

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

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

**THIRD AMENDED JOINT CHAPTER 11 PLAN  
PROPOSED BY VIDA CAPITAL, INC.**

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Dated: June 9, 2016

## **TABLE OF CONTENTS**

ARTICLE I DEFINITIONS AND INTERPRETATION .....	1
1.1 Definitions. ....	1
1.2 Rules of Interpretation and Construction. ....	13
ARTICLE II TREATMENT OF UNCLASSIFIED CLAIMS.....	13
2.1 DIP Claims. ....	13
2.2 Administrative Expense Claims. ....	14
2.3 Fee Claims. ....	14
2.4 Priority Tax Claims. ....	15
ARTICLE III CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS .....	15
ARTICLE IV TREATMENT OF CLAIMS AND EQUITY INTERESTS .....	17
4.1 Priority Non-Tax Claims Against the Debtors. ....	17
4.2 Secured Claims Against the Debtors. ....	17
4.3 SEC Claim. ....	17
4.4 Fractional Interest Claims Against LPI. ....	18
4.5 General Unsecured Claims. ....	22
4.6 Intercompany Claims.....	22
4.7 Equity Interests. ....	22
ARTICLE V IMPAIRMENT; ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES .....	22
5.1 Classes Entitled to Vote.....	22
5.2 Class Acceptance Requirement. ....	23
5.3 Cramdown. ....	23
ARTICLE VI MEANS OF IMPLEMENTATION .....	23
6.1 General. ....	23
6.2 Compromise of Ownership Issues, MDL Litigation, McDermott Litigation and Intercompany Claims. ....	23
6.3 Limited Substantive Consolidation. ....	24
6.4 Release of Liens. ....	25
6.5 Cancellation of Equity Interests and IRA Notes. ....	25
6.6 Dissolution of Committee and Cessation of Fee and Expense Payments. ....	25
6.7 Discharge of Chapter 11 Trustee. ....	25

6.8	Restructuring and Other Corporate Actions and Transactions.....	25
6.9	Issuance of New Stock, Limited Partnership Interests and Beneficial Interests; Section 1145 Exemption.....	27
6.10	Effectuating Documents; Further Transactions.....	27
6.11	Post-Confirmation Servicing Rights and Arrangements.....	27
6.12	Reconciliation of Catch-Up Amounts and Repayment Amounts.....	30
6.13	Transfer of Records, Cooperation and Further Assurances.....	30
6.14	Policy Fund Facility.....	30
6.15	The Policy Fund.....	30
6.16	The Litigation Trust.....	31
6.17	Payment of Class Counsel Fees and Trustee Fee.....	35
ARTICLE VII DISTRIBUTIONS .....		35
7.1	Date of Distributions.....	36
7.2	Sources of Cash for Plan Distributions.....	36
7.3	Disbursing Agent and De Minimis Distributions.....	36
7.4	Rights and Powers of Disbursing Agent.....	36
7.5	Record Date for Distributions.....	36
7.6	Recipients of Distributions.....	37
7.7	Delivery of Distributions.....	37
7.8	Means of Payment.....	37
7.9	Setoffs and Recoupment.....	37
7.10	Disputed Claim and Administrative Reserve.....	37
7.11	Distributions After Effective Date.....	38
7.12	Withholding and Reporting Requirements.....	38
7.13	No Postpetition Interest.....	38
7.14	Time Bar to Payments.....	38
ARTICLE VIII PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS .....		39
8.1	Objections to Claims.....	39
8.2	No Distributions Pending Allowance.....	39
8.3	Distributions After Allowance.....	39
8.4	Disallowance of Late Filed Claims; Proof of Equity Interest.....	39

ARTICLE IX TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES .....	39
9.1 Assumption and Rejection of Contracts and Leases. ....	39
9.2 Cure Payments for Assumed Contracts. ....	40
9.3 Inclusiveness.....	40
9.4 Claims Based on Rejection of Executory Contracts or Unexpired Leases.	40
ARTICLE X CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS OF THE PLAN .....	40
10.1 Conditions to Confirmation of Plan. ....	41
10.2 Conditions to Effective Date of Plan. ....	41
10.3 Waiver of Conditions Precedent. ....	41
10.4 Effect of Failure of Conditions. ....	41
10.5 Reservation of Rights. ....	42
ARTICLE XI EFFECT OF CONSUMMATION .....	42
11.1 Revesting of Assets. ....	42
11.2 Exculpation. ....	42
11.3 Injunction and Stay.....	43
11.4 Preservation of Claims and Causes of Action. ....	43
ARTICLE XII RETENTION OF JURISDICTION .....	43
ARTICLE XIII MISCELLANEOUS .....	45
13.1 Payment of Statutory Fees.....	45
13.2 Filing of Additional Documents. ....	45
13.3 Schedules, Exhibits and Plan Supplement Incorporated. ....	45
13.4 Intercompany Claims.....	45
13.5 Amendment or Modification of the Plan.....	45
13.6 Inconsistency. ....	45
13.7 Exemption from Certain Transfer Taxes.....	46
13.8 Expedited Tax Determination.....	46
13.9 Binding Effect. ....	46
13.10 Severability.....	46
13.11 No Admissions. ....	47
13.12 No Payment of Attorneys’ Fees. ....	47
13.13 Notices.....	47

13.14 Governing Law .....48

**EXHIBITS AND SCHEDULES**

Exhibit A – Class Action Settlement Agreement

Schedule 6.2(a) – Adoption of Class Action Settlement Agreement

Schedule 6.2(d) – Allowed Claims of McDermott Plaintiffs

Schedule 11.4 – List of Preserved and Transferred Causes of Action

Vida Capital, Inc. hereby proposes the following Third Amended Joint Chapter 11 Plan for the Debtors pursuant to section 1121(a) of the Bankruptcy Code.

## ARTICLE I

### DEFINITIONS AND INTERPRETATION

#### 1.1 *Definitions.*

For the purposes of the Plan, the following terms shall have the meanings set forth below:

***Abandoned Fractional Interests*** means any and all Fractional Interests that were abandoned to LPI prior to the Petition Date.

