI's gross mismanagement; and (ii) the appointment of a chapter 11 trustee would be in the best interests of creditors, Interest Holders and other parties in interest.

In its bench ruling authorizing the appointment of a chapter 11 trustee, the Bankruptcy Court held that LPHI had committed gross mismanagement: (a) through its filing of false and

[20] Dkt. No. 145.

[21] Dkt. No. 147.

[22] *See* Dkt. Nos. 150, 168.

misleading financial reports with the SEC, which resulted in the Bankruptcy Court finding that it had no confidence that LPHI's management could be relied upon for the full, accurate and transparent disclosures required in a bankruptcy case; (b) by continuing to use reports for insured's life expectancies prepared by Dr. Donald Cassidy (the "Cassidy LEs") for the purpose of attracting potential investors to purchase fractional interests in life policies, even though the Cassidy LEs had proven to be inaccurate and numerous lawsuits had been brought against LPHI alleging that the Cassidy LEs were fraudulent; and (c) by imposing a new, ministerial fee on investors to cover operating expenses at a time when, even though the company was losing revenues, LPHI was continuing to pay exorbitant compensation to Pardo and dividends to shareholders, over 50% of which consisted of shared owned by the Pardo Family Trust.

The Court further concluded that the replacement of Pardo as LPHI's chief executive officer did not allay the Court's concerns about the Debtor's management. Additionally, the Court stated that LPHI's board of directors, the majority of which had not changed since LPHI's bankruptcy filing, was not independent and ultimately, it is the board that runs the company. According to the Bankruptcy Court, LPHI's board had shown little independence from Pardo, and was complicit in the acts of gross mismanagement that the Court relied upon in its decision to appoint a trustee.[23]

Accordingly, on March 10, 2015, the Bankruptcy Court entered an order granting the SEC Trustee Motion, and authorized the U.S. Trustee to appoint a chapter 11 trustee for LPHI, which appointment was subject to the Bankruptcy Court's approval.[24] The U.S. Trustee considered several candidates for the chapter 11 trustee role, including Moran.

On March 13, 2015, the U.S. Trustee filed a notice of appointment of Moran as chapter 11 Trustee for LPHI[25] and, on March 19, 2015, filed an application seeking Bankruptcy Court approval of the such appointment.[26] On March 19, 2015, the Bankruptcy Court entered an order granting the U.S. Trustee's application and approved the appointment of Moran as the chapter 11 trustee for LPHI.[27] On December 18, 2015, the Bankruptcy Court entered an order approving the Chapter 11 Trustee's First Interim Expense Application[28] through which the Chapter 11 Trustee sought reimbursement of $11,849.94 in expenses incurred by him during the period of March 13,

[23] Dkt. No. 188.

[24] As a result of granting the SEC Trustee Motion, the U.S. Trustee's Motion was denied by the Bankruptcy Court as moot.

[25] Dkt. No. 205.

[26] Dkt. No. 225.

[27] Dkt. No. 229.

[28] Dkt. No. 1186.

2015 through May 19, 2015.[29] Other than approved expenses, Moran has worked without compensation since his appointment.

E. THE CHAPTER 11 TRUSTEE'S RETENTION OF PROFESSIONALS

The Chapter 11 Trustee on behalf of LPHI and the Subsidiary Debtors has also retained professionals to represent him and the Subsidiary Debtors in these Chapter 11 Cases. Pursuant to an order entered on July 17, 2015, the law firm of Thompson & Knight LLP was retained as counsel to the Chapter 11 Trustee and the Subsidiary Debtors.[30] Pursuant to an order entered on July 17, 2015, ASG was retained as a consultant to the Chapter 11 Trustee and Subsidiary Debtors.[31] Pursuant to an order entered on July 27, 2015, MMS was retained as forensic accountant and portfolio consultant for the Chapter 11 Trustee and the Subsidiary Debtors.[32] Pursuant to an order entered on August 4, 2015, Bridgepoint Consulting, LLC was retained as a financial and restructuring advisor to the Chapter 11 Trustee and Subsidiary Debtors. Pursuant to an order entered on August 3, 2015, Smith, Jackson, Boyer & Bovard PLLC was retained as special tax consultant to the Chapter 11 Trustee and Subsidiary Debtors. Pursuant to an order entered on August 21, 2015, Phillips Murrah P.C. was retained as conflicts counsel to the Chapter 11 Trustee and Subsidiary Debtors. Additionally, the Bankruptcy Court entered an order on July 17, 2015 granting the Chapter 11 Trustee's motion to retain Kimberly D. Hinkle as the new general counsel of the Debtors.[33] Pursuant to an order entered November 19, 2015, the Court approved the retention of Predictive Resources as actuary and accountant to the Chapter 11 Trustee and the Subsidiary Debtors.[34]

In addition to the aforementioned professionals, on February 26, 2016, the Chapter 11 Trustee filed an application to retain the law firm of Sutherland Asbill & Brennan LLP as special counsel in connection with their Application to the SEC for Exemption Order from Registration under the Investment Company Act of 1940.

As of March 24, 2016, the following professionals retained by the Chapter 11 Trustee have been compensated for the following fees and expenses from the Debtors' Bankruptcy Estate for services rendered through January 31, 2016: (i) Thompson & Knight LLP - $8,211,417.77 in fees and $93,093.10 in expenses; (ii) ASG - $662,023.65 in fees and $157,950.83 in expenses; (iii) Bridgepoint Consulting - $874,664.00 in fees and $24,314.51 in expenses; (iv) Smith, Jackson, Boyer & Bovard LLC - $55,045.80 in fees and $1,461.39 in expenses; (v) Phillips Murrah P.C. - $170,162.50 in fees and $4,475.84 in expenses; (vi) Kimberly D. Hinkle - $218,398.26 in fees and

[29] Dkt. No. 1361.

[30] Dkt. No. 632.

[31] Dkt. No. 631.

[32] Dkt. No. 680. Subsequently, in September 2015, MMS withdrew from the engagement.

[33] Dkt. No. 629.

[34] Dkt. No. 1243.

$17,058.51 in expenses; and (vii) Predictive Resources - $192,826.40 in fees and $9,884.52 in expenses.

On October 30, 2015, MMS filed its Application for Compensation seeking approval of $301,687.50 in fees and $43,304.99 in expenses from the Debtors' Bankruptcy Estate for services rendered through September 30, 2015.[35] Certain parties objected to MMS Application for Compensation. MMS ultimately agreed to a $100,000.00 fee reduction to resolve the objections. On March 22, 2016, the Bankruptcy Court approved MMS's agreed compensation of $201,687.50 in fees and $43,304.99 in expenses.

F. THE GOVERNANCE MOTION

Within a week of his appointment, in order to, among other things, ensure an orderly restructuring of the integrated Life Partners entities, the Chapter 11 Trustee filed his emergency Governance Motion with the Bankruptcy Court for authority to amend the governing documents of the Subsidiary Debtors and file voluntary chapter 11 bankruptcy petitions on their behalf.[36] In the Governance Motion, the Chapter 11 Trustee sought to: (i) remove the existing boards of directors for LPI and LPIFS; (ii) amend the governing documents of LPI and LPIFS to reduce the size of their respective boards to one member; and (iii) elect himself as the sole director of LPI and LPIFS for the purpose of, among other things, filing voluntary chapter 11 bankruptcy petitions on their behalf. On April 7, 2015, the Bankruptcy Court granted the Governance Motion.[37]

G. THE SUBSIDIARY DEBTORS' BANKRUPTCY FILING

On May 19, 2015 (the "Subsidiary Petition Date"), the Chapter 11 Trustee filed voluntary chapter 11 bankruptcy petitions on behalf of the Subsidiary Debtors.[38] On May 22, 2015, the Bankruptcy Court entered an order jointly administering the LPHI and Subsidiary Debtors' Chapter 11 Cases.

H. FIRST DAY MOTIONS

On the Subsidiary Petition Date, the Chapter 11 Trustee filed a series of motions (the "First Day Motions") for the purposes of stabilizing and ensuring the Debtors' ongoing business operations. These motions sought entry of orders authorizing the Chapter 11 Trustee and the Subsidiary Debtors to: (i) pay prepetition employee wages, salaries and payroll taxes, unreimbursed business expenses and honor existing benefit plans and policies in the ordinary course of business (the "Wage Motion"); (ii) continue workers' compensation, liability, property

[35] Dkt. No. 1164.

[36] Dkt. No. 240.

[37] Dkt. No. 261.

[38] Dkt. No. 336.

and other insurance programs, and enter into premium financing agreements for such insurance in the ordinary course of business (the "Insurance Motion");[39] (iii) provide adequate assurances of payments to utilities serving the Debtors, and prohibiting such utilities from altering, refusing or discontinuing services to the Debtors (the "Utilities Motion");[40] and (iv) pay pre-petition taxes and related obligations in the ordinary course of business (the "Tax Motion").[41] On June 17, 2015, the Bankruptcy Court entered orders granting the Wage Motion, Insurance Motion, Utilities Motion and Tax Motion.[42]

I. THE BAR DATE FOR FILING CLAIMS

Pursuant to a July 2, 2015 order of the Bankruptcy Court, September 1, 2015 was fixed as the last date for creditors to file proofs of Claims against the Debtors, except for governmental entities who had until November 16, 2015 to file proofs of Claims against the Debtors' bankruptcy estates.[43] Under generally applicable bankruptcy law, the claims of creditors who did not file proofs of Claims by such deadlines will be barred from receiving a distribution in these Chapter 11 Cases or voting on the Plan, except for: (i) creditors whose Claims were listed as neither contingent, unliquidated or disputed in the Bankruptcy Schedules filed with the Bankruptcy Court on behalf of the Debtors (including any amendments thereto); (ii) creditors whose Claims arise out of the rejection of executory contracts and unexpired leases, provided such creditors file a proof of Claim no later than the deadline provided by the Confirmation Order; and (iii) creditors who obtain entry of an order of the Bankruptcy Court allowing a late-filed Claim.

J. THE DEBTORS' ASSETS

It is the Chapter 11 Trustee's position that the Debtors' assets consist primarily of their interests in life insurance Policies which LPI purchased as Life Settlements. These Policies have a face value of approximately $2.4 billion. However, certain holders of Fractional Interests dispute this contention, and assert that the holders of Fractional Interests are the actual beneficial owners of such Policies. This Ownership Issue (as defined herein) is being resolved pursuant to the Plan. Each Person holding a Fractional Interest Claim (investors in fractional interests directly and through IRAs) will have the right to make Elections under the Plan , and all of the Debtors' rights in the Policies (including all Fractional Interests contributed to it pursuant to the Plan) will be contributed to the Policy Fund.

[39] Dkt. No. 340.

[40] Dkt. No. 341.

[41] Dkt. No. 342.

[42] Dkt. Nos. 481, 482, 483, 484.

[43] Dkt. No. 564.

Also included in the Debtors' assets are receivables for premium advances made by LPI to fund premiums payable by investors who defaulted on their premium payment obligations. LPI's ownership of these receivables is not in dispute, and under the investment contracts signed by investors, LPI has a right to enforce the "abandonment" (*i.e.*, claim ownership) of the Fractional Interests with respect to which the premium payment defaults relate. Fractional Interests relating to approximately $180 million in death benefits under Policies are presently subject to abandonment. The Chapter 11 Trustee and the Debtors attempted to monetize the related premium advance receivables, or use them as collateral for a loan, but were unsuccessful in obtaining any offers to buy the receivables or accept them as collateral for a loan. Under the Vida Plan, these Policies constitute "Abandoned Fractional Interests" and will be transferred to the Policy Fund.

Other than asserted ownership interests in the Policies, the Debtors' significant assets, not including Intercompany Claims, consist of: (i) Cash, which as of March 18, 2016 was approximately $197,000.00 for LPHI, $1,449,000.00 for LPI and $41,000.00 for LPIFS, (ii) office furniture and equipment whose value was listed at approximately $115,000 in the Bankruptcy Schedules filed by LPI with the Bankruptcy Court,[44] and (iii) various causes of action (discussed in the main Disclosure Statement and in this Appendix).

K. SUMMARY OF FILED PROOFS OF CLAIM

As of March 1, 2016, over 20,000[45] proof of claims had been filed in these Cases (1,580 against LPHI; 18,106 against LPI; and 751 against LPIFS). Many claimants filed identical proofs of claim in each of the three Cases, and most claims were filed by investors in the LPI Case. Aside from the claims of the SEC and the taxing authorities described below, and other than the duplicative claims filed by investors, relatively few claims are asserted against LPHI or LPIFS. And, in any event, to the extent there are claims asserted against more than one Debtor, the Plan proposes that the Estates be consolidated for distribution purposes.

1. Investor Claims.

Nearly all of the proofs of claim filed against LPI were filed by investors.

According to the Chapter 11 Trustee, the Debtors' books and records reflect that there are approximately 62,000 former investors and 20,000 current investors. In contrast to the high number of claims by investors that purport to hold claims related to Fractional Interests, only around 502 former investors filed claims in the three Cases combined.

[44] After the Petition Date and prior to the filing of this Disclosure Statement, LPHI sold the real property and improvements located in Waco, Texas (Dkt. No. 815), and LPI and LPHI sold certain prehistoric artifacts and other personal property (Dkt. No. 1053).

[45] This number incorporates deductions for obvious duplicate claims. The actual/raw number of proofs of claim filed is approximately 24,000.

In addition to the sheer number of claims filed by investors, the stated theories for calculation and substantive basis of the claims of investors vary widely, [46] which makes detailed claims analyses difficult in these Chapter 11 Cases. For example, more than 10,000 investor proofs of claim assert an "ownership" interest in a Policy or Policies. Other investors assert a secured or "priority" claim, though the Debtors contend there is no support for any assertion of security or priority by investors with respect to pre-petition amounts. In other instances, investors make multiple, different annotations on the claim form(s), often with insufficient information upon which to base a conclusion or perform additional analysis. Still other investors assert claims arising from pending litigation, including the MDL Litigation and the Class Proofs of Claim.

2. **Taxing Authority Claims.**

Taxing authorities filed more than $7 million in secured and priority tax claims, some of which, as in the case of certain real estate taxes, have been subsequently paid in connection with court-approved asset sales. The Internal Revenue Service[47] and the State of Texas each have open audits, and the Debtors are participating in those processes. The local county has also reassessed the Debtor for use tax on the plane owned by Brian Pardo (and seized by the SEC after the LPHI Petition Date), which assessment the Debtor disputes, according to the Chapter 11 Trustee. The Chapter 11 Trustee has stated he expects to further contest and reduce the total amount of pre-petition tax claims against the Estates.

3. **Other Secured Claims.**

While the majority of proofs of claim filed asserting secured status were filed by investors as described above, other claims approximating $630,000 and asserting secured status were filed, including a minor equipment lease ($10,000); insurance premium financing ($68,000); administrative, licensee claims ($115,000; disputed), refunds payable $43,000; disputed), shareholders ($189,000; disputed); personal property taxes ($46,000; disputed) and real estate taxes ($161,000; see tax note above).

4. **General Unsecured Claims.**

Former Investors. As described above, former investors have filed proofs of claim against the Debtors. These claims total over $20 million,[48] which amount does not include any claims filed as unliquidated or contingent (whether in full or in part). The Chapter 11 Trustee states that he has

[46] The calculation of the claims made by investors have wide variation. For example, purchase price; purchase price, plus subsequent payments; face value of a policy; face value of the percentage referenced in the investment contract; an estimated sum certain; and any of the forgoing, plus arbitrary damage or other supplemental calculations. Still other proofs of claim were filed as or include unliquidated/unknown and/or undetermined amounts.

[47] The IRS asserts a priority claim of approximately $6.2 million and a general unsecured claim of approximately $1.8 million. These claims relate to, among other things, an alleged failure to withhold tax on foreign distributions made by third parties, which claims the Debtors dispute.

[48] This figure includes at least 6 proofs of claim (totaling $977,816.00) of Persons that the Debtors' records do not show are or were ever investors.

not yet undertaken a thorough review of these proofs of claim, and thus the Allowed amount of these claims could be greater or smaller.

SEC. The SEC filed proofs of claim against LPHI in the amount of the SEC Judgment ($38.7 million). The Plan contemplates a resolution of the SEC's claim against LPHI whereby the SEC would essentially permit redistribution of amounts due to it on account of its Allowed Claim to investors.

Seller Claims. Certain individuals filed proofs of claim for Policies LPI evaluated but did not purchase, for which no claim is believed to exist. Certain other individuals sold one or more life insurance policies insuring his or her life to LPI prior to the bankruptcy proceeding, and have filed proofs of claim asserting the right to take the policies back, typically without return of the amount LPI paid to purchase the policy. Other claims lack sufficient supporting documentation, and in some cases no supporting documentation, and therefore require further analysis. In total, these claims amount to approximately $51 million. The Chapter 11 Trustee states that the Debtors dispute the validity of these claims, and, in any event, such claims would be subject to setoff. To the extent any such claims are ultimately Allowed Claims, they would likely be treated as General Unsecured Claims against LPI.