***Administrative Expense Claim*** means any right to payment constituting a cost or expense of administration of the Chapter 11 Cases which is Allowed pursuant to sections 503(b) or 507 of the Bankruptcy Code including, without limitation (a) any fees or charges assessed against the Debtors' Estates under 28 U.S.C. § 1930 and (b) other Administrative Expense Claims as may be ordered and Allowed by the Bankruptcy Court.

***Agency Agreement*** means each Agency and Special Power of Attorney entered into by a Fractional Interest holder, directly or through an IRA, and LPI.

***Allowed*** means, with reference to any Claim or Equity Interest, any Claim or Equity Interest (i) for which a proof of claim or proof of interest has been filed and as to which no objection has been interposed on or before the Effective Date or such other applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, (ii) which appears in the Debtors' Schedules and is not listed as contingent, liquidated or disputed, (iii) which is allowed by Final Order of the Bankruptcy Court, or (iv) which expressly allowed under the Plan.

***Amended Schedule F*** means LPI's amended Schedule F, as filed with the Bankruptcy Court on February 12, 2016 [Docket No. 38 in Case No. 15-41995-RFN-11].

***Appendix A Persons*** means the Persons listed in Appendix A to the Class Action Settlement.

***Assigned Fractional Interests*** means the Fractional Interests transferred to the Policy Fund by Assigning Holders and Former Holders as of the Effective Date.

***Assigning Holder*** means (a) with respect to non-IRA Holders, a Person who makes an Election, as of the Effective Date, to assign Fractional Interests to the Policy Fund and become the holder of a limited partnership interest in the Policy Fund and (b) with respect to IRA Holders, a Person who makes an Election to exchange IRA Notes for a limited partnership interest in the Policy Fund, all pursuant to and as more fully described in section 4.4(b)(2) of the

Plan. Assigning Holders will be deemed to have consented to the terms of the Policy Fund Partnership Agreement.

**Assumed Assets** means all assets of the Debtors, to be transferred to and vested in the Reorganized Debtors on the Effective Date of the Plan. Assumed Assets shall include any and all Abandoned Fractional Interests, which Fractional Interests shall conclusively be determined to be the property of LPI and which shall, on the Effective Date, be transferred to and vested in Reorganized LPI and immediately transferred to and vested in the Policy Fund.

**Assumed Contracts** means those certain executory contracts and unexpired leases of LPI and LPIFS to be assumed by the Reorganized Debtors under the Plan, as set forth on the Schedule of Assumed Contracts.

**ATLES** means Advance Trust & Life Escrow Services, LTA.

**Ballot** means the ballot provided to Persons who are entitled to vote, to indicate (i) their votes to accept or reject the Plan, as appropriate, (ii) their Election, if applicable, (iii) whether they will opt out of contributing their Contributed Causes of Action to the Litigation Trust and (iv) their ranking, or preference, for Vida's Plan. If any Person entitled to make an Election either fails to return a Ballot, fails to make an Election on the Ballot with respect to a Fractional Interest, or makes more than one Election with respect to a Fractional Interest, such Person will be deemed to have made the Election to become a Continuing Holder with respect to such Fractional Interest (except that IRA Holders will be deemed to have made the Assigning Holder Election).

**Bankruptcy Code** means title 11 of the United States Code, as amended from time to time.

**Bankruptcy Court** means the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division, or any other court of the United States having jurisdiction over the Chapter 11 Cases.

**Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, as amended from time to time.

**Bar Date** means the last date to file proofs of claim against the Debtors, which was (i) September 1, 2015 for all creditors except Governmental Units, and November 16, 2015 for Governmental Units, or (ii) such later date as may have been set by order of the Bankruptcy Court or operation of the Bankruptcy Code or the Bankruptcy Rules.

**Business Day** means any day other than a Saturday, Sunday, or "legal holiday" as defined in Bankruptcy Rule 9006(a).

**Cash** means legal tender of the United States of America.

**Cash Consideration** means \$4 million to be paid by Vida to the Debtors' Estates on the Effective Date of the Plan.

***Catch-Up Amount*** means the amount owing to any of the Debtors by a holder of a Fractional Interest Claim, as of the Effective Date, for or in respect of (i) Policy premium advances, (ii) outstanding Policy premium calls, (iii) platform servicing fees and (iv) any other amounts. The Catch-Up Amount for each holder of a Fractional Interest Claim will either be provided in connection with the process for making Elections and casting Ballots, or separately invoiced.

***Causes of Action*** is defined in section 11.4 of the Plan.

***Chapter 11 Cases*** means the jointly administered chapter 11 cases of the Debtors pending in the Bankruptcy Court under Case No. 15-40289-RFN-11.

***Claim*** means a claim against a Debtor within the meaning of section 101(5) of the Bankruptcy Code.

***Class*** means any group of Claims or Equity Interests classified by the Plan pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code.

***Class Action Settlement*** means the settlement set forth in that certain Class Action Settlement Agreement entered into on March 24, 2016 among the signatories thereto and attached to the Plan as **Exhibit A**, as the same may be modified or amended from time to time, as approved pursuant to a Final Order, and as further modified by the Plan.

***Class Counsel*** means Keith Langston.

***Class Counsel Fees*** means the amount of legal fees awarded to Class Counsel pursuant to a Final Order.

***Collateral*** means any property or interest in property of the Debtors subject to a Lien which is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable state or federal law.

***Committee*** means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases by the Office of the United States Trustee, as the same may be reconstituted from time to time.

***Confirmation Date*** means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

***Confirmation Hearing*** means the hearing conducted by the Bankruptcy Court pursuant to sections 1128(a) and 1129 of the Bankruptcy Code to consider confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

***Confirmation Order*** means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

***Continuing Holder*** means a Person who makes an Election for Fractional Interests, as of the Effective Date, to continue in, and remain a part of, the life settlement



program previously administered by LPI, pursuant to and as more fully described in section 4.4(b)(1) of the Plan.

***Contributed Causes of Action*** means any action, cause of action, liability, obligation, right, suit, debt, sum of money, damage, judgment, Claim or demand held by any Fractional Interest Claim holder against any third party arising out of, relating to or connected with their investment in life settlements with LPI including, but not limited to, the causes of action and potential defendants listed in paragraphs 36 and 37 of the Class Action Settlement, all of which shall be deemed assigned to and vested in the Litigation Trust on the Effective Date, *except* to the extent the holder of a Fractional Interest Claim opts out of assigning the claims and causes of action listed in paragraph 37 of the Class Action Settlement by checking the appropriate box on the Ballot.

***Cost Basis*** means the amount originally paid by a Person for a Fractional Interest or, in the case of an IRA Holder, the amount paid for an IRA Note, plus any additional payments to fund premiums, as reflected in LPI's Amended Schedule F or as otherwise Allowed by the Bankruptcy Court.

***Cure Amounts*** is defined in section 9.2 of the Plan.

***Debtor*** means any one of the Debtors, as the context may require.

***Debtors*** means LPHI, LPI and LPIFS, collectively, in their capacities as debtors and debtors in possession under sections 1107 and 1108 of the Bankruptcy Code.

***Defaulted Fractional Interests*** is defined in section 4.4(c)(1) of the Plan.

***DIP Claim*** means a Claim held by a Fractional Interest holder arising under and pursuant to the Maturity Funds DIP Facility.

***Disallowed Claim or Equity Interest*** means any Claim or Equity Interest, or portion thereof, that is not an Allowed Claim, an Allowed Equity Interest, or a Disputed Claim or Disputed Equity Interest.

***Disbursing Agent*** means the Litigation Trustee with respect to Litigation Trust Beneficiaries, the Policy Fund with respect to Assigning Holders, Reorganized LPI with respect to Continuing Holders, or any other party designated by the Bankruptcy Court upon motion, to serve as a disbursing agent pursuant section 7.3 of the Plan.

***Disclosure Statement*** means that certain disclosure statement relating to the Plan, including all exhibits and schedules thereto, as the same may be amended, supplemented or otherwise modified from time to time, as approved by the Bankruptcy Court pursuant to sections 1125 and 1126 of the Bankruptcy Code.

***Disputed Claim*** means, with respect to a Claim, any such Claim (a) to the extent neither Allowed nor disallowed under the Plan or a Final Order nor deemed Allowed under section 502, 503 or 1111 of the Bankruptcy Code, or (b) with respect to which the Debtors or a party in interest have interposed a timely objection (as a contested matter, adversary proceeding,

or otherwise) or request for estimation prior to the Objection Deadline in accordance with the Plan or the Bankruptcy Rules, which objection or request for estimation has not been withdrawn or determined by a Final Order as of the Effective Date.

***Disputed Claim and Administrative Reserve*** means the Cash reserve to be established pursuant to section 7.10 of the Plan, in an amount sufficient to satisfy (i) all distributions to which holders of Disputed Claims would be entitled to receive if all such Disputed Claims were to be subsequently Allowed in full, (ii) Allowed Administrative Expense Claims, and (iii) the costs and expenses of administering the Chapter 11 Cases from the Effective Date until the time the Chapter 11 Cases are closed including, but not limited to, any fees payable under 28 U.S.C. § 1930.

***Distribution Record Date*** means the record date for purposes of receiving distributions under the Plan, which shall be the Confirmation Date.

***Effective Date*** means the first Business Day on which all the conditions precedent to the effectiveness of the Plan specified in section 10.2 shall have been satisfied or waived as provided in section 10.3; *provided, however*, that if a stay, injunction or similar prohibition of the Confirmation Order is in effect, the Effective Date shall be the first Business Day after such stay, injunction or similar prohibition is no longer in effect.

***Election*** means the election to be made on the Ballot by a Person holding a Fractional Interest Claim to become a Continuing Holder, an Assigning Holder or a Former Holder. ***An Election must be made on the Ballot, even if a holder of a Fractional Interest Claim votes “No.”*** If any holder of a Fractional Interest Claim fails to return a Ballot, fails to make an Election on the Ballot with respect to a Fractional Interest, or makes more than one Election on the Ballot with respect to a Fractional Interest, such Person shall be deemed to have elected to become a Continuing Holder for such Fractional Interest (other than IRA Holders, who shall be deemed to have made the Assigning Holder Election for such Fractional Interest).

***Equity Interest*** means any “equity security” of the Debtors, as that term is defined in section 101(16) of the Bankruptcy Code.

***Escrow Agreements*** means the Servicing Agreement and the Escrow Services Agreement, together.

***Escrow Services Agreement*** means that certain Escrow Services Agreement, dated as of February 1, 2011, between LPI and ATLES, as the same may have been modified, amended or replaced from time to time during the Chapter 11 Cases.

***Estate*** means the estate of any of the Debtors, as created under section 541 of the Bankruptcy Code, as the context may require.

***Exit Loan*** means the funds to be advanced by Vida to be used to repay DIP Claims, and to pay Allowed Administrative Claims, Allowed Fee Claims and Allowed Priority Tax Claims, in an amount not to exceed the greater of (i) the amount necessary to satisfy all such claims or (ii) \$55 million. The Exit Loan shall bear simple interest at 13% per annum from the

Effective Date until repaid in full. All sums 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 in respect of, Continuing Holders and the Policy Fund, with the amount of the obligation owing from each Continuing Holder and the Policy Fund being determined as set forth in section 4.4(c) of the Plan.

***Fee Claim*** means any Claim by a Professional Person under sections 326, 330, 331 or 503 of the Bankruptcy Code for allowance of compensation and/or reimbursement of expenses in the LPI and LPIFS Chapter 11 Cases.

***Final Order*** means an order or judgment of a court of competent jurisdiction that has been entered on the docket maintained by the clerk of such court and has not been reversed, vacated or stayed and as to which (a) the time to appeal, petition for *certiorari*, or move for a stay, new trial, re-argument, or rehearing has expired and as to which no appeal, petition for *certiorari* or other proceedings for a stay, new trial, re-argument or rehearing shall then be pending or (b) if an appeal, writ of *certiorari*, stay, new trial, re-argument or rehearing thereof has been sought, (i) such order or judgment shall have been affirmed by the highest court to which such order was appealed, *certiorari* shall have been denied or a stay, new trial, re-argument or rehearing shall have been denied or resulted in no modification of such order and (ii) the time to take any further appeal, petition for *certiorari*, or move for a stay, new trial, re-argument or rehearing shall have expired; *provided, however*, that no order or judgment shall fail to be a “Final Order” solely because of the possibility that a motion pursuant to section 502(j) or 1144 of the Bankruptcy Code or under Rule 60 of the Federal Rules of Civil Procedure, or Bankruptcy Rule 9024 has been or may be filed with respect to such order or judgment.