Other Non-Investor Claims. There are relatively few General Unsecured Claims that were not filed by investors. Other than the tax, litigation, SEC, and claims of sellers described above, and excluding shareholder and intercompany claims, these claims generally break down into claims asserted by licensees,[49] banks,[50] trade and/or legal service providers,[51] Persons claiming refunds due,[52] employees,[53] contract counter-parties,[54] and miscellaneous.[55] Claims of noninvestors (excluding tax, litigation, SEC, shareholders and Intercompany Claims) total approximately $4 million. This number does not include any non-investor General Unsecured Claims filed (in full or in part) as contingent or unliquidated. While the Chapter 11 Trustee has not undertaken a detailed analysis of each of these claims, the Debtors may have defenses to these claims, including the right to setoff and/or equitable subordination.

[49] Approximately $379,000.00.

[50] Approximately $74,000.00.

[51] Approximately $2,500,000.00.

[52] Approximately $71,000.00.

[53] Approximately $476,000.00.

[54] Approximately $70,000.00.

[55] Approximately $416,000.00.

L. THE OWNERSHIP ISSUE

One of the principal issues in controversy in these Chapter 11 Cases has been who the "beneficial" or "equitable" owners of the Policies are – LPI or some or all of the current Fractional Interest holders (referred to as the "Ownership Issue"). The Ownership Issue has been raised by multiple parties, but has not yet been decided by the Bankruptcy Court. The Bankruptcy Court has recognized, and the Texas Supreme Court has held, that LPI is the "legal" owner of all of the Policies.[56] As set forth above, the Policies were purchased by LPI, and LPI sold Fractional Interests to investors to raise money to pay for them, and to generate fee and commission income. Title to the Policies was recorded in the name of LPI, and third party agents were designated by LPI as the beneficiaries of the Policies. The Chapter 11 Trustee states that he has been unable to locate any document that purports to transfer title to or ownership of any of the Policies, or any "fractional interest" in any Policies, to any investor. In addition, according to the Chapter 11 Trustee, with very few exceptions, no transfer of ownership to, and no lien in favor of, any investor was recorded with the insurance company that issued the Policy. The typical transaction did not include any unrecorded assignment, deed, bill of sale, or other conveyance document which even purports to transfer an ownership interest in any Policy from LPI to any investor, or to any trust for the benefit of any investor. Thus, as of the Subsidiary Debtors Petition Date, there was uncertainty as to the extent of LPI's legal and equitable ownership interest in the Policies; however, LPI's status as issuer of the outstanding Fractional Interests is not in controversy.

Various parties in the Chapter 11 Cases have asserted that, among other things, the transaction documentation presented to investors expressly created an agency relationship between LPI and each Fractional Interest holder with respect to holding title on behalf of the Fractional Interest holder (or, in the case of IRA Holders, a trustee). That is, that LPI was the "agent," holding legal title to Fractional Interests on behalf of investors, and that LPI therefore owned only bare legal title in furtherance of the agency relationship. Likewise, allegations have been made that LPI historically treated Fractional Interest holders (or, in the case of IRA policies, a trustee) as owners of Fractional Interests for various purposes, including requiring payment of premiums and fees associated with the Policies. As such, these parties assert that the Policies are not owned by LPI and are therefore not property of LPI's bankruptcy Estate. On June 19, 2015, KLI Investments ("KLI") and certain other entities initiated an adversary proceeding against LPI seeking a determination of the Ownership Issue.[57] On August 6, 2015, the Court entered a scheduling order for the KLI Adversary setting an expedited timetable for determination of the Ownership Issue. Thereafter, several parties filed motions to intervene in the KLI Adversary joining the named plaintiffs in seeking a determination of the Ownership Issue. On September 21, 2015, the Court granted all of the motions to intervene. On October 6, 2015, the parties filed their *Joint Motion to Abate Adversary Proceeding* ("Motion to Abate") in view of a potential settlement of the

[56] *Life Partners, Inc. v. Arnold,* 464 S.W.3d 660, 664 (Tex. 2015).

[57] The KLI Adversary is styled as follows: *KLI Investments, et al. v. Life Partners, Inc.*, Adv. 15-04051 (Bankr. N.D. Tex. 2015).

Ownership Issue. On October 15, 2015, the Court granted the Motion to Abate, and as a result, the KLI Adversary has been abated.

On December 22, 2015, nine life settlement funds filed an adversary proceeding alleging that they collectively purchased Fractional Interests entitling them to more than $42 million in policy proceeds upon maturity and that they, not LPI, own the insurance policies underlying their investment, either in whole or in part. The funds alleged that LPI acted only as a broker, matching sellers of life insurance policies with interested purchasers such as the funds. The funds request a declaratory judgment that the Debtors do not have an ownership interest in the Policies underlying their investments, and that those Policies are not property of the Debtors' Estates. LPI has moved to abate that adversary proceeding, or consolidate it into the Garner Class Action (as defined below). That request remains pending. A hearing on that request has been set for May 4, 2016.

The Plan fully resolves the Ownership Issue by providing investors with a choice of treatment, as discussed in the body of the Disclosure Statement and in the Plan.

M. THE CLASS ACTION LAWSUITS

Since the Subsidiary Petition Date, two putative class action adversary proceedings have been commenced against LPI by investors in the Bankruptcy Court. On July 19, 2015, Philip M. Garner, on behalf of himself and all others similarly situated, commenced a class action adversary proceeding against LPI (the "Garner Class Action") relating to investors' purchases of Fractional Interests in Life Settlements from LPI.[58] The complaint seeks a declaratory judgment that the class members are the equitable owners of the Fractional Interests that they purchased from LPI, and that the class members' Fractional Interests in Life Settlements are not property of the Debtors' bankruptcy Estates. The Garner Class Action was later amended to add additional named plaintiffs.

On July 28, 2015, Michael Arnold and others, on behalf of themselves and all others similarly situated, commenced a class action adversary proceeding against LPI (the "Arnold Class Action"), asserting that LPI's sale of interests in Life Settlements constituted a sale of unregistered securities under the Texas Securities Act.[59] The complaint seeks the rescission of the class members' purchase of Fractional Interests and the return of all monies invested by plaintiffs, including the initial investment amount and all subsequent amounts invested, pre-judgment and post-judgment interest, and attorneys' fees.

The Garner Class Action Litigants and the Arnold Class Action Litigants also filed proofs of Claims on behalf of themselves and all others included in the class definitions in the Garner Class Action and the Arnold Class Action (the "Class Proofs of Claim").

[58] *Garner v. Life Partners, Inc.*, Adv. No. 15-04061 (Bankr. N.D. Tex. 2015)

[59] *Arnold v. Life Partners, Inc.*, Adv. No. 15-04064 (Bankr. N.D. Tex. 2015).

The Trustee, certain other parties and the plaintiffs in the Garner Class Action and Arnold Class Action have reached a settlement of the Garner Class Action, the Arnold Class Action, and the Class Proofs of Claims (the "Class Action Settlement"), which is subject to class certification by the District Court and Bankruptcy Court approval. A description of this settlement is contained in the Disclosure Statement for the Trustee/Committee Plan. Vida's Plan contains an "overall" settlement of the Ownership Issue, but does not specifically incorporate the Chapter 11 Trustee's Class Action Settlement, as Vida believes its Plan sufficiently and properly settles the issues raised in the Class Actions.

N. THE SUBSIDIARY DEBTORS' EXCLUSIVE PERIODS TO FILE AND SOLICIT A PLAN

On June 22, 2015, only 34 days after the Subsidiary Petition Date, certain creditors filed a motion (the "Termination Motion") to terminate the Subsidiary Debtors' Exclusive Period, which was joined by the Ad Hoc Committee of Direct Fractional Interest Owners of Life Settlement Policies. The Termination Motion asserted that the Subsidiary Debtors were not entitled to the Exclusive Period because the Chapter 11 Trustee for LPHI "is effectively administering the Subsidiary Debtors Chapter 11 Cases as if he had been appointed the Chapter 11 trustee of the Subsidiary Debtors." Alternatively, the Termination Motion asserted that the Subsidiary Debtors' Exclusive Period should be terminated for cause. The Chapter 11 Trustee and the Committee both filed responses to the Termination Motion. At an August 28, 2015 hearing, the Court denied the Termination Motion.

On September 16, 2015, the Chapter 11 Trustee and Subsidiary Debtors filed a motion (the "Extension Motion") to extend the Subsidiary Debtors' Exclusive Period. On October 29, 2015, the Bankruptcy Court entered an order granting the Extension Motion and extending the Subsidiary Debtors' exclusive time to file a plan to January 4, 2016, and exclusive period to solicit acceptances to a plan to March 4, 2016.[60] The Solicitation Period lapsed on March 4, 2016 when the Bankruptcy Court refused to further extend that period on just one days' notice provided by the Chapter 11 Trustee. As a result, Vida filed its Plan and Transparency Alliance LLC filed its plan.

O. THE FINANCING MOTION AND MATURITY FUNDS FACILITY

When the Chapter 11 Trustee was appointed, Life Partners had limited liquid assets. Under the LPI business model, investors are responsible for meeting premium calls. When premium calls are not met, LPI has to find money to fund the shortfall or the policy may lapse (with all associated value lost). As of the LPHI Petition Date, according to the Chapter 11 Trustee, LPI had limited Cash on hand to pay the premiums due on Policies that had neither CSV nor sufficient premium reserves to pay the premiums (the "Distressed Policies"). By September 2015, the collection rate on premium calls to investors had dropped to roughly 54% from pre-bankruptcy levels of approximately 90%.

[60] Dkt. No. 1148.

As a result, on September 16, 2015, the Chapter 11 Trustee and Subsidiary Debtors filed a motion with the Bankruptcy Court seeking approval of post-petition financing for the Debtors (the "Maturity Funds DIP Motion").[61]

Pursuant to the Maturity Funds DIP Motion, the Chapter 11 Trustee and Subsidiary Debtors requested: (a) the immediate use on an interim basis of an amount of Maturity Funds (as defined below) necessary to avoid immediate and irreparable harm to the Estates (the "Interim Loaned Maturity Funds"), and (b) a final order approving the use of up to $25 million of Maturity Funds (the "Final Loaned Maturity Funds", and collectively the "Maturity Funds Loans") to:

i. pay or reimburse premiums on abandoned interests and Distressed Policies from March 13, 2015 forward as to LPHI and from May 19, 2015 forward as to LPI and LPIFS approximately $5 million;

ii. pay or reimburse operating expenses from March 13, 2015 forward as to LPHI and from May 19, 2015 forward as to LPI and LPIFS approximately $3 million;

iii. pay or reimburse expenses for the bankruptcy Claims and Noticing Agent, Epiq Systems approximately $3 million; and

iv. pay reasonable and necessary administrative expenses incurred by the Chapter 11 Trustee or any of the Debtors in accordance with an agreed budget to be filed with the Court, in an amount not to exceed $14 million.

The use of Maturity Funds as described above is referred to as the "Maturity Funds Facility." All Maturity Funds Loans are withdrawn pro rata from all maturities being held in escrow at the time a draw is made.

As security for such financing, if the Bankruptcy Court later determined that investors owned separate property interests in the Loaned Maturity Funds or a confirmed plan of reorganization provided for such treatment, the Chapter 11 Trustee and the Subsidiary Debtors agreed to: (i) the repayment of the Maturity Funds Loans with interest at 10% per annum; (ii) the granting of first priority liens and security interests in the Debtors' Policy-related assets and causes of action; (iii) a super-priority administrative expense; and (iv) repayment at or near the effective date of the Chapter 11 Trustee and Subsidiary Debtors' chapter 11 plan.

On October 7, 2015, the Bankruptcy Court entered an order (the "Interim Financing Order") granting the Maturity Funds DIP Motion on an interim basis, authorizing the Debtors to utilize up to $1,600,000 of the Maturity Funds.[62] On October 23, 2015, the Bankruptcy Court

[61] Dkt. No. 958.

[62] Dkt. No. 1073.

entered an order (the "Financing Order") granting the Maturity Funds DIP Motion on a final basis, authorizing the Debtors to utilize up to $25,000,000 of the Maturity Funds.[63]

As of March 24, 2016, ATLES and PES were holding in excess of $43.9 million in funds generated by the maturity of life insurance policies (the "Matured Policies"), and another $57.1 million in face amount of Policies had matured and were in process of being collected by LPI. These maturity proceeds, along with future maturities (collectively referred to as the "Maturity Funds") are being held pending a determination of the Ownership Issue by the Bankruptcy Court, subject to use as permitted by the Order approving the Maturity Funds DIP Motion. Additionally, there is approximately $145 million of CSV associated with the Policies.

On November 5, 2015, the first advance under the Maturity Funds Facility was made in the amount of $6.3 million. As of March 15, 2016, approximately $17,087,000.00 of the Maturity Funds Facility has been advanced.

Claims arising under the Maturity Funds Facility will be paid in full on the Effective Date. Each current holder of Fractional Interests and IRA Holders will receive a report detailing (i) all Maturity Funds relating to such holder's Fractional Positions that have been deposited into escrow and the date of each deposit and (ii) the portion of such Maturity Funds that have been advanced to the Debtors as Maturity Fund Loans.

P. THE CHAPTER 11 TRUSTEE'S INVESTIGATION OF THE DEBTORS' BUSINESS PRACTICES

Following his appointment, the Chapter 11 Trustee began an investigation into the Debtors' pre-bankruptcy business practices. This investigation included an analysis of the Life Partners business enterprise, with a particular emphasis on investigating the allegations that resulted in the judgment entered in the SEC Action. The Chapter 11 Trustee's conclusions were presented to the Bankruptcy Court in testimony and by the Declaration of H. Thomas Moran II In Support of Voluntary Petitions, First Day Motions and Designation as Complex Chapter 11 Case (the "Initial Fraud Report"),[64] followed by the Trustee's report concerning his investigation of the Debtors' Pre-Petition Business Conduct (the "Official Fraud Report" and together with the Initial Fraud Report, the "Fraud Reports").[65]

As set forth in detail in the Fraud Reports, the Chapter 11 Trustee contends that Life Partners devised and executed a wide-ranging scheme to defraud its investors, which took place over the course of a number of years, and occurred in a number of ways, including, but not limited to:

[63] Dkt. No. 1127.

[64] Dkt. No. 347.

[65] Dkt. No. 1584. Certain interested parties dispute the Chapter 11 Trustee's conclusions, including H. Peyton Inge.

- Use of unreasonably short life expectancies ("LEs") in the sale of its so-called "fractional investments";
- Material misrepresentation of the returns investors could expect;
- Misrepresentations regarding whether policies had lapsed and the resale of lapsed interests;
- Charging massive, undisclosed fees and commissions, the total amount of which, in many cases, exceeded the purchase price of the policies themselves;
- Repeated misrepresentation of Life Partners' business practices in order to maneuver around securities regulatory regimes;
- Egregious and continuous self-dealing by insiders;
- Failure to disclose CSV;
- Forcing investors to abandon Fractional Interests, many of which were then resold for personal gain;
- Systematic financial mismanagement, including improper payment of dividends;
- Faulty and inconsistent record keeping, including with respect to the "escrow" companies and purported "trusts";
- Commingling and unauthorized use of investor monies;
- The offer and sale of unregistered securities; and
- Implying the investment structure was a permissible investment for an IRA, and failing to disclose the risks if it was not.

1. **LPI Purposefully Reduced Life Expectancies to Lure Investors, Inflate Profits.**

In a Life Settlement transaction, the estimate of an Insured's LE is a critical factor in determining the purchase price that investors are willing to pay. Investors will often pay more to acquire Life Settlements that have shorter LEs, as they may receive a payout on their investment from death benefits sooner, and the anticipated period of time during which they may have to make premium payments to maintain their investment is shorter.

The Chapter 11 Trustee has determined that LPI purposefully used short LEs in the sale of the purported "Fractional Interests" to induce investors to invest in its Life Settlements. In short, LPI used a captive LE underwriter (paid on commission) to create a false arbitrage between the LEs LPI used to buy the policies in the first instance and the much shorter ones LPI used to market its investment "opportunities" to investors.

Specifically, according to the Chapter 11 Trustee, LPI evaluated and purchased life insurance policies accompanied by LEs prepared by companies well-respected in the life insurance industry. Those LEs were never shared with potential investors. Rather, starting in 1999, LPI hired Cassidy, who had no actuarial training, to create LEs for marketing of life insurance policies to retail investors. From that time until 2011, LPI marketed life insurance policies to investors accompanied solely by Cassidy LEs. LPI typically only purchased life insurance policies where the Cassidy LEs were materially shorter than the independent LEs that originally accompanied the policies and had been used to price the policy in the Life Settlement market: on average, Cassidy LEs were only approximately half as long as the independent LE that originally accompanied the policies and had been used to price the policy in the Life Settlement market. Thus, for those policies that Life Partners ended up offering, the Cassidy LEs were generally materially shorter than those provided by the industry standard LE providers.[66]

According to the Chapter 11 Trustee, LPI's use of the Cassidy LEs created a fraudulent spread between the lower prices at which LPI bought policies and the artificially higher price that was the result of LPI's use of, and the retail investors' reliance on, the Cassidy LEs – a centerpiece of LPI's fraudulent scheme. Life Partners misrepresented that Cassidy's methodology was consistent with well-known life expectancy provider firms when, in fact, the opposite was true. The shorter Cassidy LEs made the investment with LPI appear more attractive, causing retail investors to pay more than what the investment was worth. Later, LPI concealed from its investors the fact that insureds, in most cases, were materially outliving the Cassidy LEs. In fact, in its marketing materials, LPI represented that there were an insignificant number of policies that had exceeded their LEs, a statement which LPI knew to be false. Moreover, LPI failed to disclose that it possessed industry-standard LEs that were on average twice the length of the Cassidy LEs.

In addition, as a result of Cassidy's inaccurately short LEs, in the vast majority of cases, the up-front monies LPI collected from investors to pay premiums over LPI's projected "term" of the investment ultimately were insufficient, and premium calls were routinely required. In the twelve (12) months ending March 31, 2015, LPI billed investors over $72 million to cover premiums on policies, and investors paid over $67 million of that amount.

The result of escrowing premiums based on the misleadingly short Cassidy LEs was a correspondingly high likelihood that premium calls would be required, causing the ultimate cost of the investment to be much greater than the investors originally anticipated. A substantial number of investors continue to pay premiums. And investors who were unable to afford the premium calls prior to the commencement of the Chapter 11 Cases were often forced to either abandon their investments or sell out of their investments in distressed circumstances.

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[66] Cassidy had no experience rendering LEs and no actuarial experience prior to his work with Life Partners. Life Partners did not conduct any due diligence on his qualifications to provide underwriting for LEs of the insureds; Pardo simply met Cassidy at a funeral of the doctor who previously rendered LEs for Life Partners and shortly thereafter agreed he would take over that role. Cassidy was originally paid $500 for each policy he reviewed that LPI actually purchased. Later, his compensation was revised to include a monthly retainer of $15,000, and in addition, he received a bonus of $500.00 for every policy LPI was able to sell to investors.

For many investors who could not afford to make any further investments into Fractional Interests,[67] LPI failed to disclose that the related policies could have been maintained for years into the future using the existing CSV in the policies. The investors, totally reliant on LPI to manage their investments for them (as noted by the Texas Supreme Court in its opinion), could not even call the insurance company and ask if there was any CSV because LPI, as the record owner, was the only party to whom the insurance company would talk about the policy.

2. **LPI Concealed From Investors the Actual Purchase Price of the Polices and the Substantial Commissions and Fees Charged by LPI and Its Licenses.**

In addition, Life Partners failed to disclose the price LPI paid to purchase the policy and the magnitude of the fees and commissions paid to LPI and its licensees. By way of example, in 2008, one Confidential Case History ("CCH")[68] used by LPI to solicit investors described the opportunity to purchase an investment contract relating to a policy with a face amount of $7,500,000. The CCH showed an acquisition cost of $4,500,000 and an escrow for future premium payments of $1,587,500.[69] In reality, the actual "Retail Closing Worksheet" maintained by LPI[70] – which was not disclosed to the investors – reflected that the amount paid by LPI to the seller for the policy was actually $700,000 with a $75,000 fee to the seller's broker.

In that case, the undisclosed fees that went to the licensees were $540,000, with fees to the escrow company, ATLES, of $7,280 and fees to LPI of $1,589,720.[71] Thus, the fees and commissions paid to LPI and the licensees were over $2.1 million compared to a purchase price for the policy of $700,000. In other words, LPI charged the investors almost $3 million for investment contracts that corresponded to a Life Settlement policy that only cost LPI $700,000. While those investors had to wait to find out whether they would receive any return on their investments, LPI generated a "profit" of over 200% over the actual cost of the policy.[72]

The Chapter 11 Trustee analyzed the distribution of investor funds from January 2007 through February 2015. The information analyzed reflects the following:

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[67] For example, due to limitations on the funds in their IRAs or other cash shortfalls.

[68] CCH is similar to an offering memorandum issued on a specific Policy that only included limited disclosures.

[69] *Id.*

[70] LPI submitted retail closing worksheets to ATLES or PES at the closing of LPI's purchase of the Policy.

[71] *Id.*

[72] In addition, LPI represented that the amount it collected would cover premium payments for four years based on the Cassidy LE "at 2 to 4 years." Notably, the Policy was still in force as of the Chapter 11 Trustee's appointment, nearly 6 years after it was purchased.

Average Breakdown of Distribution of Investor Funds- Jan. 2007-Feb. 2015	Amount		Percentage
Total Cost of Policies		$348,412,457	27.1%
Fees and Commissions			0.2%
▪ Medical Review, Misc. Loan Interest & Escrow Agent Fees	$3,106,831		12.1%
▪ Licensee Commissions	$154,685,367		18.5%
▪ LPI Fees	$237,477,443		30.8%
Total Fees and Commissions		$395,269,641	42.1%
Escrowed Premiums		$539,925,846	100.0%
Total Investor Funds		$1,238,607,944	
Face Value of Policies Purchased		$2,323,542,169	

3. **LPI Benefitted from Its Material Omissions of Cash Value.**

As noted above, LPI also failed to disclose the cash values in the policies, leaving investors in the dark as to a material economic attribute of the policies. In addition, from time to time LPI: (1) instructed the escrow companies to pay funds held to insurance companies which unnecessarily created cash value in the policies; and (2) made premium calls to investors for policies that had significant CSV. As of the Subsidiary Petition Date, LPI's records reflected approximately $187 million in the aggregate for CSV in the policies.

Thus, the investors had no knowledge that LPI was billing them for premium calls that were not needed to maintain the policies. Furthermore, LPI did not disclose that CSV was at risk because it would be lost upon maturity.

As a result, investors were asked to pay amounts they did not need to pay, and, in some cases, investors who could not pay the premiums suffered the unnecessary loss of their investment in circumstances of "distress" that were manufactured by LPI.

4. **LPI Propped Up Its Fractional Model.**

At times, LPI used its own revenue to keep its scheme from being exposed. For example, although each of the investment contracts included a provision that the investor would be deemed to have abandoned the investment if he or she did not pay premium calls, LPI did not routinely

enforce that provision prior to March 2013.[73] Instead, LPI used funding provided by subsequent investments (including the "fees" LPI earned from such investments) to pay outstanding premiums in order to prevent policies from lapsing, thereby generating a false appearance of stability in the portfolio in order to lure more investors to invest in LPI's fraudulent scheme.[74]

5. **Transfers to Insider Company.**

As "defaulted" premium amounts rose and LPI's ability to cover missed premium calls diminished, in roughly March 2013, LPI began to "foreclose" on affected Fractional Interests (irrespective of CSV in a policy). In at least some cases when abandonment or foreclosure occurred, LPI transferred the Fractional Interests to an affiliate of Brian Pardo and his family. These interests were transferred to that entity for an amount described as a "fee" (as opposed to a sales price) that was less than what someone would have paid for a similar position on the "LP Market," along with payment of any premium then due. This essentially enabled Pardo's affiliate to acquire the Fractional Interest for a price below the LP Market, while the original investor lost the entirety of that investment. The affiliate would then most often sell the Fractional Interest for a profit.

6. **LPI Failed to Disclose, and Actively Covered Up, Policy Lapses.**

At times, life insurance policies underlying the investment contracts lapsed. When that occurred, LPI, from time to time, failed to disclose the lapse, even though the investment itself became worthless at time of the lapse. Apparently, some lapses may have been caused by LPI's own negligence in monitoring and maintaining the policies, which was also not disclosed to investors.

LPI also often did not inform investors of the reason for a carrier's non-payment of death benefits in the case of lapse. In some instances, LPI went so far as to use its illicit gains to make payouts to investors whose policies had already lapsed to avoid having to disclose the lapse. Further, in at least a few instances, LPI enabled the resale of Fractional Interests in a policy that had either lapsed or was never successfully purchased in the first instance.

Q. THE PARDO LAWSUIT

On September 11, 2015, the Chapter 11 Trustee and Subsidiary Debtors commenced an action (the "Pardo Litigation") against Pardo for knowingly devising and implementing a scheme to defraud investors who wished to purchase Fractional Interests in insurance policies from LPI and to obtain money and property from such investors by false and fraudulent pretenses, representations, and promises. Thereafter, on October 5, 2015, the Chapter 11 Trustee filed his

[73] Though there were occasions where investors abandoned their investments because they could not or would not pay more premiums.

[74] In addition, it appears that, in some cases, funds contributed by an investor to the premium reserve for a policy and held by PES were used for purposes other than to pay that investor's share of the premiums for that policy, and then the death benefits from that policy were used to reconcile the premium reserve account before any payout to the investors.

Amended Complaint against Pardo and against additional insiders, including, Deborah Carr, Kurt Carr, R. Scott Peden, Linda Robinson also known as Linda Robinson-Pardo, Pardo Family Holdings, Ltd., Pardo Family Holdings US, LLC, Pardo Family Trust, Paget Holdings, Inc., and Paget Holdings, Ltd. (the "Insider Defendants").

The Chapter 11 Trustee seeks damages and the clawback of monies against the Insider Defendants based upon the following claims: actual fraudulent transfer, constructive fraudulent transfer, preferences, fraud, breach of fiduciary duty, alter ego and/or sham to perpetrate a fraud, unjust enrichment and constructive trust, RICO, disallowance of the Insider Defendants' claims, and equitable subordination. Each of the Insider Defendants has filed a motion to dismiss. Briefing is complete. Following a motion by Pardo to withdraw the reference to the Bankruptcy Court, the matter is now being handled in all aspects by the District Court.

On March 11, 2016, the Chapter 11 Trustee and Subsidiary Debtors commenced five adversary proceedings against persons and entities either complicit in, or that received funds and/or property from, the fraud Pardo and the other Insider Defendants perpetrated.[75] *In Moran v. Happy Endings* Adv. Pro. No. 16-04024 (Bankr. N.D. Tex.), the Chapter 11 Trustee asserted claims for fraudulent transfer, preferences, fraud, alter ego, unjust enrichment, and constructive trust against Linda Robinson-Pardo, Pardo's mistress, and her dog shelter to recover funds transferred from Life Partners, Pardo, and the Insider Defendants. The litigation seeks actual damages, costs, and attorneys' fees.

In *Moran v. Robin Rock*, Adv. Pro. No. 16-04034 (Bankr. N.D. Tex.), the Chapter 11 Trustee asserted claims for fraudulent transfer, preferences, alter ego, unjust enrichment, and constructive trust against five offshore entities and one domestic entity that received viatical and life settlement interests from Life Partners for less than fair market value. Indeed, many of the entities paid no fees for the acquisition of many of these interests, and Life Partners paid the premiums on those interests. The litigation seeks to recover actual damages, costs, and attorneys' fees, and to impose a constructive trust on the interests transferred to the entities.

In *Moran v. Ballantyne*, Adv. Pro. No. 16-04039 (Bankr. N.D. Tex.), the Chapter 11 Trustee asserted claims for breach of fiduciary duty, violations of the Texas Securities Act and the Securities Exchange Act of 1934, fraudulent transfer, preferences, unjust enrichment, and constructive trust against the three outside directors who were members of LPHI's board of directors and comprised its audit committee from 2006 until its bankruptcy. The litigation seeks actual damages, costs, and attorneys' fees.

In *Moran v. ESP Communications*, Adv. Pro. No. 16-04027 (Bankr. N.D. Tex.), the Chapter 11 Trustee asserted claims for fraudulent transfer, preferences, unjust enrichment, and constructive trust against an entity owned by Elizabeth Pardo, Brian Pardo's legal wife, that Life Partners paid over $1 million to monitor LPI's employees tracking of insureds. The litigation seeks actual damages, costs, and attorneys' fees.

[75] Copies of these adversary proceedings' complaints are available on the Claims and Noticing Agent's website, at http://dm.epiq11.com/LFP/Project/.

In *Moran v. Cassidy*, Adv. Pro. No. 16-04033 (Bankr. N.D. Tex.), the Chapter 11 Trustee asserted claims for fraudulent transfer, preferences, contribution, fraud, and aiding and abetting fraud against Dr. Donald Cassidy, the medical doctor who provided Life Partners with inaccurate LEs that were provided to potential investors. The litigation seeks actual damages, costs, and attorneys' fees.

Under the Plan, any and all litigation against Insiders and/or Licensees shall be vested in the Reorganized Debtors and contributed to the Litigation Trust.

R. LICENSEE LITIGATION

On October 28, 2015, the Chapter 11 Trustee and Subsidiary Debtors commenced an action (the "Licensee Litigation") against certain Life Partners licensees, for return of the commissions and fees obtained by them as a part of Life Partners' fraudulent scheme. The litigation includes claims for fraudulent transfer against approximately 30 Life Partners licensees and master licensees, including many of the top-grossing sellers of the Life Partners investment contracts. The Chapter 11 Trustee seeks repayment of the fraudulently transferred monies back into the Debtors' Estates. The Chapter 11 Trustee amended his complaint in the Licensee Litigation on December 28, 2015, removing certain defendants from the action and adding certain causes of action. On December 29, 2015, the Trustee filed a second lawsuit against certain licensees who operated as "Master Licensees" under LPI's sales and commissions structure, as well as related principals and entities, including those removed from the Licensee Litigation. The Trustee filed a second adversary proceeding against the remaining Master Licensees on March 11, 2016. The Licensee Litigation also seeks repayment of fraudulently transferred monies into the Debtors' Estates, and alleges fraud and RICO claims (among others) related to the Master Licensees' knowledge and perpetration of Life Partners' fraudulent scheme.

On March 11, 2016, the Chapter 11 Trustee and the Subsidiary Debtors commenced four additional adversary proceedings against certain other Licensees for a return of commissions and fees obtained by them. The litigation includes claims for fraudulent transfer against more than 750 licensees.

Under the Plan, any and all litigation against licensees, including Master Licensees, shall be vested in the Reorganized Debtors and contributed to the Litigation Trust.

S. OTHER LITIGATION BROUGHT BY THE DEBTORS

On March 11, 2016, the Chapter 11 Trustee and Subsidiary Debtors commenced nine adversary proceedings against persons and entities that received proceeds of the fraud perpetuated by Pardo and the Insider Defendants.[76] These adversary proceedings assert claims for fraudulent

[76] Copies of these adversary proceedings' complaints are available on the Claims and Noticing Agent's website, at http://dm.epiq11.com/LFP/Project/.

transfer, preferences, unjust enrichment, and constructive trust, and seek actual damages, costs, and attorneys' fees. These adversary proceedings are brought against:

- Recipients of political contributions from Life Partners. *Moran v. Averritt*, Adv. Pro. No. 16-04032 (Bankr. N.D. Tex.)

- Recipients of charitable contributions from Life Partners. *Moran v. Funds for Life*, Adv. Pro. No. 16-04029 (Bankr. N.D. Tex.); *Moran v. Moran v. American Heart Association*, Adv. Pro. No. 16-04028 (Bankr. N.D. Tex.)

- Employees who were paid by Life Partners but did not work for Life Partners. *Moran v. Atwell*, Adv. Pro. No. 16-04030 (Bankr. N.D. Tex.)

- Various consultants, including investor relations consultants. *Moran v. Coleman*, Adv. Pro. No. 16-04037 (Bankr. N.D. Tex.); *Moran v. Blanc & Otus*, Adv. Pro. No. 16-04031 (Bankr. N.D. Tex.)

- LPHI shareholders who received dividends. *Moran v. Alexander*, Adv. Pro. No. 16-04036 (Bankr. N.D. Tex.)

T. MOTION TO ABATE THE 9006 MOTIONS

On October 21, 2015, the Chapter 11 Trustee and the Committee filed their *Joint, Agreed Motion of the Official Committee of Unsecured Creditors and the Chapter 11 Trustee, to Temporarily Abate Proceedings on Rule 9006 Motions with Respect to Claims Bar Date* (the "Motion to Abate the 9006 Motions").[77] The Motion to Abate the 9006 Motions was filed in response to motions filed by under Bankruptcy Rule 9006 (the "9006 Motions") by various parties (the "9006 Movants") requesting relief from the Bar Date in order to timely file claims after the Bar Date, or to otherwise have their untimely claims deemed timely.

On January 26, 2016, the Bankruptcy Court entered an order granting the 9006 Motions. In addition, on February 12, 2016, LPI filed its amended Schedule F ("LPI's Amended Schedule F"). To the extent any creditor disagreed on the amount(s) scheduled in LPI's Amended Schedule F, and it had not previously filed a proof of claim, it had until March 21, 2016 to do so.