***Former Holder*** means a Person who makes an Election for Fractional Interests, as of the Effective Date, to irrevocably (i) rescind the related life settlement transactions with LPI, (ii) assign, transfer and abandon to the Policy Fund the applicable Fractional Interests, proportionate share of Maturity Funds and proportionate share of funds in escrow to pay Policy Premiums, and (ii) become a beneficiary of the Litigation Trust, all pursuant to and as more fully described in section 4.4(b)(3) of the Plan.

***Fractional Interest*** means the dollar amount of the death benefit in a Policy allocated to Persons who signed PFAs and Agency Agreements with LPI and gave money to LPI to fund the purchase of Policies.

***Fractional Interest Claim*** means a claim or right against LPI held by a Person who holds Fractional Interests or IRA Notes.

***General Partner*** means Vida Management VII LLC, the general partner of the Policy Fund.

***General Unsecured Claim*** means any Claim against a Debtor that is not an Administrative Expense Claim, a Priority Tax Claim, a Priority Non-Tax Claim, a Secured Claim, a Fractional Interest Claim, an SEC Claim, an Intercompany Claim or an Equity Interest.

**Governmental Unit** has the meaning ascribed to such term in section 101(27) of the Bankruptcy Code.

**Indemnified Persons** is defined in section 6.16(m) of the Plan.

**Initial Distribution** means the distribution of Net Cash to holders of Allowed General Unsecured Claims and the SEC Claim, in accordance with sections 4.3 and 4.5 of the Plan.

**Intercompany Claim** means a Claim held by one Debtor against another Debtor.

**Intercompany Settlement** means the compromise and settlement of the enforceability, validity and priority of Intercompany Claims, and the settlement of 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.

**Internal Revenue Code** means title 26 of the United States Code, as amended from time to time.

**IRA** means, collectively, (i) a Roth IRA or (ii) an individual retirement account that is intended to satisfy the requirements of section 408 of the Internal Revenue Code.

**IRA Holder** means a Person who holds an IRA Note.

**IRA Notes** means any document denominated as a promissory note secured by a Fractional Interest sold pursuant to a PFA.

**Lien** has the meaning set forth in section 101(37) of the Bankruptcy Code.

**Litigation Trust** means that certain trust that will come into existence on the Effective Date, which shall be formed pursuant to the terms of the Plan and the Trust Agreement, and which shall be governed by the Trust Agreement.

**Litigation Trust Assets** means (i) the Seed Money, (ii) the Causes of Action held by the Debtors' Estates as listed on **Schedule 11.4** attached to the Plan, (iii) the Contributed Causes of Action and (iv) all Cash thereafter received by the Litigation Trust, all of which shall vest in the Litigation Trust on the Effective Date.

**Litigation Trust Beneficiaries** means holders of Allowed General Unsecured Claims, Former Holders and the SEC. The Policy Fund shall be the residual beneficiary of the Litigation Trust.

**Litigation Trustee** means the trustee of the Litigation Trust, in her capacity as such, who shall be Areya Holder, Esq., who shall be compensated at the rate of \$400 per hour.

**Local Rules** means the local Bankruptcy Rules of the United States Bankruptcy Court for the Northern District of Texas.

**LPI** means Life Partners, Inc.

**LPIFS** means LPI Financial Services, Inc.

**LPHI** means Life Partners Holdings, Inc.

**Maturity Funds** means Cash proceeds held by any third party generated by or from the maturity of Policies.

**Maturity Funds DIP Facility** means the financing facility approved by the Bankruptcy Court in the Chapter 11 Cases by final order signed on October 22, 2015 [Docket No. 1127] which, among other things, granted the Maturity Funds DIP Motion and authorized the Trustee, LPI and LPIFS to use up to \$25 million of Maturity Funds to fund the Chapter 11 Cases and provide adequate protection.

**Maturity Funds DIP Motion** means that certain *Expedited Motion for Interim and Final Orders (I)(A) Authorizing Debtors to Obtain Post-Petition Financing, (B) Granting Security Interests and/or Superpriority Administrative Expense Status; and (II) Granting Related Relief* [Docket No. 958], filed with the Bankruptcy Court on September 16, 2015.

**McDermott Litigation** means the action captioned *McDermott v. Life Partners Inc.*, Adversary No. 16-4045 (Bankr. N.D. Tex.).

**McDermott Plaintiffs** means the plaintiffs in the McDermott Litigation.

**McDermott Counsel** has the same meaning as MDL Counsel.

**MDL Counsel** means James Craig Orr, Jr. and the law firm of Heygood, Orr & Pearson.

**MDL Litigation** means, collectively, the following litigation: (i) *In re Life Partners, Inc. Litigation*, MDL No. 13-0357 (191<sup>st</sup> District Court, Dallas County, Texas); (ii) *Willingham v. Life Partners Inc.*, Adversary No. 16-4046 (Bankr. N.D. Tex.); (iii) *Whitmire v. Life Partners, Inc.*, Adversary No. 16-4042 (Bankr. N.D. Tex.); (iv) *Birtcher v. Life Partners, Inc.*, Adversary No. 16-4041 (Bankr. N.D. Tex.); (v) *McClain v. Life Partners, Inc.*, Adversary No. 16-4043 (Bankr. N.D. Tex.); (vi) *Eccles v. Life Partners, Inc.*, Adversary No. 16-4044 (Bankr. N.D. Tex.); (vii) *Whitehurst v. Life Partners, Inc.*, Adversary No. 16-3059 (Bankr. S.D. Tex.); (viii) *Morrow v. Life Partners Holdings, Inc.*, Case No. 3:14-cv-141 (W.D. Pa.); (ix) *Woelfel v. Life Partners Inc.*, Case No. 9:14-cv-80433-JIC (S.D. Fla.); and (x) *Steuben v. Life Partners Inc.*, Case No. 2:16-ap-01109-ER (Bankr. C.D. Cal.).