U. COMPROMISE WITH ATLES AND PES

On February 1, 2011, LPI and ATLES entered into an Escrow Services Agreement (the "ESA"), pursuant to which ATLES agreed to act as record beneficiary on life insurance policies and escrow agent with respect to funds received from investors for purposes of Life Settlement closings, to hold funds for payment of policy premiums, and to receive and disburse proceeds of maturities of the policies purchased by LPI. In August 2015, ATLES filed two proofs of claim, each in the amount of $322,229.48 (the "ATLES Claims") for pre-petition amounts due under the

[77] Dkt. No. 1119

ESA. ATLES has further asserted that there are also post-petition amounts due on an administrative expense priority basis under the ESA.

During the Debtors' Chapter 11 Cases, ATLES filed a motion for relief from stay (the "ATLES Lift Stay Motion") seeking to permit ATLES to pay out proceeds from Policies that had matured.

The Debtors and ATLES entered into a Compromise and Settlement Agreement (the "ATLES Settlement") to resolve the disputes between the Debtors and ATLES, which agreement the Bankruptcy Court approved on March 4, 2016.[78] Under the ATLES Settlement: (i) LPI and ATLES have entered into a new servicing agreement; (ii) ATLES will have a single General Unsecured Claim against LPI in the amount of $100,000; (iii) ATLES will have an allowed Administrative Claim in the amount of $310,000 for all amounts due under the ESA from the LPHI Petition Date through the date of Bankruptcy Court approval of the ATLES Settlement; (iv) ATLES will continue to provide certain services under the ESA (the "Post-Petition ESA") on a month-to-month basis, subject to a thirty day notice of termination by either ATLES or LPI; (v) LPI will pay ATLES $10,000 for each thirty-day period following Bankruptcy Court approval of the ATLES Settlement through termination of ATLES; (vi) ATLES will continue to retain all interest on premium deposits and charge fees to investors for Policy administration and transfer services on the same schedule as provided in the ESA; (vii) ATLES will cooperate as reasonably necessary to effect transfer of files and transfer and/or redirection of funds and changes of beneficiaries; (viii) as long as the ESA is in effect, LPI will not seek a transfer of any premium deposit accounts from ATLES, which accounts are part of the income contemplated for ATLES under the Post-Petition ESA; (ix) ATLES, the Chapter 11 Trustee, the Debtors, their Estates and the Committee mutually released their claims against each other; and (x) either ATLES or LPI may terminate the Post-Petition ESA by written notice pursuant to the Post-Petition ESA, prior to the confirmation of the Plan, by sending notice including the effective date of the termination, the proposed recipient of Policy Related Escrows, and the new servicer, if known. Such notice shall be filed with the Court within three (3) business days after such notice is sent and served upon all parties on the consolidated master limited service list.

On September 6, 2011, LPI and PES entered into a Servicing Agent Agreement (the "PES Servicing Agreement"), pursuant to which PES agreed to act as record beneficiary on certain life insurance policies and service agent with respect to those policies, to hold funds for payment of policy premiums, and to receive and disburse proceeds of maturities of the policies. In August and September 2015, PES filed two Proofs of Claim, each in the amount of $13,000 for prepetition amounts due under the PES Servicing Agreement. PES has further asserted that there are also post-petition amounts due on an administrative claims basis under the PES Servicing Agreement.

During the Debtors' Chapter 11 Cases, PES filed two motions (the "PES Lift Stay Motions") for relief from stay seeking: (i) to permit PES to pay out proceeds from Policies that have matured; and (ii) authority to commence an interpleader action in Texas State Court.

[78] Dkt. No. 1577.

The Debtors and PES have entered into a Compromise and Settlement Agreement (the "PES Settlement") to resolve the disputes between the Debtors and PES, which agreement the Bankruptcy Court approved on March 4, 2016.[79] Under the PES Settlement: (i) the PES Servicing Agreement has been rejected; (ii) PES will withdraw its pre-petition claim against the Debtors; (iii) PES will have an allowed Administrative Claim in the amount of $10,000 for all amounts due under the PES Servicing Agreement from the LPHI Petition Date through the date of Bankruptcy Court approval of the PES Settlement; (iv) PES will continue to provide certain services under the PES Servicing Agreement on a month-to-month basis from the date of Bankruptcy Court approval of the PES Settlement through and including a date certain; (v) until termination, PES will charge fees to investors for Policy administration and transfer services on the same schedule as currently provided in the PES Servicing Agreement; and (vi) PES, the Chapter 11 Trustee, the Debtors, their Estates and the Committee mutually agree to release their claims against each other.

In November 2015, LPI and PES consolidated PES operations in the LPI offices, including the remaining PES personnel. Since the consolidation, LPI and PES completed the reconciliation of the PES data related to its policies by position. Prior to the reconciliation, PES maintained data on the policy level only. LPI has paid PES to continue to provide employees and assistance in the transition through the end of March 2016. LPI and PES have also been working with Bank of Texas to open new escrow accounts and transfer the PES escrows to the new accounts. PES will continue to provide assistance with respect to policy administration as needed.

III. FINANCIAL INFORMATION AND RELATED MATTERS

According to the Chapter 11 Trustee, because of his investigation of the Debtors and the SEC Litigation, he determined that LPHI had been experiencing a steady, but sharp decline in its total and current assets since 2011.

The Chapter 11 Trustee retained a forensic accountant and financial advisor to review, among other things, the Debtors' books and records. This has facilitated the Chapter 11 Trustee's filing of the monthly operating reports with the Bankruptcy Court, which show each Debtor's receipts and disbursements on an accrual basis. Results for the periods August through February 2016 are shown below.[80]

[79] Dkt. No. 1578.

[80] These monthly operating reports may be obtained from the Bankruptcy Court's electronic case filing or PACER site. Monthly Operating Reports for periods prior to and including July 2015 were performed on a cash basis, whereas subsequent reports have been performed on an accrual basis. Therefore, we have included only the reports starting with August 2015, for comparability purposes.

LPHI[81]

Month	Receipts	Disbursements	Net Cash Flow
August 2015	$ 5,168	$ 3,459	$ 1,709
September 2015	$ 295,251	$ 4,039	$ 291,212
October 2015	$ 77,117	$ 49,030	$ 28,087
November 2015	$1,391,008	$ 140,580	$1,250,428
December 2015	$ 0	$1,175,865	<$1,175,865>
January 2016	$ 0	$ 187,281	<$ 187,281>
February 2016	$ 0	$ 37,869	<$ 37,869>

LPI[82]

Month	Receipts	Disbursements	Net Cash Flow
August 2015	$ 13,675	$ 641,213	<$627,538>
September 2015	$ 292,678	$ 523,046	<$230,268>
October 2015	$ 633,005	$1,002,572	<$369,567>
November 2015	$6,531,517	$6,121,026	$410,490
December 2015	$7,616,675	$8,591,533	<$974,858>
January 2016	$ 16,786	$ 991,079	$ 111,223
February 2016	$3,498,337	$1,396,403	$2,101,934

LPIFS[83]

Month	Receipts	Disbursements	Net Cash Flow
August 2015	$ 52,937	$ 22,364	<$ 30,573>
September 2015	$1,087,460	$340,662	$746,798
October 2015	$ 224,939	$ 32,994	$191,945
November 2015	$ 57,088	$ 2,276	$ 54,812
December 2015	$ 64,439	$ 8,096	$ 56,343
January 2016	$ 16,786	$501,872	<$485086>
February 2016	$ 24,199	$ 11,989	$ 12,210

[81] Information obtained from LPHI's September 2015, December 2015 and February 2016 monthly operating reports (Dkt. Nos. 1113, 1449 and 1653), adjusted for intercompany cash transfers.

[82] Information obtained from LPI's September 2015, December 2015 and February 2016 monthly operating reports (Dkt. Nos. 1114, 1451 and 1644), adjusted for intercompany cash transfers.

[83] Information obtained from LPIFS September 2015, December 2015 and February 2016 monthly operating reports (Dkt. Nos. 1115, 1450 and 1655), adjusted for intercompany cash transfers.

EXHIBIT A

Amended Joint Chapter 11 Plan

EXHIBIT B

Disclosure Statement Approval Order

EXHIBIT C

Liquidation Analysis

Life Partners Debtors
Liquidation Analysis
Modified Balance Sheet as of 12/31/2015
(000's)

	Note	Unaudited Book Value	%	Scenario 1	%	Scenario 2
Sources of Funds						
ASSETS						
Cash	*a1*					
Checking		$1,076	100.0%	$1,076	100.0%	$1,076
Premium Escrow		72,748	100.0%	72,748	0.0%	-
Maturities Escrow		62,671	100.0%	62,671	0.0%	-
Total Cash		136,495	100.0%	136,495	0.8%	1,076
Accounts Receivable	*a2*					
Accounts Receivable - Servicing Fees		3,066	25.0%	766	10.0%	307
Premium Advance - Unpurchased policy		102	60.0%	61	50.0%	51
Premium Advances		14,966	6.7%	1,000	3.3%	500
Total Receivables		18,134	10.1%	1,828	4.7%	858
Prepaid, Deposits, Other	*a3*					
Prepaid Expenses		591	0%	-	0%	-
Total Current & Other Assets		591	0.0%	-	0.0%	-
Policy Portfolio Assets	*a4*					
Proceeds - Senior Policies		2,054,638	19.0%	390,000	0.0%	-
Proceeds - Viatical Policies		263,974	3.8%	10,000	0.0%	-
Fixed Assets, at Cost	*a5*					
Land And Building		-	0.0%	-	0.0%	-
Software		1,031	0.0%	-	0.0%	-
Furniture, Fixtures & Equipment		1,062	10.0%	106	5.0%	53
Automobile		10	42.2%	4	20.4%	2
Total Policy Portfolio and Fixed Assets		2,320,714	17.2%	400,110	0.0%	55
Other Assets	*a6*					
Other		4,632	0%	-	0%	-
Total Other Assets		4,632	0.0%	-	0.0%	-
Total Assets		$2,480,566	21.7%	$538,433	0.4%	$1,989
Available to Pay Expenses & Liabilities				**$538,433**		**$1,989**
Uses of Funds						
LIABILITIES AND EXPENSES						
Chapter 7 & Superpriority Administrative Claims	*b1*					
Chapter 7 Trustee Fees				(16,153)		(60)
Chapter 7 Professional Fees				(170,382)		(149)
Wind-Down Operating Costs				(2,896)		(5,556)
Premium Expense				(50,660)		-
DIP Financing - Maturities Facility				-		(14,866)
Total Liquidation & Administrative Costs				(240,092)		(20,630)
Chapter 11 Administrative Claims	*b2*					
Outstanding Chapter 11 Payables				(472)		-
Chapter 11 Residual Professional Fees				($3,000)		-
Total Liquidation & Administrative Costs				(3,472)		-
Funds Available for Priority Claims				**$294,869**		**($18,641)**
Priority Claims (and Surcharge)	*b3*					
Surcharge to Cover Administrative Costs & DIP Financing						$18,641
Estimated Priority - Taxes		(6,642)		(3,321)		-
Available for Unsecureds and Litigation Expense ***(Funds From Estate)***				**$291,548**		**$0**

Life Partners Debtors
Liquidation Analysis
Modified Balance Sheet as of 12/31/2015
(000's)

	Note	Unaudited Book Value	%	Scenario 1	%	Scenario 2
Amounts Transferred To and From Investors	*b4*					
Add Back Escrow Funds Transferred to Investors				-		135,419
Add Back Proceeds - Senior Policies				-		153,487
Add Back Proceeds - Viatical Policies				-		2,703
Payment of Maturity Funds Facility						14,866
Surcharge to Cover Administrative Costs & DIP Financing						($18,641)
Total Funds Available ***(Including if Funds Outside of Estate)***				**$291,548**		**$287,833**

NOTES:
See Accompanying Liquidation Notes.

Life Partners Debtors
Liquidation Analysis - Notes

General

The accompanying Global Notes are an integral part of the financial information and exhibits included with the Debtors' Amended Plan of Reorganization and Disclosure Statement, which should be read together with the financial information and exhibits included therein. References to the company in the financial exhibits include all of the Debtors or the Successor Entities (other than the Creditors' Trust) as the context requires.

As discussed in the proposed Plan and Disclosure Statement, equitable or beneficial ownership of the policies has not been adjudicated. While certain consensus has been reached during pendency of the chapter 11, if the Debtors were to convert to chapter 7, the impact of the consensus would have been lost. Significant time and litigation costs would be required to resolve ownership. The policy portfolio likely would sustain significant lost value and lapsed policies in the first few months of any liquidation. Certain policy assets may be available to a liquidation trustee to be sold, pooled or liquidated over time. Alternatively, access to policy assets by the trustee could be restricted, in favor of investors, or during pendency of litigation to resolve ownership.

Sources & Uses of Funds:

a1 **Cash**

Checking — Cash balance as of December 31, 2015

Cash From Escrow Accounts — Premium escrows could be pooled to pay portfolio premiums, could be required to be segregated, or could be available to fund general liquidation costs. (Also see "Premium Expense" note below.) Maturity escrows similarly could be deemed property of the estate and available to fund liquidation of the assets, or could be determined to belong to specific holders of matured policies. The premium escrow amount is as of 12/31/2015, and will be reduced by usage of escrow funds to cover premiums due after that date. The maturities escrow amount is as of 12/31/2015, including deductions applied to the Maturity Funds Facility.

a2 **Receivables**

Accounts Receivable - Servicing Fees — Balance as of 12-31-2015, includes older amounts related to the initial Sept 2014 billing as well as current amounts. Current amounts are given a higher collection value.

Premium Advance - Unpurchased policy — Company has been pursuing collection, and expects to collect a discounted amount.

Premium Advances — Estimated as of 12-31-15. Represents premiums advanced by the Company for which reimbursements have not yet been received. Approximately $13MM is stale and likely not collectible. While policies would be subject to a lien for company advanced premiums, these policies may lapse or be sold prior to realization of death benefits.

a3 **Prepaid** — Certain post-petition deposits may be subject to recovery. Assumes in a shut down there will be post-petition unpaid amounts that will offset the deposits.

a4 **Policy Portfolio Assets**

Sale Proceeds - Senior Policies — Estimated value of orderly sale of portfolio, including any value for CSV, and interim losses in value due to policy lapse in a liquidation scenario. Estimated recovery amounts are before further discounting for risks related to resolution of ownership; see general note above. Scenario 2 has excluded any maturities on Company-owned positions, because the related policies are "distressed" and will likely lapse before maturity in a liquidation.

Sale Proceeds - Viatical Policies — Estimated value of orderly sale of portfolio, including any value for CSV, and interim losses in value due to policy lapse in a liquidation scenario. Viaticals have less value and generally have little if any premium escrow or CSV. Estimated recovery amounts are before further discounting for risks related to resolution of ownership; see general note above. Scenario 2 has excluded any maturities on Company-owned positions, because the related policies are "distressed" and will likely lapse before maturity in a liquidation.

Scenario 2 — Scenario 2 for portfolio assets assumes that those assets are not considered to be part of the estate, so these recoveries are not included in the Amounts Available to pay Expenses and Liabilities, but are instead added back to Total Funds Available (Including Funds Outside of Estate) at the bottom of this exhibit. This scenario assumes it was not possible to sell the portfolio in liquidation because of the ownership issues, no funds were available to pay premiums, and all policies related to positions held by the estate lapsed before they matured. Accordingly, the only proceeds from the portfolio included are maturity proceeds from policies with sufficient CSV to keep them in force, and policies with no required premiums payable, until their projected maturity dates. Policies in premium-paying status would lapse after the next premiums became due. Additional recoveries might be available for policies with available premium escrow funds, if premium tracking and remittance were handled by the estate. The projected maturity proceeds would not be property of the estate, and are reflected in the lines for “Add Back Proceeds – Senior Policies” and “Add Back Proceeds – Viatical Policies.” Because these maturity proceeds would come from discrete policies related to positions held by specific investors, they would not be shared by all investors, rather, only those who held the relevant positions. See related notes at Amounts Transferred To and From Investors below.