**MDL Plaintiffs** means the plaintiffs in the MDL Litigation.

**Net Cash** means the amount of Cash on hand with the Litigation Trust after deducting the Seed Money.

**New Boards** means the Boards of Directors of the Reorganized Debtors as of the Effective Date, as identified in the Plan Supplement.

**New Life Partners Governing Documents** means (i) the certificate of incorporation and bylaws for each of the Reorganized Debtors (which shall be their current charters and bylaws, as amended as necessary to implement the Plan including, among other things, to prohibit the issuance of non-voting equity securities as required by section 1123(a)(6) of the Bankruptcy Code (other than any warrants), subject to further amendment as permitted by applicable law), and (ii) any other governing corporate document with respect to the Reorganized Debtors as may be contemplated by the Plan or otherwise, the forms of which will be filed with the Bankruptcy Court as part of the Plan Supplement.

**New LPI Stock** means the new common stock of Reorganized LPI, par value \$0.01 per share, to be issued by Reorganized LPI to Vida on the Effective Date under and pursuant to the Plan.

**New LPIFS Stock** means the new common stock of Reorganized LPIFS, par value \$0.01 per share, to be issued by Reorganized LPIFS to Vida on the Effective Date under and pursuant to the Plan.

**New Management and Servicing Contract** means the agreement among Continuing Holders and Vida on one hand, and the Policy Fund and the General Partner on the other, which shall replace the PFAs and Agency Agreements and shall, as of the Effective Date, govern the servicing of the Policies in the Policy Fund and held by Continuing Holders, and the management of the Policy Fund, Assigning Holders' accounts and Continuing Holders' accounts. The form of New Management and Servicing Contract shall be filed as part of the Plan Supplement.

**New Stock** means the New LPI Stock and the New LPIFS Stock, together.

**Objection Deadline** means the later of (a) ninety (90) days after the Effective Date and (b) such later as may be ordered by the Bankruptcy Court prior to the expiration of such ninety (90) day period, upon motion.

**Ownership Litigation** means any and all litigation regarding the beneficial ownership of Policies and Fractional Interests, and any request for rescission of the same, including but not limited to (i) Adversary No. 15-4051, captioned *KLI Investments, LP v. Life Partners, Inc.*, (ii) Adversary No. 15-4061, captioned *Garner v. Life Partners, Inc.*, (iii) Adversary No. 15-4064, captioned *Arnold v. Life Partners, Inc.*, and (iv) Adversary No. 15-4106, captioned *Pillar Life Settlement Fund I, LP v. Life Partners, Inc.*

**PFA** means each Policy Funding Agreement entered into by a Fractional Interest holder, directly or through an IRA, and LPI.

**Person** means an individual, partnership, corporation, limited liability company, cooperative, trust, unincorporated organization, association, joint venture, IRA Holder, Qualified Plan Holder, government or agency or political subdivision thereof or any other form of legal

entity. When used with reference to a holder of Fractional Interests, the “Person” who holds Fractional Interests shall refer to (i) the person or entity in whose name Fractional Interests are actually registered or held, based on federal tax identification number or (ii) the beneficiary or named account holder for an IRA. For example, if John Smith invested \$1 million in Fractional Interests which he still holds individually, he is the “Person” for those Fractional Interests and may make an Election for those Fractional Interests. If, however, John Smith also invested \$500,000 in Fund X and Fund X is the registered holder of such Fractional Interests, then Fund X is the “Person” entitled to elect for those Fractional Interests held in Fund X, not John Smith. Similarly, if John Smith invested in Fractional Interests through his IRA, John Smith is the “Person” entitled to make an Election for the Fractional Interests held in his IRA.

**PES** means Purchase Escrow Services, LLC.

**Petition Date** means the dates on which the Debtors filed their voluntary petitions for relief under chapter 11 of the Bankruptcy Code, which dates are January 20, 2015 for LPHI and May 19, 2015 for LPI and LPIFS.

**Plan** means this Third Amended Joint Chapter 11 Plan Proposed By Vida Capital, Inc., as the same may be amended, supplemented or otherwise modified, including any exhibits and schedules hereto.

**Plan Supplement** means the compilation of documents and forms of documents, schedules and exhibits to be filed in one or more parts or volumes, no later ten (10) Business Days prior to the Voting Deadline, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Plan and in accordance with the Bankruptcy Code and the Bankruptcy Rules, comprising, without limitation, the following documents: List of Causes of Action and Seed Money transferred to the Litigation Trust; the list and identities of the members of the New Boards and the Directors and Officers of the Reorganized Debtors, the Policy Fund Advisory Board and the Trust Committee; the Schedules of Assumed Contracts; the Trust Agreement; the New Life Partners Governing Documents; the Policy Fund Documents; and the New Management and Servicing Contract.

**Policies** means the life insurance policies purchased by LPI and in which LPI sold Fractional Interests. When the word “amount” is used in conjunction with the word “Policies” (or “Policy”), it is a reference to the death benefit attributable to such Policies (or Policy).

**Policy Fund** means the fund to be run by the General Partner, and administered and serviced by the General Partner, for the benefit of Assigning Holders, the assets of which shall be (i) all Assigned Fractional Interests, (ii) all Defaulted Fractional Interests, (iii) all Abandoned Fractional Interests, (iv) all Maturity Funds paid on account of Policy maturities after the Effective Date and (v) all funds in escrow on the Effective Date and thereafter to pay Policy premiums applicable to Assigned Fractional Interests and Defaulted Fractional Interests.

**Policy Fund Advisory Board** means the five person board that will be formed pursuant to and in accordance with the Policy Fund Documents, to oversee the operation of the Policy Fund. The initial members of the Policy Fund Advisory Board shall be the following people: one member of the Committee (to be chosen by the Committee), Jose Montemayor, two

people with industry expertise and experience to be chosen by Vida, and one corporate and securities lawyer to be chosen by Vida. The compensation for the members of the Policy Fund Advisory Board shall be set by a supermajority of the Policy Fund Advisory Board but shall in no event be greater than \$40,000 per year per member, payable quarterly.