Life Partners Debtors
Liquidation Analysis - Notes

a5	**Fixed Assets**	
	Software	Value of organic company developed software is likely not recoverable in a liquidation.
	Machinery And Equip	Remaining furnishings would likely be sold at auction or online and produce limited value.
	Automobile	Kelly Blue Book value of automobile, as of 12-11-15 and based on current condition.
a6	**Other Assets (NOL, net)**	It is unlikely any value could be monetized from NOL's, or sale of the public company shell.
b1	**Chapter 7 & Superpriority Administrative Claims**	
	Chapter 7 Trustee Fees	Estimate 3% of amount available for distribution.
	Chapter 7 Professional Fees	Liquidation trustee will need to engage counsel to evaluate and pursue multiple claims, including preferences, fraudulent transfer, and ownership issue. Fees estimated at 7.5% of realized asset value (non-portfolio assets), and 40% of realized portfolio asset value, assuming this litigation would be assigned to contingency fee counsel due to lack of available cash. Any litigation recoveries have not been estimated.
	Wind-down Operating Costs	Estimated 6 - 12 months of operating costs for staff to assist in liquidation and monetization of assets, claims resolution and wind-up of business.
	Premium Expense	Premiums for 0 - 12 months, excluding premium escrows noted above, which may or may not be available to reduce premiums, dependent upon ownership factors. (Also see note above "Premium Escrows".)
	DIP Financing - Maturities Facility	Includes the total amount borrowed from maturity funds facility as of 12/31/2015, plus accrued interest. In scenario 1, it is assumed that the Debtors prevailed on the ownership issue and, therefore, there is no requirement to pay back those funds to investors.
b2	**Chapter 11 Administrative Claims**	
	Outstanding Chapter 11 Payables	Balances as of 12/31/2015. In scenario 2, these amounts would only be paid if litigation recoveries are received.
	Chapter 11 Residual Professional Fees	Remaining accrued and unpaid balances as of 12/31/2015. In scenario 2, these amounts would only be paid if litigation recoveries are received.
b3	**Priority Claims (and Surcharge)**	
	Surcharge to Cover Administrative Costs & DIP Financing	In scenario 2, the only available source to pay administrative costs and DIP Financing – Maturities Facility would be the Add Back amounts described above, and scenario 2 assumes this would be the source for payment. Because the Add Back amounts would not be shared by all Investors (i.e., only those positions relating to the relevant policies), only those investors would bear any surcharge approved to pay administrative costs and repay the DIP Financing.
	Priority Claims	Texas Comptroller and IRS tax claims, including interest; subject to dispute. Scenario 1 assumes a reduction in the claim. In scenario 2, this claim would only be paid if litigation recoveries are received.
b4	**Amounts Transferred To and From Investors**	
	Add Back Escrow Funds Transferred to Investors	The total amount of funds in the premium escrow and maturities escrow shown above.
	Add Back Proceeds - Senior Policies	See the scenario 2 note in the Policy Portfolio Assets section above.
	Add Back Proceeds - Viatical Policies	See the scenario 2 note in the Policy Portfolio Assets section above.
	Surcharge to Cover Administrative Costs & DIP Financing	See note above, in Priority Claims (and Surcharge)

Prepared for H. Thomas Moran, Chapter 11 Trustee of Life Partners Holding, Inc.
Subject to Further Review and Revision

Life Partners Debtors
Global Notes to Financial Information - Amended Plan & Disclosure Statement

THE GLOBAL NOTES ARE AN INTEGRAL PART OF THE FINANCIAL INFORMATION AND EXHIBITS INCLUDED WITH THE DEBTORS' AMENDED PLAN OF REORGANIZATION AND DISCLOSURE STATEMENT, WHICH SHOULD BE READ TOGETHER WITH THE FINANCIAL INFORMATION AND EXHIBITS CONTAINED THEREIN. SPECIFIC REFERENCE IS MADE TO THE DISCLAIMER INCLUDED IN THE DISCLOSURE STATEMENT.

The following notes are applicable to the attached projections in all respects, unless specifically noted otherwise therein:

GENERAL

1. Projections are based on information supplied by the Debtors or from sources believed to be reliable and have not been independently verified. Assumptions are subject to further review & revision.

2. Assumes Plan confirmation and an Effective Date of 7-31-16.

3. A key Plan element provides that Fractional Interest Holders may elect to opt-in to a post-confirmation Position Holder Trust, where they pay no further premiums or servicing fees and receive periodic cash distributions, or may elect to opt-out as a Continuing Fractional Holder, where they continue to pay their own premiums, a servicing fee of 3% of maturities, and make a 5% contribution to the Position Holder Trust.

4. Plan funding is financed by the Maturity Funds Facility. The Debtors, or Position Holder Trust Trustee, may elect to seek other funding, including exit financing, in their business judgement, as provided in the Plan or Position Holder Trust Agreement.

5. Assumes current maturities (received and pending, as of 2/28/2016) of approximately $99 million, reduced for Maturity Funds Facility borrowings of $17 million (net balance of $82 million), and an estimated additional $12 million/month of maturities through end of July 2016, reduced for an additional $8 million of Maturity Funds Facility borrowings as of the Effective Date. The resulting total Effective Date maturities balance (including pending receipts) is projected to be $157 million, less the Maturity Funds Facility balance of $25 million, or a net balance of $132 million), of which 5% will be contributed to the Position Holder Trust. Premium escrow balances are approximately $70 million.

6. Excess cash flow from the Position Holder Trust is distributed to investors who opt-in and have a Position Holder Trust Interest, subject to calculations and offsets set forth in the Plan and Disclosure Statement.

7. Professional fees subsequent to July 2016, Creditors' Trust recoveries and expenses, and any IRA Partnership expenses are not included.

8. Assumes 80% of Viatical policy investors opt-in to the Position Holder Trust, and 20% opt-out, and that 40% of Senior/Life Settlement policy investors opt-in to the Position Holder Trust, and 60% opt-out.

9. Assumes the majority of IRA Holders will opt-in to the Position Holder Trust, and only 5% of IRA Holders will elect to become Continuing IRA Holders, receiving New IRA Notes. New IRA Note calculations are based upon the following assumptions: The principal value of the New IRA Notes is estimated to be 29% of the fractional face value of the related positions; the interest rate is 3% paid annually, assuming sufficient cash flow; the principal balance is paid in a lump sum at maturity, 15 years after the Effective Date.

10. Assumes the servicing business is not sold to a third party, and operations are continued under Newco and the Reorganized Debtor.

POLICY PORTFOLIO

11. *Senior mortality* - Probabilistic and stochastic modeling was based on the Society of Actuaries' 2015 VBT NS ALB at a mortality multiplier of 160% for males and 90% for females, using the table at the insured's age in the month of the earliest policy purchased.

12. *Viatical mortality* – Probabilistic and stochastic modeling was based on the Society of Actuaries' 2015 VBT NS ALB at a mortality multiplier of 500% for males and females, using the table at the insured's age in the month of the earliest policy purchased.

13. *Mortality improvement* – Annual mortality improvement, based on US population data from 1985 – 2010 was applied by gender on an attained age basis.

14. *Mortality multiplier wear off* – Initial mortality multipliers greater than one were worn off to 1.00 by age 100. One half of the wear off was completed by the time the insured attained an age that was half-way between their age on December 1, 2015 and age 100. Initial multipliers less than one were not worn off or altered in any way going forward.

15. *Premium streams* – In order of preference, identified below are the relevant categories of premium stream information available and the assumptions thereon:

a. Level Premium Policies - Whole life policies require level premium payments each period, which were determined based on information provided by the Debtors;

b. 3rd Party Optimization Completed - The Debtors enlisted independent firms to produce optimized premium streams using proprietary methods; these premium streams were relied upon;

c. Level Premium to Maturity Illustrations - Certain illustrations provided by the Debtors were used showing level premiums that would fund the policy to maturity;

d. Short Term Optimized Streams - The Debtors calculated up to two years of future premiums, which were used in the model. The percentage increase in the premium from year one to year two was used to calculate future premium increases until maturity, subject to an annual cap of 20%;

e. Disability Waived Premiums to Age 65 - No premiums were specified as they had been waived to age 65. After age 65, premiums produced from a study of actual annual premiums on a portfolio of owned whole life policies were used;

f. Level Term Policies – The level premium specified was used until age 65, and then the premiums calculated in the previous step for ages beyond 65;

g. Current Premium Only – Where only a single premium was available, it was used for the first year. Subsequently, the premium was increased by 9% each year, consistent with the average increase in mortality rates of the 2001 CSO mortality table, which was commonly used in contemporaneous policies to set maximum mortality rates;

h. No Information Available – An age band based premium stream was developed from a study of a portfolio of owned policies. It increased every 5 years until age 65, and subsequently the level whole life premium developed above was used until maturity, which was assumed to be age 100.

OPERATIONS

16. The full 12 month projection for 2016 is shown, including amounts paid and received before the projected Effective Date of the Plan. The tail projection for years beyond 2045 has been omitted.

17. Assumes only a limited amount of overdue receivables will be collected from Continuing Fractional Holders (opt-out Investors) as cure payments.

18. Subject to further negotiation and Court approval, a reserve has been created in these projections for proposed compensation to the Class Action Counsel and Chapter 11 Trustee (for his service in all of the fiduciary capacities in which he has served in connection with the Debtors' bankruptcy cases).

The Class Action Litigants' Counsel Fees are proposed to be paid out of $33 million in maturities on assigned Pre-Petition Abandoned Positions. The present value of the projected maturities cash flow at a 20% discount rate is $5.2 million.

The Chapter 11 Trustee fee is proposed to be paid out of $16 million in maturities on assigned Pre-Petition Abandoned Positions, plus an amount equal to a 0.5% fee on all maturities from the Beneficial Ownership held by the Position Holder Trust, which amount is projected to be paid or reimbursed from abandoned positions. The present value of the projected cash flow at a 20% discount rate is $5.2 million, and it is projected that maturities from Pre-Petition Abandoned Positions remaining in the Position Holder Trust would be sufficient to pay (or reimburse) the share of maturities paid to the Chapter 11 Trustee.

Determination of the actual amount of the proposed compensation may not occur until Plan confirmation. The proposed compensation structure could be modified to include a combination of cash and abandoned positions, but is not anticipated to exceed the present value amounts noted above. Confirmation of the Plan does not grant an allowance of such compensation, and is without prejudice to any parties in interest position with respect to such proposed compensation. Such amounts have not been agreed to by either the Committee or the Plan Supporters and, in any event, would be subject to, among other things, Court approval.

19. A reserve fund is to be established for the Position Holder Trust sufficient to cover 120 days of premium payments.

20. The Position Holder Trust shall provide initial funding and capitalization of the Creditors' Trust and Newco.

21. Assumes Continuing Fractional Holders (opt-out Investors) will have the following Payment Default rates per year (the related Continuing Fractional Positions will be transferred to the Position Holder Trust pool):

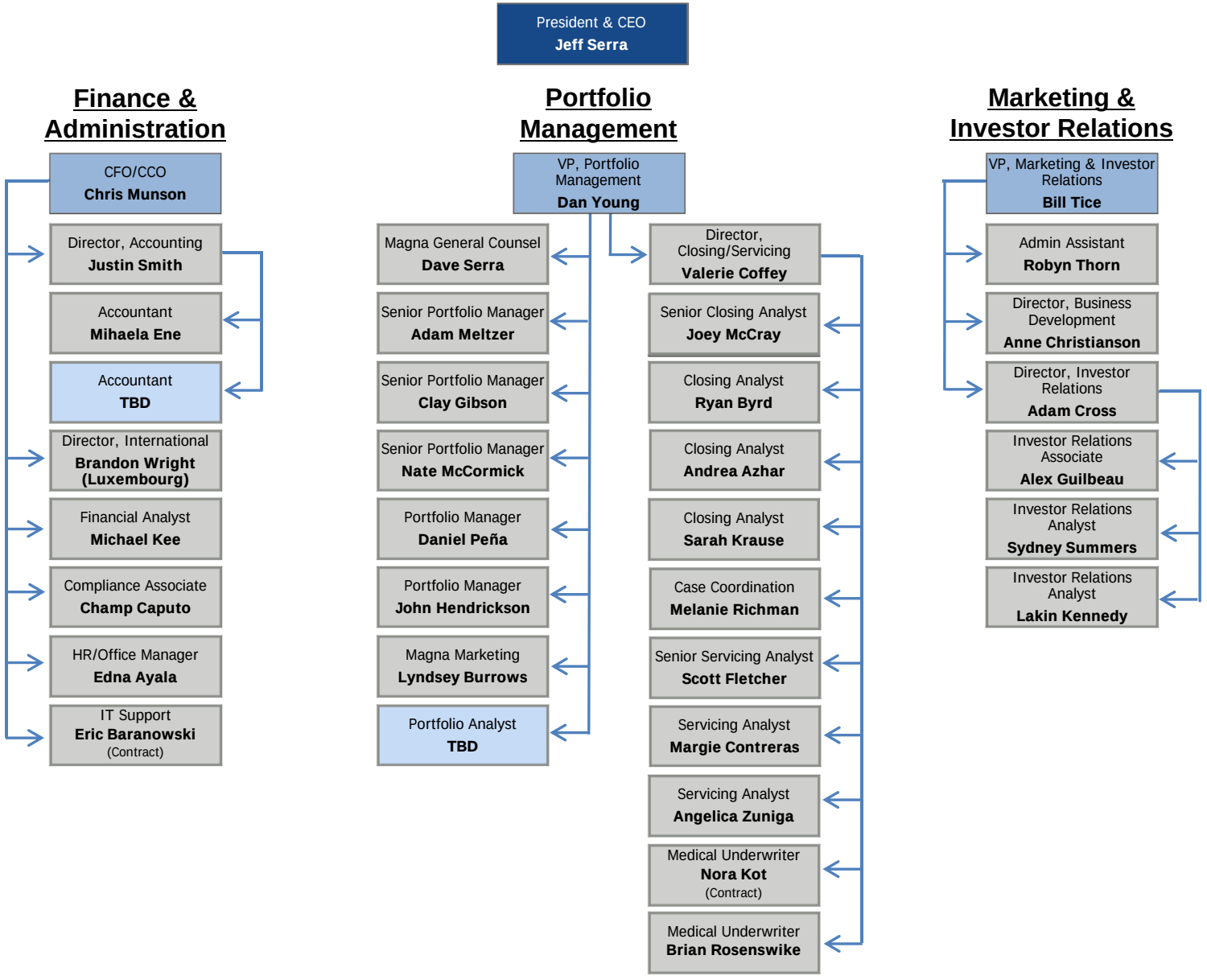
2016 0.5%
2017 0.5%
2018 15%
2019 20%
2020 25%
2021 through 2045 30%

EXHIBIT D

Vida Key Employee Bios

VIDA ORGANIZATIONAL CHART

Vida Capital



BIOGRAPHIES

Vida Capital

Jeff Serra, President and Chief Executive Officer

Jeff graduated from The University of Virginia in 1978 with a B.S. in Civil Engineering, subsequently served four years in the United States Army Corps of Engineers, reaching the rank of Captain, and then graduated from The Krannert School of Management, at Purdue University, with an M.S. in Industrial Management in 1983. From 1986 until 1997 Jeff was instrumental in building and managing one of the largest independent petroleum refining and marketing companies while at Salomon Inc. subsidiary Phibro Energy USA (serving as Chairman, President and CEO from 1992 to 1997). Upon the sale of the company to Valero Energy in 1997, Jeff started Re-NEW Energy LLC to develop waste-to-energy projects primarily in West Virginia and Kentucky which was ultimately sold. In 2001, Jeff founded Eyes of Texas Partners, a private investment company with a primary focus on technology.

In 2009, Jeff co-founded with Austin Ventures Vida Capital Inc., which is a leading asset manager in the life settlement industry; and in 2011 Ovation Partners, an alternative investment asset manager focused on non-correlated, income producing investments. In 2011 Jeff was named the RISE Austin Serial Entrepreneur of the Year. In addition, he is a Master Teacher at the Acton Graduate School of Business (www.actonmba.org) in Austin.

Jeff has served on the Purdue University Krannert School Alumni Board, was a member of the Houston Chapter of Young Presidents Organization, Chairman and Treasurer of the Board of Trustees of St. Gabriel's Catholic School, a volunteer for The University of Virginia NCOUR committee for central Texas, a member of the Board of Director's of Austin Habitat for Humanity, and co-chair of Community First, focused on breaking the cycle of chronic homelessness and is currently on the advisory council for Explore Austin, serving underprivileged youth.

Daniel Young ,CLU ChFC, Vice President, Asset Management

Mr. Young graduated from Stanford University with Honors and Distinction in 1989 and from the University of Chicago Law School with Honors in1992. He began his law career as a clerk on the Third Circuit Court of Appeals before practicing at Cravath, Swaine & Moore in New York. Mr. Young became an in-house attorney at New York Life Insurance Company in 1999, and shortly thereafter was appointed CEO of New York Life's broker-dealer, NYLIFE Securities, and of its Registered Investment Advisor, Eagle Strategies. In his executive role Mr. Young was responsible for supervision and compliance of hundreds of employees, registered representatives and investment advisor representatives. Mr. Young was President and CEO of NFP Securities before becoming an adjunct professor of regulatory law at the University of Texas Law School. Mr. Young holds securities licenses (Series 7, 24 and 63) as well as insurance designations (CLU, ChFC, and CASL). He is also on the Board of the Institutional Longevity Markets Association (ILMA), on the Board of the Life Insurance Settlements Association (LISA), the author of a monthly longevity blog, and a frequent speaker at industry conferences. Mr. Young was formerly a Director of an Irish Life Settlement Fund as well.

BIOGRAPHIES

Vida Capital

- **Chris Munson**, Chief Financial Officer, Chief Compliance Officer

Mr. Munson is the Chief Financial Officer and Chief Compliance Officer, and has been with the Firm since 2009. Prior to joining Vida, Mr. Munson served as CFO for Statewide Beverage, LLC, where he managed the financing, acquisition, and revitalization of a large retail chain throughout South Texas. Before his time at Statewide, Mr. Munson was a founder of Index Hospitality Austin, LP where he served as Managing Partner and CFO. While at Index Hospitality, he was also a Principal in Calavan Munson, LP, where he secured financing and managed a successful multimillion dollar downtown Austin real estate development. Mr. Munson began his career as a management consultant, most recently with Accenture, providing project management oversight and business process expertise to clients such as Agilent Technologies, Sallie Mae Financial Services, TXU, and the State of Texas.

Mr. Munson graduated from the University of Notre Dame with a B.B.A. in Finance and Computer Applications in 1999 and earned his MBA in Entrepreneurship from the Acton School of Business in 2005. Since 2010 he has served as Treasurer and is a member of the Board of Directors for Comfort the Children International, a non-profit focused on community development and sustainability in Kenya.

- **Bill Tice**, Vice President, Head of Marketing and Investor Relations

Mr. Tice is the Vice President, Head of Marketing and Investor Relations and has been with the Firm since 2014. Mr. Tice joined Vida with 15 years of marketing and business development experience. Most recently he served as a Managing Director at Siguler Guff & Company, an $11 billion private equity firm based in New York. Prior to Siguler Guff, Mr. Tice served in senior business development and investor relations roles at Q Investments, an alternative asset fund based in Ft. Worth, Texas, and The Park Hill Group, a division of The Blackstone Group and a global alternative asset placement agent.

Mr. Tice earned a Bachelor's Degree in Economics cum laude from Middlebury College, and an MBA from The Tuck School of Business at Dartmouth College.

- **Adam Meltzer,** Senior Portfolio Manger

Mr. Meltzer is a Senior Portfolio Manager and first joined the Firm in 2009. Prior to re-joining Vida Capital, Mr. Meltzer acted as Vice President of Acquisition for D3G Asset Management. While at D3G, he managed the entire life settlement acquisition process for D3G clients. Additionally, Mr. Meltzer acted as collateral manager for three separate portfolios, for which D3G performed servicing duties on behalf of the portfolios' lender, which totaled approximately $3 billion of face value. Prior to joining D3G Capital Management, Mr. Meltzer acted concurrently as Vice President of Fund Relations for Magna life settlements and Senior Analyst for Vida Capital. Before joining the acquisition side of life settlements, he held various positions in the life insurance and life settlement brokerage space. Mr. Meltzer is the Co-Head of the US Chapter of BVZL.

Mr. Meltzer holds a B.A. in Business from Southwestern University and his MBA from St. Edwards University.

BIOGRAPHIES

Vida Capital

David Serra, General Counsel

Mr. Serra serves as General Counsel and has provided legal advice and leadership to organizations and individuals in business, government and academia for the past 23 years. His background includes a senior administrative and faculty appointment at Dartmouth College, a gubernatorial appointment in Vermont state government, an equity position with a highly-capitalized energy company, and an executive appointment leading a U.S. Presidential Foundation. After general counsel clerkships in the energy and insurance sectors, Mr. Serra was a litigation associate with a Montpelier, VT firm. He was appointed Director & General Counsel of the C. Everett Koop Institute and Foundation at Dartmouth College, with particular focus on the legal and privacy implications of healthcare reform policy for providers and insurance companies, also holding a faculty appointment there. Subsequently, Mr. Serra became COO & General Counsel of Re-New Energy, which created tax credit-enhanced energy investment opportunities. In addition to practicing with his firm, JurisBusiness, he also led and provided counsel to a publicly-regulated, highly-innovative VT state government agency, and re-organized the operations and legal relationships of the Coolidge Presidential Foundation as its Director. He most recently handled troubled asset mitigation for legally-challenged real property and commercial paper assets for Ovation Partners. Mr. Serra holds a JD from Vermont Law School, as well as a BS (Professional) in Urban & Regional Planning from East Carolina University, with honors. He has served on the boards of several national organizations, and has edited and authored numerous publications. Mr. Serra is a trained mediator, and served as a full-time missionary from 1980-1985.

Adam Cross, CAIA, Director of Investor Relations

Mr. Cross is a Director of Investor Relations at Vida and joined the firm in 2015. Prior to joining Vida, Mr. Cross was a Senior Associate at Portfolio Advisors, LLC, a multi-billion dollar global private markets advisor and fund manager. While at Portfolio Advisors, Mr. Cross played a key role in the firm's investor relations, marketing, and fundraising efforts. He also helped to develop a comprehensive investor relations platform to maintain key relationships with sophisticated institutional investors, including public and corporate pension plans, foundations and endowments, insurance companies, and consultants. In addition, he assisted in business development initiatives across all of the firm's alternative investment product lines. Mr. Cross began his career at Northwestern Mutual where he assisted clients with life and disability insurance solutions. Mr. Cross graduated from Brown University with an A.B. in Political Science and is a Chartered Alternative Investment Analyst.

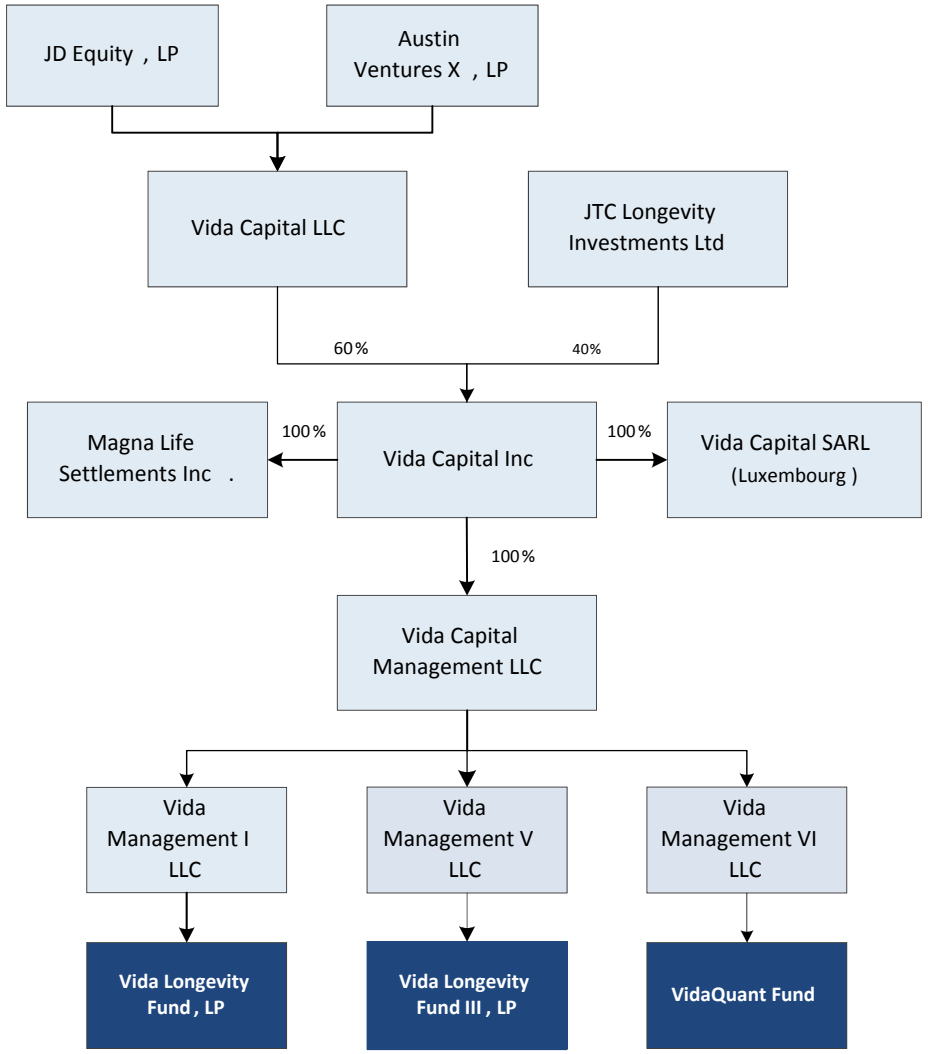
Valerie Coffey, Director of Closing & Servicing

Ms. Coffey is the Director of Closing & Servicing and has been with the Firm since 2012. Ms. Coffey has been in life settlements since 2004 and has worked for two vertically integrated life settlement funds and a life settlement software company. Ms. Coffey pioneered the industry's first collaborative analysis of transactions that occurred in the life settlement market, presenting results at life settlement conferences in the United States and Europe. Prior to 2004, she gained three years of life insurance experience while working in the home office of Pacific Life, where she also earned a Series 6 Registered Representative License. Ms. Coffey earned a Bachelor's Degree from Brigham Young University.

EXHIBIT E

Current Vida Corporate Structure
And Post-Confirmation Corporate Structure

CORPORATE STRUCTURE



VIDA CAPITAL GROUP

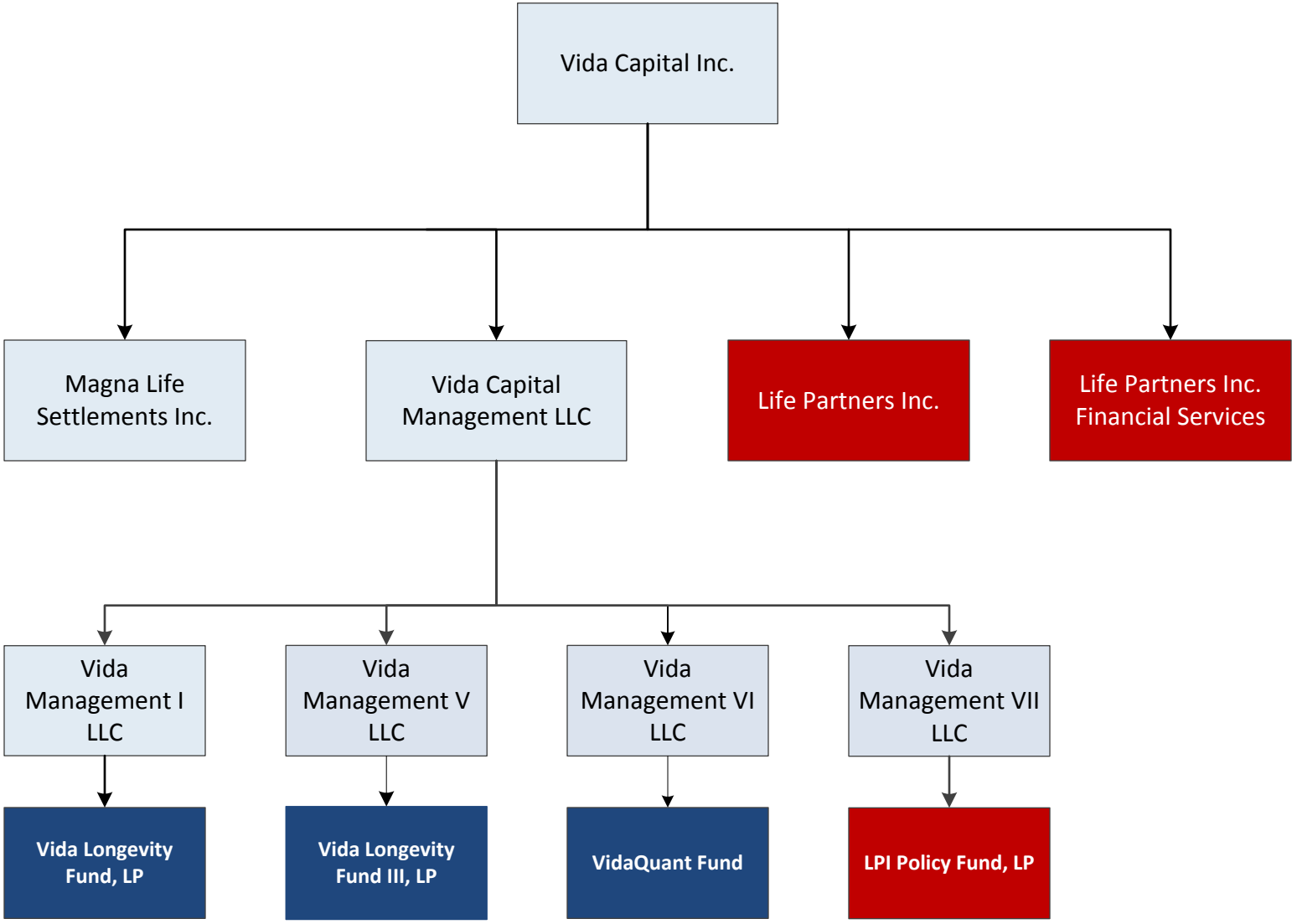


EXHIBIT F

Post-Confirmation Flow of Funds
And Contractual Relationships

VIDA CAPITAL
Flow of Funds and Agreements

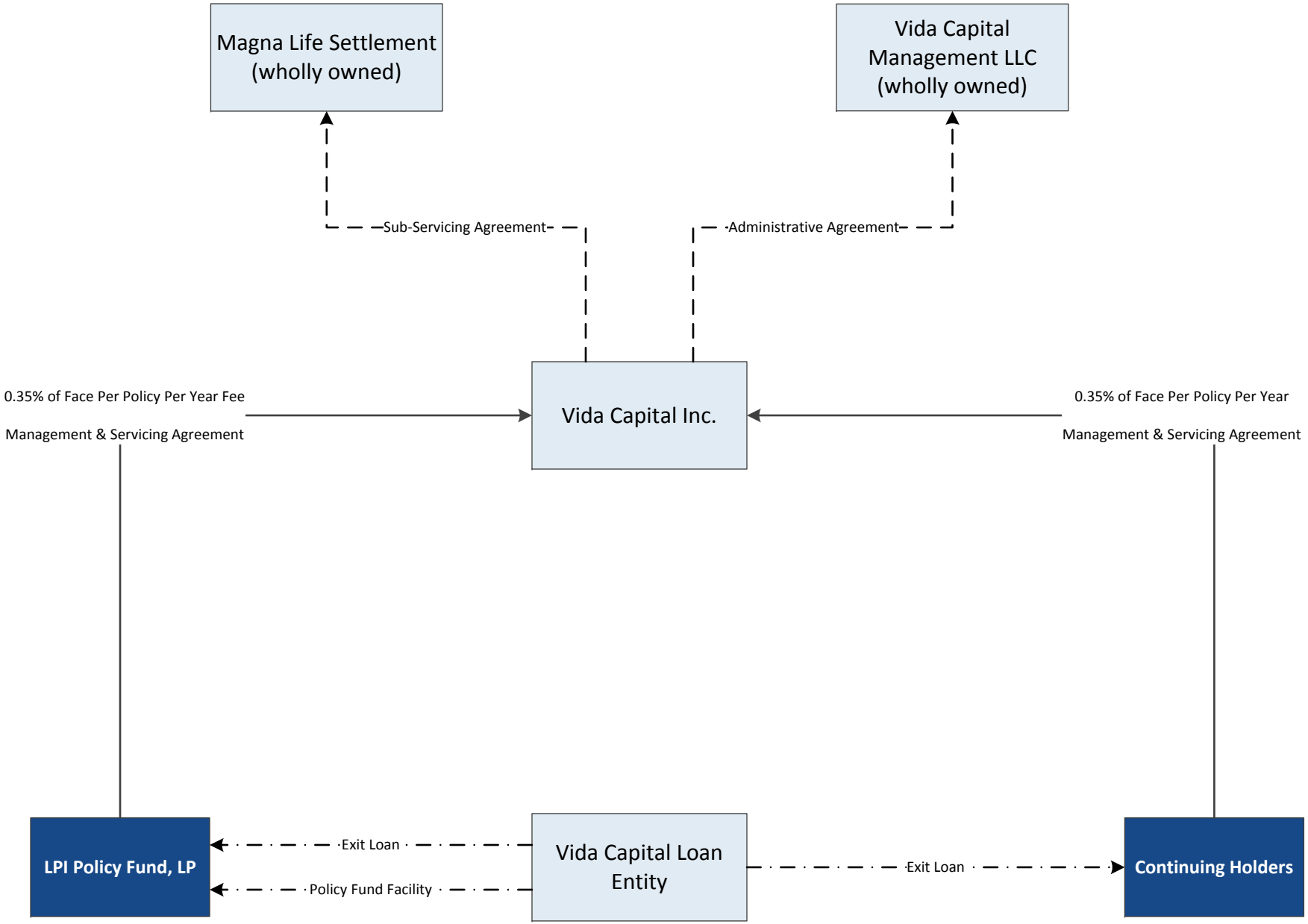


EXHIBIT G

[Reserved]

EXHIBIT H

[Reserved]