***Policy Fund Documents*** means the documents necessary that are necessary to create the Policy Fund, and thereafter to govern the Policy Fund's operations (including the Policy Fund Partnership Agreement), the forms of which shall be filed as part of the Plan Supplement.

***Policy Fund Facility*** is defined in section 6.14 of the Plan.

***Policy Fund Partnership Agreement*** means the partnership agreement that will govern the operations of the Policy Fund and the relative rights and obligations of the General Partner, the Policy Fund and Assigning Holders, the form of which shall be filed as part of the Plan Supplement.

***Priority Non-Tax Claim*** means any Claim that is entitled to priority in payment pursuant to sections 507(a)(4), (5), (6) or (7) of the Bankruptcy Code and that is not an Administrative Expense Claim or a Priority Tax Claim.

***Priority Tax Claim*** means any Claim of a governmental unit of the kind entitled to priority in payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

***Professional Person*** means any Person retained or to be compensated by the Debtors' Estates pursuant to sections 326, 327, 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code.

***Pro Rata*** means the proportion that the amount of an Allowed Claim in a particular Class bears to the aggregate amount of all Claims (but excluding Disallowed Claims) in such Class.

***Qualified Plan Holder*** means a Fractional Interest holder that is an employee benefit plan as defined in section 3(3) of the Employee Retirement Income Security Act of 1974.

***Quarterly Management and Servicing Fee*** is defined in section 6.11(a) of the Plan.

***Records*** is defined in section 6.13 of the Plan.

***Reorganized Debtors*** means Reorganized LPI and Reorganized LPIFS, together.

***Reorganized LPI*** means LPI as reorganized under and pursuant to this Plan, from and after the Effective Date.

***Reorganized LPIFS*** means LPIFS as reorganized under and pursuant to this Plan, from and after the Effective Date.



***Repayment Amount*** is defined in section 4.4(d) of the Plan

***Roth IRA*** means an individual retirement account that is intended to satisfy the requirements of section 408A of the Internal Revenue Code.

***Schedule of Assumed Contracts*** means the schedule listing the executory contracts and unexpired leases of LPI and LPIFS, if any, to be assumed by the Reorganized Debtors under this Plan and applicable Cure Amounts, if any. The Schedule of Assumed Contracts will be filed with the Bankruptcy Court as part of the Plan Supplement.

***Schedules*** means, collectively, Schedules A through J, as filed by each of the Debtors in the Chapter 11 Cases, as the same may be amended from time to time.

***SEC*** means the United States Securities and Exchange Commission.

***SEC Claim*** means the Claim held by the SEC against LPHI.

***SEC Judgment Appeal*** means the appeal from the judgment entered in the SEC's favor in the action captioned *SEC v. Life Partners Holdings, Inc.*, Case No. 12-cv-00033-JRN (W.D. Tex.), which is currently pending in the United States Court of Appeals for the Fifth Circuit under No. 14-51353.

***Secured Claim*** means a Claim that is secured by a valid, perfected, enforceable and non-avoidable Lien on property in which the Debtors have an interest, to the extent of the value, as of the Effective Date, of such interest or Lien as determined by a Final Order of the Bankruptcy Court pursuant to section 506 of the Bankruptcy Code, or as otherwise agreed to in writing by the Debtor in question and the holder of such Claim.

***Seed Money*** means the amount of Cash to be transferred to the Litigation Trust from the Debtors to fund operations, which shall be \$4 million, unless a lesser amount is agreed to by the Litigation Trustee in consultation with the Committee and Vida.

***Servicing Agreement*** means that certain Servicing Agent Agreement, dated as of September 6, 2011, between LPI and PES, as the same may have been modified, amended or replaced from time to time during the Chapter 11 Cases.

***Trust Agreement*** means the agreement governing the Litigation Trust, dated as of the Effective Date, substantially in the form filed as part of the Plan Supplement.

***Trust Committee*** means the committee that will be formed pursuant to and in accordance with the Trust Agreement, to oversee the operation of the Litigation Trust and the Litigation Trustee, and to exercise the rights and powers set forth in the Trust Agreement. The initial members of the Trust Committee shall be Bert Scalzo, Skip Trimble, Mark Reddus, Phil Loy and one other member to be chosen by the Trustee and the Committee, together, whose identity shall be forth in the Plan Supplement. The compensation for the members of the Trust Committee shall be set by a supermajority of the Trust Committee but shall in no event be greater than \$40,000 per year per member, payable quarterly. The Chairperson of the Trust

Committee may, with the approval of three other members of the Trust Committee, receive additional annual compensation not to exceed \$10,000 per year.

**Trustee** means H. Thomas Moran II, the individual appointed as LPHI's trustee in the Chapter 11 Case, in his capacity as such, and in his capacity as the sole director of LPI and LPIFS.

**Trustee Fee** means the compensation to be awarded to the Trustee in the Chapter 11 Cases, pursuant to a Final Order.

**Vida** means Vida Capital, Inc. the proponent of this Plan.

**Voting Deadline** means the date set by the Bankruptcy Court by which Ballots for accepting or rejecting the Plan must be received and on which Persons holding Fractional Interests must make their Elections, which is \_\_\_\_, 2016. If any Person fails to return a Ballot, or returns a Ballot that makes no Election or more than one Election, such Person shall be deemed to have made the Former Holder Election.

## **1.2 Rules of Interpretation and Construction.**

(a) Interpretation. Unless otherwise specified herein, all section, article and exhibit references in the Plan are to the respective section in, article of, and exhibit to, the Plan, as the same may be amended, waived or modified from time to time. All headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions of the Plan.

(b) Construction and Application of Bankruptcy Code Definitions. Unless otherwise defined herein, words and terms defined in section 101 of the Bankruptcy Code shall have the same meanings when used in the Plan. Words or terms used but not defined herein shall have the meanings ascribed to such terms or words, if any, in the Bankruptcy Code. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan.

(c) Other Terms. The words "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to the Plan as a whole and not to any particular article, section, subsection or clause contained in the Plan.