EXHIBIT I

Sample Customized ClariNet Reports

CLARINET

Vida Capital

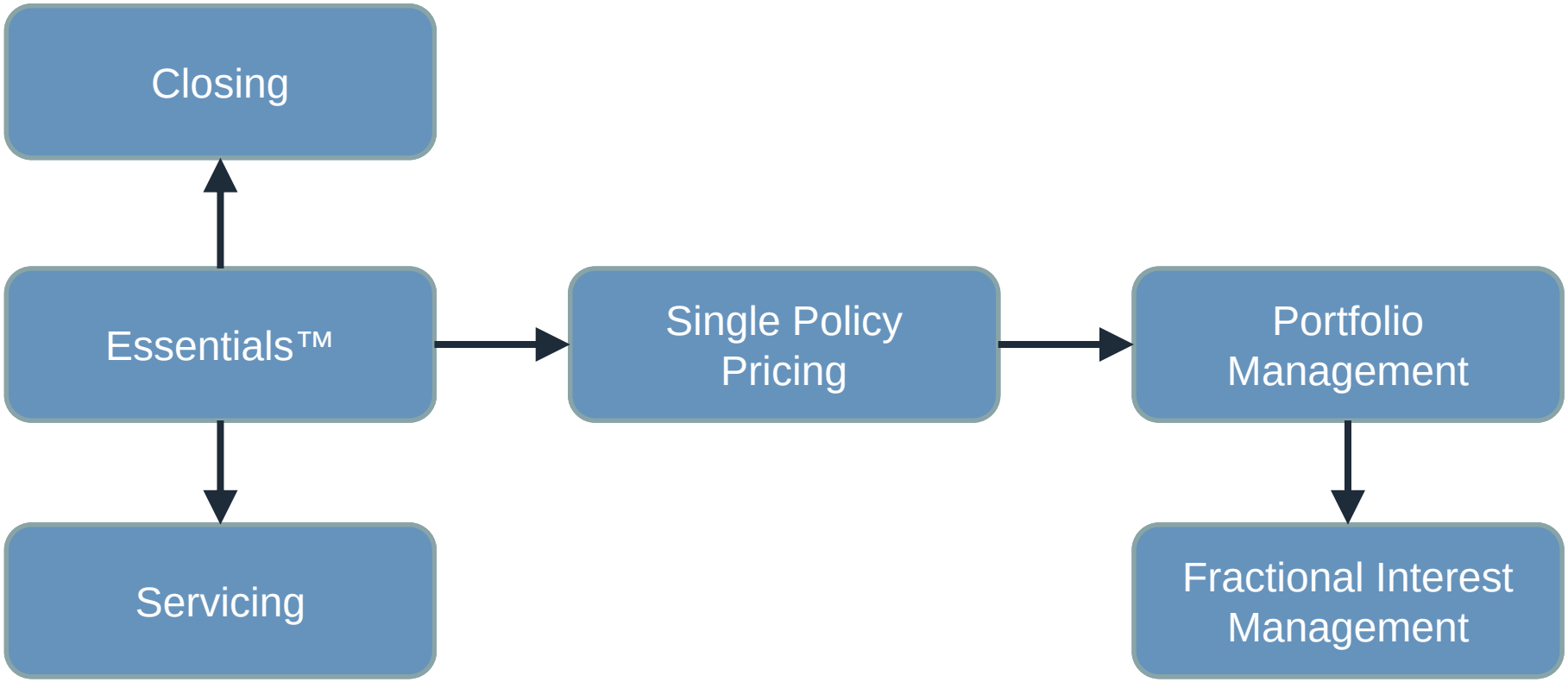
- Vida utilizes the ClariNet software platform
- Vida was on of the first clients of the platform and has played an integral roll it its development and growth
- ClariNet offers:
  - A suite of products for participants in longevity risk markets
  - Integrates information management, analytics, servicing and structuring
  - Accessible through web browser
  - Integrates with Excel
  - Modular structure
  - Customisable to adapt to needs associated with LPI

CLARINET™

FRACTIONAL INTEREST MODULES

Vida Capital

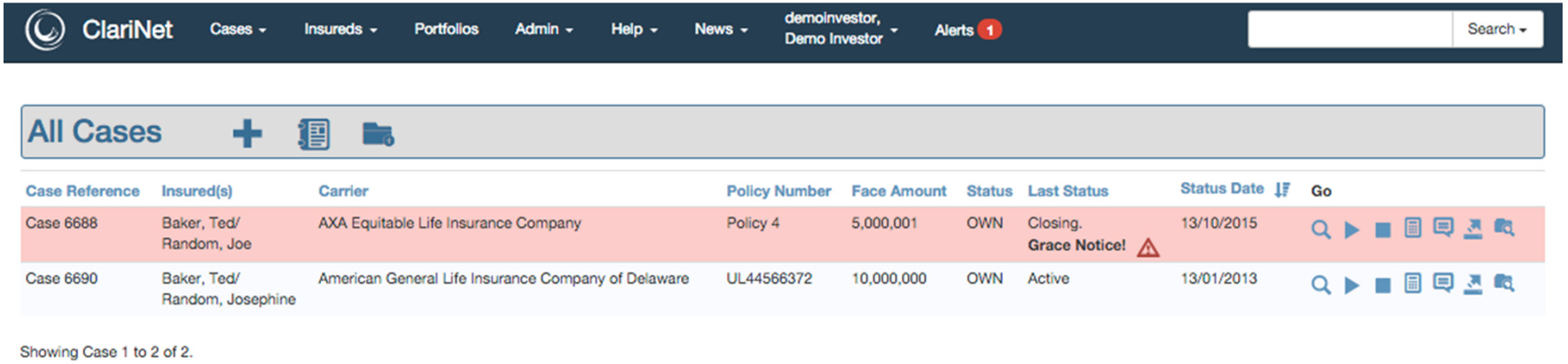
- ClariNet customization will allow for a module to be developed in order to efficiently manage the investors and policies



CASE MANAGEMENT

Vida Capital

Robust system developed for ease of case management



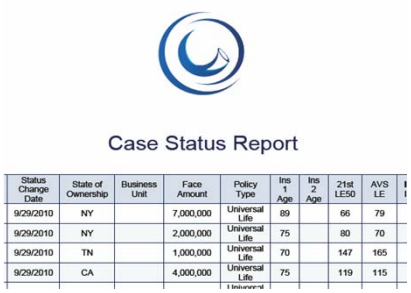
- Incorporates all Policy and Insured information
- Multiple Illustrations, VOCs, Premium Schedules can be managed
- Integrated AM Best credit ratings for Carriers (updated quarterly)
- Tabs are enabled/disabled depending on employee's permission level
- Audit log records all modifications to Case data (username, time/date)
- Documents all addressable from within their attached Case objects

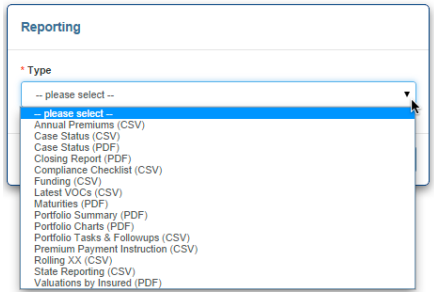
REPORTING

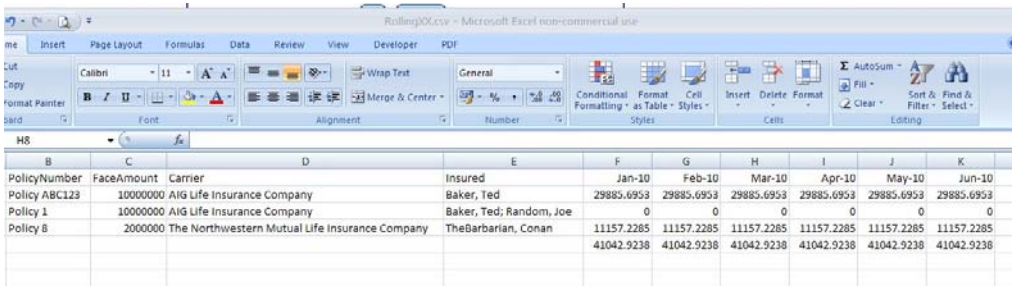
Vida Capital

ClariNet has a full suite of reports, as well as custom reporting functionality and ability to quickly have new reports developed

- Annual Premiums
- Case Status
- Closing Report
- Compliance Checklist
- Funding
- Latest VOCs
- Maturities
- Portfolio Summary
- Portfolio Charts
- Portfolio Tasks/Followups
- Premium Payment Instruction
- Rolling XX Future Premium Report
- State Reporting
- Valuations
- Continuing Holder Quarterly Report Ability



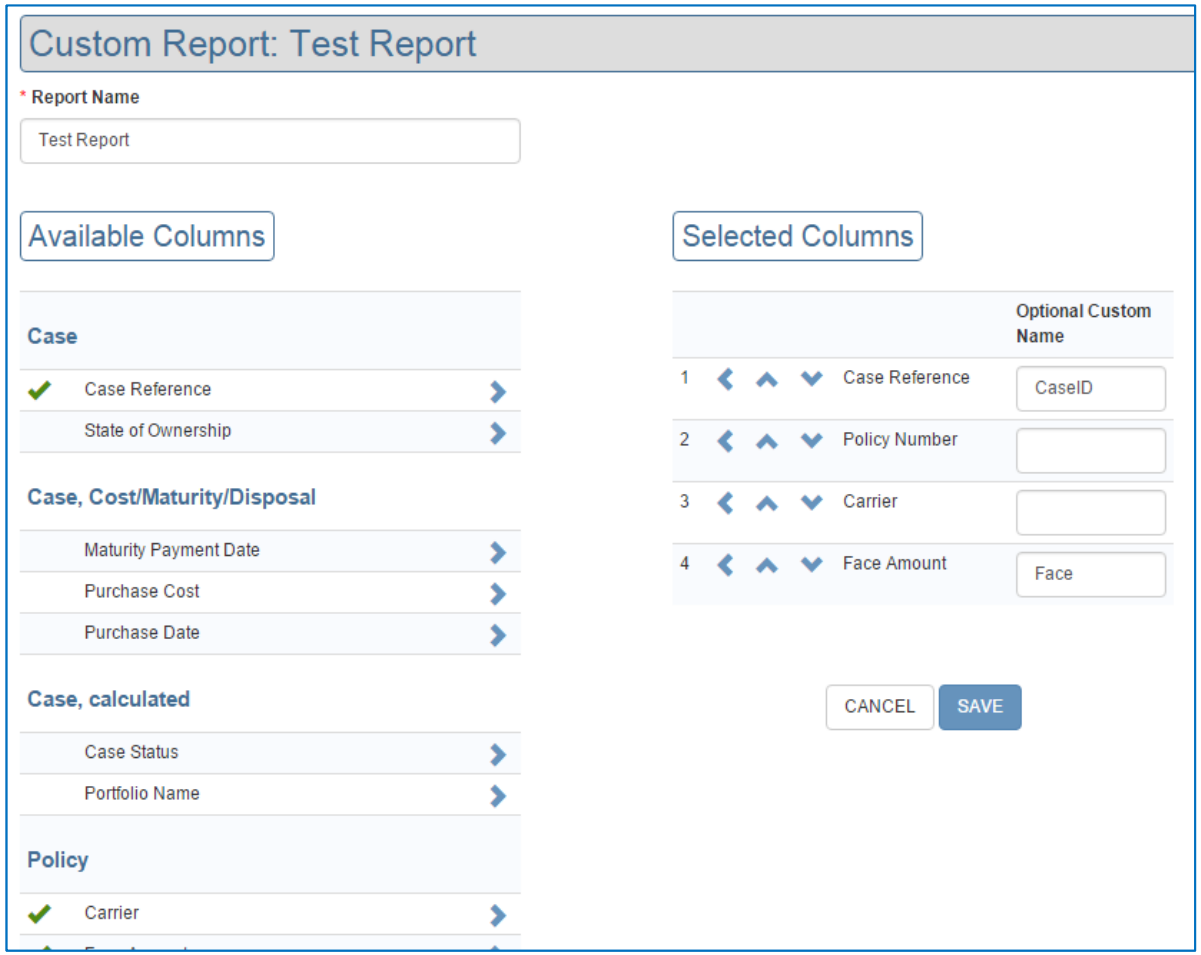




CUSTOM REPORTING

Vida Capital

- Allows Vida to create own reports
- Up to 97 different fields can be added to the report.
- ClariNet can add New fields are added with every release.
- Fields can be ordered as you determine.
- Custom field names can be added (e.g., to accommodate state reporting requirements).

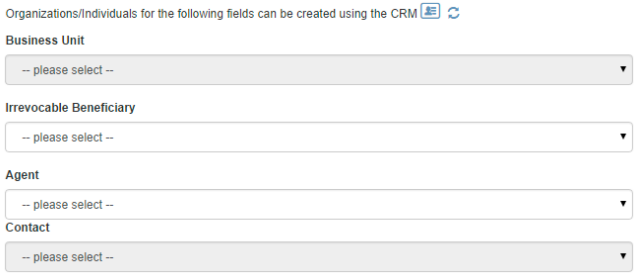


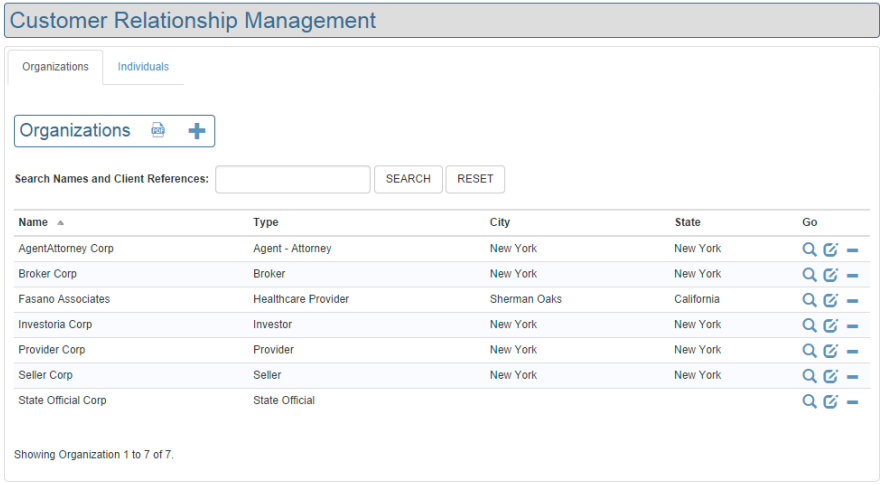
CRM – Investors & Insureds

Vida Capital

CRM system will be essential to the management of all investors and insureds

- CRM opens in a separate window for ease of reference
- Organizations and Individuals information managed independently
- Broad information capture
  - Main address
  - Central email (e.g., submissions)
  - All pertinent contacts
  - Officer/Trustee/Partner information
  - Multiple Payment Methods
  - Multiple Order Methods (e.g., for ordering medical records, LE reports, illustrations)
- Used across ClariNet
  - Premium Payments
  - Premium Verification
  - Health Status Tracking
  - Etc.
- All information is held privately and not shared with other subscribers.



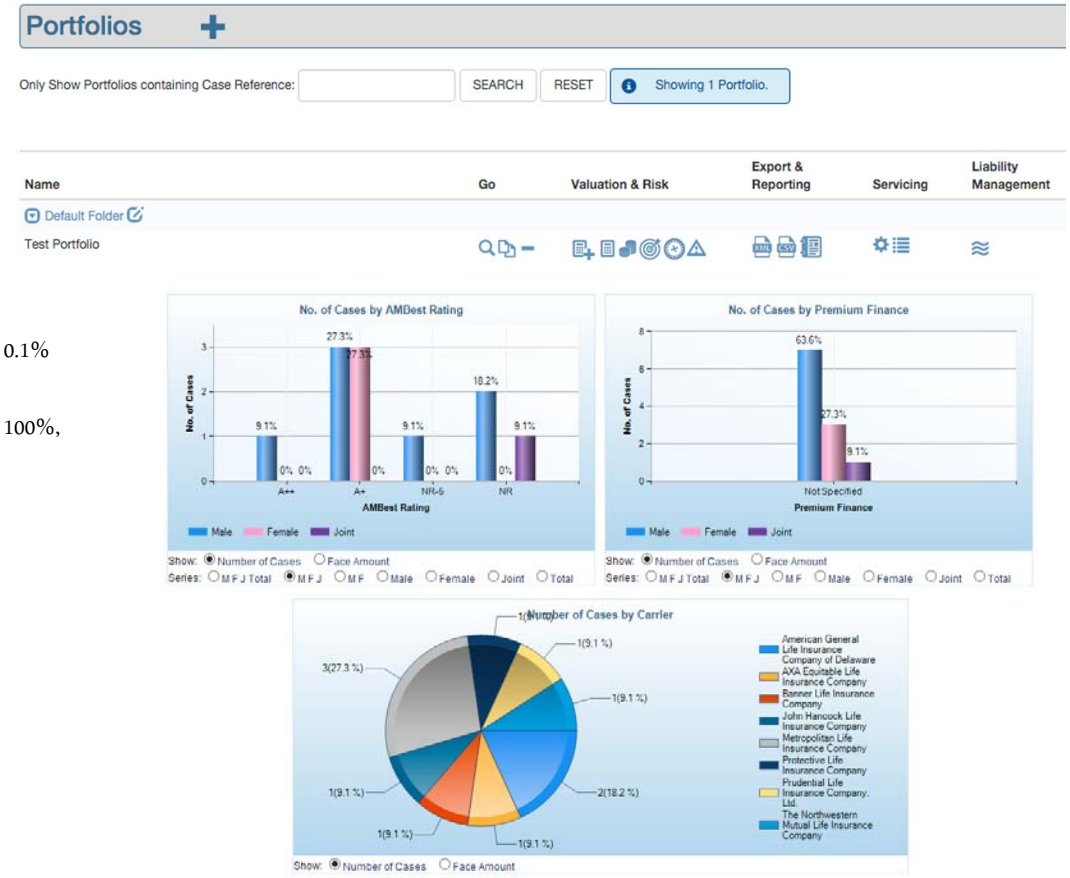


PORTFOLIO MANAGEMENT

Vida Capital

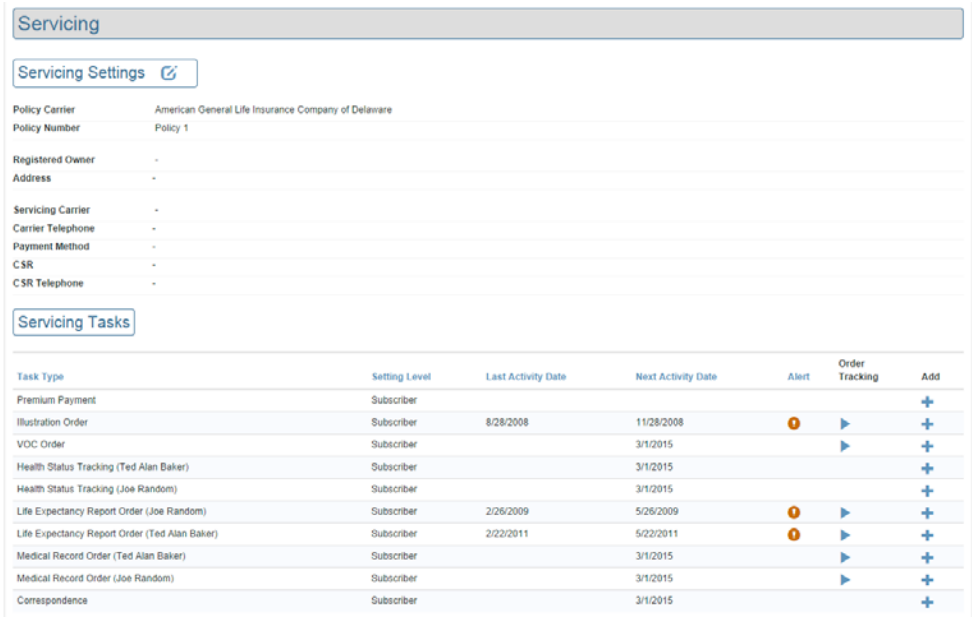
Integration of Fractional Module will allow for the Portfolio Management Module to play a key role in both Fund Management and Position Holder Trust Management

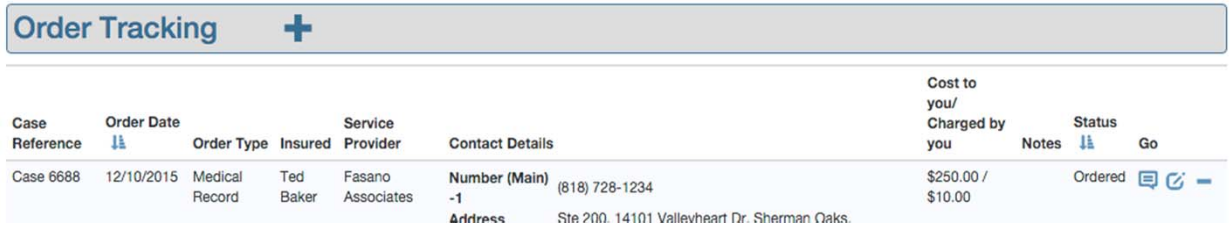
- Ability to manage multiple portfolios
- Graphical Summary View
- Values all Cases with a single click
- Use Risk Scenarios to add stresses
- Valuation Stresses:
  - LE (+/- 60 months) or percentage extension
  - IRR: NDB, Premiums, Fees independently (+/- 10% in 0.1% increments)
  - Mortality Factor multiplier and constant (e.g., set all to 100%, scale all by 110%)
  - Q(x) Adjustment: reshape front part of mortality curve
- Premium Schedule Stresses:
  - Applied during calculation of Premium Schedule (i.e., calculated before Valuation)
  - Crediting Rate multiplier and constant
  - COI Rate multiplier and constant



SERVICING

- Servicing is divided into a series of Servicing Tasks.
  - Premium Payments/Verification
  - Premium Schedule Update
  - Health Status Tracking
  - Medical Records/LE Reports/etc.
- Each Servicing Task operates on its own "cycle" (frequency and duration).
- ClariNet integrates reminder/follow-up tools.
  - Status Flags: Green, Amber, Red
  - Email notifications keyed to Status Flags
- Adds order tracking for medical records, LE reports, etc.
- Servicing Carrier, Registered Owner shown on VOC page.

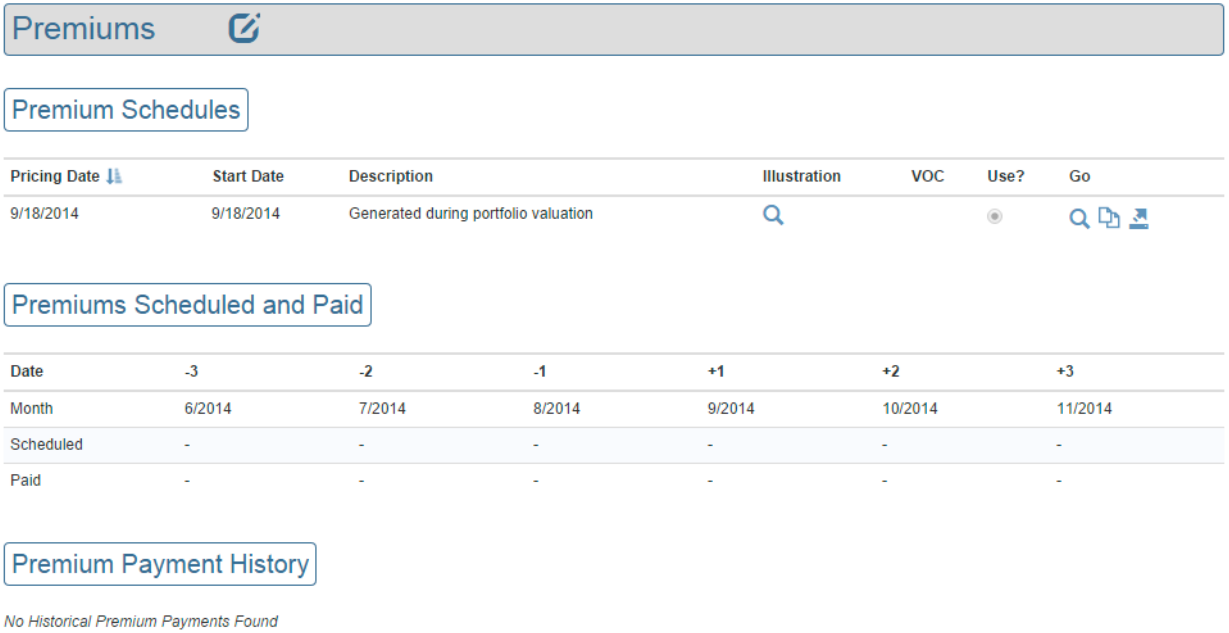




PREMIUM PAYMENT MANAGEMENT

Vida Capital

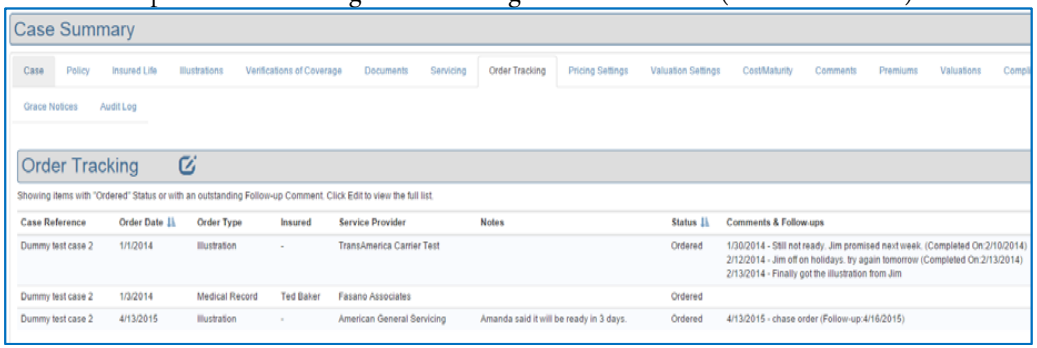
- Servicing module adds Premiums Scheduled and Paid and Premium Payment History.
- Premiums Scheduled and Paid tracks Premium Payment History vs "Used" Premium Schedule (from Premium Schedules tab).
- Premium Payment History can be uploaded periodically from CSV template.

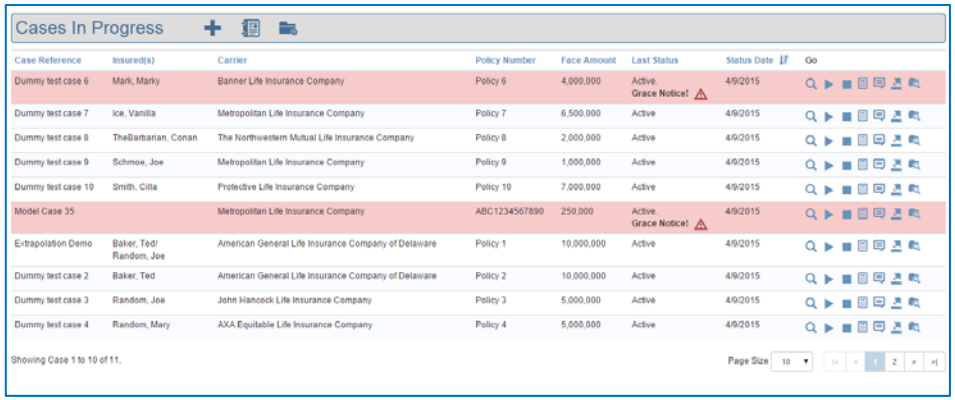


Order Tracking & Grace Notices

Vida Capital

- Tracks orders for LE reports, Illustrations, Medical Records, etc
- Record fees paid to Service Providers and fees charged to clients
- Add comments and follow-up dates to individual orders
- Track progress of each Order independently
- Report on outstanding Orders through the "To Do" list (at Portfolio level)





- Additional tab in Case Summary
- Associates with Documents tab
- Highlights affected Case(s) in Cases list
- Comments can be attached to outstanding Grace Notices
- In-browser/email notifications will be added in a future release

PHYSICAL AND ELECTRONIC SECURITY

- Application and data hosted on Amazon Web Services (AWS).
  - Live and demo servers in different data centers within the same region (North Virginia/East Coast).
  - Database backed up to DR storage in Oregon/West Coast.
  - AWS infrastructure carries industry-recognized certifications/audits: PCI DSS Level 1, ISO 27001, FISMA Moderate, and SOC 1/SSAE 16/ISAE 3402.
- Enterprise-grade data encryption in transmission.
  - 256 bit AES encryption across SSL tunnel
- Demonstrable security: Extended Validation certificate.
- Weekly vulnerability scan.

Back Up and Disaster Recovery

Vida Capital

- Database backups at 15 minute intervals to Oregon.
- Live server image backed up regularly to Oregon.
- One full backup per month copied to deep storage indefinitely.
- Continuous monitoring of both AWS sites.
- Failure notification at main site (Virginia) prompts manual DNS failover to second site (Oregon).
- Maximum data loss (depending on type of failure): 17 minutes of transactions.

EXHIBIT J

Plan Feasibility Analysis
(through 2045)

Vida Capital

Feasibility of Plan ($000's)

Policy Fund Projection [4]	2016	2017	2018	2019-2025	2026-2045	Total
Maturities [1]	86,186	106,835	127,012	889,358	369,046	1,578,437
Premiums [2]	(30,396)	(44,837)	(57,660)	(422,902)	(155,224)	(711,018)
Net Cash Flow	**55,790**	**61,998**	**69,352**	**466,456**	**213,822**	**$867,419**
Exit Loan Payment [3]	(18,195)	-	-	-	-	(18,195)
Escrowed Premium Credit [6]	38,700	-	-	-	-	38,700
Cure Payment Receipts [5]	789	-	-	-	-	789
Application of PF Escrow Funds [7]	(7,500)	-	-	-	7,500	-
Management & Servicing Fees [9]	(4,847)	(4,924)	(4,900)	(22,805)	(4,324)	(41,800)
Cash Available for PF	**64,737**	**57,074**	**64,452**	**443,652**	**216,998**	**846,914**
Reserves for PF Operations and Third Party Expenses	(250)	(250)	(250)	(600)	(300)	(1,650)
Cash Distributions to PF Beneficiaries	**64,487**	**56,824**	**64,202**	**443,052**	**216,698**	**$845,264**

Continuing Holder Summary [4]						
Maturities [1]	57,458	57,528	54,343	222,339	92,261	483,929
Premiums [2]	(20,264)	(24,143)	(24,711)	(105,725)	(38,806)	(174,844)
Escrowed Premium Credit [6]	30,663	-	-	-	-	30,663
Management & Servicing Fees [9]	(3,231)	(2,652)	(2,100)	(5,701)	(1,081)	(14,765)
Exit Loan Payment [3]	(12,130)	-	-	-	-	(12,130)
Distributions to CH	**52,496**	**30,733**	**27,532**	**110,912**	**52,374**	**$312,853**
Maturity Escrow [8]						157,497
Total Recoveries Distributed						**$1,315,614**

[1] Maturity projections based on Exhibit C of Trustee/Committee DS

[2] Premiums based on Exhibit C of Trustee/Committee DS

[3] Total Exit Loan payment calculated as $30,000,000 utilized at 13% per annum

[4] Split between Policy Fund and Continuing Holders are as follows:

2016 - 60% PF & 40% CH

2017 - 65% PF & 35% CH

2018 - 70% PF & 30% CH

2019+ - 80% PF & 20% CH

[5] Assumes certain past due premium amounts will be collected within 90 days after the effective date based on Exhibit D of the Trustee/Committee DS

[6] Values based on premium escrow amounts listed in Exhibit D of Trustee/Committee DS

[7] $7.5 million has been reserved until the end of the projection period to manage liquidity volatility and demonstrate feasibility. However, all funds are available for application immediately after the Effective Date

[8] Includes maturity escrow balance as of the Effective date as described in Exhibit C of Trustee/Committee DS

[9] Management & Servicing Fee of 0.35% of Face Value per Policy per Year

EXHIBIT K

Projected Policy Portfolio Performance
(through 2045)

Vida Capital

Projected Portfolio Performance ($000's)

Total Portfolio Face Value [1]	*2,308,160*
Total Portfolio Invested Capital [2]	*1,364,403*

Total Portfolio Performance	**2012**[3]	**2013**[3]	**2014**[3]	**2015**[3]	**2016**	**2017**	**2018**	**2019-2025**	**2026-2045**	**2016 - 2045 Total**
Total Maturities[4]	70,119	36,643	78,528	118,340	143,664	164,362	181,445	1,111,697	461,307	2,062,475
Total Premiums[5]	(93,149)	(100,414)	(106,310)	(45,639)	(50,660)	(68,980)	(82,371)	(528,627)	(194,030)	(924,668)
Portfolio Cash Flow - Sub Total	**(23,030)**	**(63,771)**	**(27,782)**	**72,701**	**93,004**	**95,382**	**99,074**	**583,070**	**267,277**	**1,137,807**
Management & Servicing Fees [6]					(8,079)	(7,576)	(7,000)	(28,506)	(5,404)	(56,565)
Portfolio Cash Flow					**84,925**	**87,806**	**92,074**	**554,564**	**261,873**	**$1,081,242**

[1] Porfolio face value is as of 3/15/2016, excluding maturities held in escrow, based on Exhibit C of Trustee/Committee DS

[2] Invested Capital is estimated as of 3/15/2016 based on Exhibit C of Trustee/Committee DS

[3] Historical maturities and premiums based on company records as listed in Exhibit C of Trustee's DS

[4] Maturity projections based on Exhibit C of Trustee/Committee DS

[5] Premiums based on Exhibit C of Trustee/Committee DS

[6] Management & Servicing Fee of 0.35% of Face Value per Policy per Year