(d) Time. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

## **ARTICLE II**

### **TREATMENT OF UNCLASSIFIED CLAIMS**

#### **2.1 DIP Claims.**

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' Estates to pay all DIP Claims in full, then (i) the Estates shall pay DIP Claims up to the amount of Cash on hand in the Estates, or in such amount as the Estates and each holder of a DIP Claim may otherwise agree and (ii) the remainder of such DIP Claims shall be paid in Cash with funds from the Exit Loan.

## **2.2 *Administrative Expense Claims.***

All Administrative Expense Claims against the Debtors (other than DIP Claims but including a claim for payment of the Trustee Fee) shall be treated as follows:

(a) Time for Filing. All holders of Administrative Expense Claims, other than Professional Persons holding Fee Claims, shall file with the Bankruptcy Court a request for payment of such Claims within thirty (30) days after the Effective Date. Any such request must be served on the Trustee, his counsel and counsel to the Committee, and must, at a minimum, set forth (i) the name of the holder of the Administrative Expense Claim; (ii) the amount of the Administrative Expense Claim; and (iii) the basis for the Administrative Expense Claim. A failure to file any such request in a timely fashion will result in the Administrative Expense Claim in question being discharged and its holder forever barred from asserting such Administrative Expense Claim against the Reorganized Debtors or the Litigation Trust.

(b) Allowance. An Administrative Expense Claim for which a request for payment has been properly filed shall become an Allowed Administrative Expense Claim unless an objection is filed by the date that is thirty (30) days after a request for payment of such Administrative Expense Claim is filed. If an objection is timely filed, the Administrative Expense Claim in question shall become an Allowed Administrative Expense Claim only to the extent so Allowed by Final Order of the Bankruptcy Court.

(c) Payment. Other than the Trustee Fee, and except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment of such Claim, each holder of an Allowed Administrative Expense Claim 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, such Administrative Expense Claims shall receive their Pro Rata share of Cash on hand with the Debtors' Estates on the Effective Date, and the remaining amount of such Allowed Administrative Claims shall be paid using proceeds from the Exit Loan. The Trustee Fee shall be paid as set forth in section 6.17 of the Plan.

## **2.3 *Fee Claims.***

Every Professional Person holding a Fee Claim that has not previously been the subject of a final fee application and accompanying Bankruptcy Court order shall 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. Any such final fee application shall conform to and comply with all applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the

Local Rules. The last date to object to any final fee application shall be the twenty-fourth (24th) day after such fee application has been filed with the Bankruptcy Court. All final fee applications shall be set for hearing on the same day, as the Bankruptcy Court's calendar permits, after consultation with counsel to the Trustee and the Litigation Trustee. Allowed Fee Claims shall be paid in full in Cash by the Litigation Trustee 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 Fee Claim. To the extent there are insufficient funds in the Estate to pay all Allowed Fee Claims in full, such Allowed Fee Claims shall receive their Pro Rata share of Cash on hand with the Debtors' Estates on the Effective Date, and the remaining amount of such Allowed Fee Claims shall be paid using proceeds from the Exit Loan.

#### **2.4 Priority Tax Claims.**

Except to the extent that a holder of an Allowed Priority Tax Claim has agreed or agrees to a different treatment of such Claim, each holder of an Allowed Priority Tax Claim 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 such 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.

### **ARTICLE III**

#### **CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS**

All Claims against, and Equity Interests in, the Debtors are classified for all purposes, including voting, confirmation, and distribution, pursuant to the Plan 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	Designation	Impairment	Entitled to Vote
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)

Administrative Expense Claims and Priority Tax Claims are not classified for purposes of voting or receiving distributions under the Plan, pursuant to section 1123(a)(1) of the Bankruptcy Code. Instead, all such Claims shall be treated separately as unclassified claims on the terms previously set forth in Article II of this Plan.

## **ARTICLE IV**

### **TREATMENT OF CLAIMS AND EQUITY INTERESTS**

#### **4.1 *Priority Non-Tax Claims Against the Debtors.***

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.

#### **4.2 *Secured Claims Against the Debtors.***

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.

#### **4.3 *SEC Claim.***

In full and final satisfaction of the SEC Claim in Class 1C, the SEC 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. In addition, within a reasonable time after the Effective Date, LPHI shall move to voluntarily dismiss the SEC Judgment Appeal.

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).

#### 4.4 *Fractional Interest Claims Against LPI.*

(a) Elections for non-Qualified Plan Holders and non-IRA Holders. Other than Qualified Plan Holders, Appendix A Persons and IRA Holders, each Person holding Fractional Interests may, for each Fractional Interest, make an appropriate Election on the Ballot 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 some or all of its Fractional Interests and its proportionate share of funds in escrow to pay Policy premiums to the Policy Fund; or (iii) become a Former Holder by (A) rescinding some or all of the transaction(s) pursuant to which its Fractional Interests were purchased, and (B) being deemed to have irrevocably assigned, transferred and abandoned to the Policy Fund such 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, Qualified Plan Holders and Appendix A Persons. 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 Plan Holders and Appendix A Persons ***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 may be made on a Fractional Interest-by-Fractional Interest basis. ***If any Person either fails to return a Ballot, fails to make an Election on the Ballot for a Fractional Interest, or makes more than one Election on the Ballot for a Fractional Interest, such Person will be deemed to have made the Continuing Holder Election for such Fractional Interest (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 of Fractional Interests will (A) be deemed to be the beneficial owner of such Fractional Interests as of the Effective Date, (B) be required to pay all Catch-Up Amounts with respect to such Fractional Interests to the Policy Fund on the later of (i) 30 days after the Effective Date if the Catch-Up Amount is provided in connection with making Elections and casting Ballots or (ii) 90 days after the date of a Catch-Up Amount invoice, (C) be deemed to have entered into the New Management and Servicing Contract as of the Effective Date and (D) following the Effective Date, be required pay its share of all Policy premiums and Quarterly Management and Servicing 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 Fractional Interests subject to a

Continuing Holder Election shall be paid to Vida as a pay-down for each Continuing Holder's Repayment Amount. Any remaining balance of Maturity Funds and escrowed Policy premiums will then be remitted to such Continuing Holder, unless the 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 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 with respect to a Fractional Interest (i) its Catch-Up Amount or, following the Effective Date, (ii) any other Policy premiums or Quarterly Management and Servicing Fees as and when due, will result in the irrevocable abandonment and transfer to the Policy Fund of such Continuing Holder's right, title and interest in and to such Fractional Interest, along with any remaining Maturity Funds and Policy premium funds in escrow applicable to such Fractional Interest ("**Defaulted Fractional Interest**"). Thereafter, the Continuing Holder in question shall be deemed to be an Assigning Holder for, and receive a limited partnership interest in the Policy Fund for, such Defaulted Fractional Interest, *provided, however*, that as a penalty for the default, the interest in the Policy Fund to be received by the Continuing Holder shall be 50% of the interest the Continuing Holder would have received if it had made the Assigning Holder Election for such Defaulted Fractional Interest. The Policy Fund shall, following a default by a Continuing Holder, use such Continuing Holder's defaulted Maturity Funds and Policy premium funds in escrow applicable to Defaulted Fractional Interests to pay the Catch-Up Amount or any then-due Policy premiums and Quarterly Management and Servicing Fees, as may be applicable.

***Note to IRA Holders:*** Due to the potential for negative tax implications to IRA Holders who make a Continuing Holder Election, ***all IRA Holders are directed to the Disclosure Statement for an explanation of the potentially negative tax implications of becoming a Continuing Holder, and are urged to contact their individual tax advisors.***

(2) Assigning Holder Election.

Non-IRA Holders: Each Person who is not an IRA Holder and who elects to become an Assigning Holder for Fractional Interests, shall (i) be deemed to be the beneficial owner of such Fractional Interests as of the Effective Date, (ii) be deemed to have contributed to the Policy Fund such



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 make or are deemed to have made the Assigning Holder Election for Fractional Interests will be deemed to have (i) exchanged their applicable IRA Notes for a limited partnership interest in the Policy Fund on the Effective Date, equal to the amount of the IRA Holder's Cost Basis divided by the total Cost Basis for all Assigned Fractional Interests (not including Defaulted Fractional Interests or Abandoned Fractional Interests, but including the Fractional Interests underlying the IRA Note in question), 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's Fractional Interests to satisfy such Assigning Holder's Catch-Up Amount, and shall transfer the same to Vida. 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 and Appendix A Persons, each Person who elects to become a Former Holder for Fractional Interests will be deemed to have rescinded its transactions and purchases with LPI with respect to such Fractional Interests and will not continue in the life settlement program for such Fractional Interests. Each such Former Holder will (i) be deemed to have irrevocably assigned, transferred and abandoned to the Policy Fund the applicable 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 an Allowed General Unsecured Claim against the Debtors' Estates in respect of the rescinded transaction(s) and (iii) become a beneficiary of the Litigation Trust and receive the same treatment under the Plan in respect of such rescinded transaction(s) as

other holders of Allowed General Unsecured Claims. ***Qualified Plan Holders and Appendix A Persons may not make the Former Holder Election.***

(d) Repayment of Exit Loan: Upon the Effective date, each Continuing Holder and the Policy Fund shall be deemed to have an obligation owing to Vida in respect of the Exit Loan, 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.

(e) Additional Claim for Contributed Causes of Action. Any holder of a Fractional Interest Claim who does not opt of contributing their Contributed Causes of Action to the Litigation Trust shall receive, in addition to any other treatment provided for in the Plan, an Allowed General Unsecured Claim in an amount equal to 0.5% of its Allowed Fractional Interest Claim as set forth on Amended Schedule F.

#### **4.5     *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 a beneficial interest in the Litigation Trust equal to the Pro Rata amount of its Allowed Claim with relation to all other Allowed Claims sharing in the Litigation Trust proceeds; *provided, however*, that the amount of the beneficial interest in the Litigation Trust for each MDL Plaintiff and each McDermott Plaintiff shall be as set forth in section 6.2 of the Plan. 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 and the Trust Agreement.

#### **4.6     *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.

#### **4.7     *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.

### **ARTICLE V**

#### **IMPAIRMENT; ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES**

##### **5.1     *Classes Entitled to Vote.***

The holders of Claims in Classes 1A, 1B, 2A, 2B, 3A and 3B are unimpaired, conclusively deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan. The Holders of Intercompany Claims in Classes 1E, 2E and 3D are conclusively deemed to have accepted the Plan as a result of the Intercompany Settlement. The 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 Equity Interests Classes 1F, 2F and 3E shall neither receive nor retain any property on account of such Equity Interests, are deemed to reject the Plan, and are not entitled to vote to accept or reject the Plan.

### **5.2 *Class Acceptance Requirement.***

A Class of impaired Claims shall have accepted the Plan if the holders of at least two-thirds (2/3) in amount and more than one-half (1/2) in number of Claims in such Class who have voted on the Plan have voted to accept the Plan.

### **5.3 *Cramdown.***

To the extent that any Class is impaired under the Plan and such Class fails to accept the Plan in accordance with section 1126(c) or (d) of the Bankruptcy Code, Vida hereby requests that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code.

## **ARTICLE VI**

### **MEANS OF IMPLEMENTATION**

#### **6.1 *General.***

The Plan contemplates a restructuring of LPI and LPIFS whereby Vida will acquire 100% of the New Stock and wind down LPI's business, on the terms set forth in the Plan, until all Policies have matured and paid out. Net Cash and all other Cash received by the Litigation Trust will be paid to the holders of Allowed General Unsecured Claims and holders of Fractional Interest Claims who make the Former Holder Election. After such Claims are paid in full, if at all, any excess amounts will be paid over to the Policy Fund. The Initial Distribution to holders of Allowed General Unsecured Claims will be made as set forth in section 4.5 of the Plan, and subsequent interim distributions may be made as and when the Litigation Trustee deems appropriate based on the progress of liquidating the Litigation Trust Assets and closing down the Chapter 11 Cases. After all costs and expenses closing down the Chapter 11 Cases have been paid or reserved for, a final distribution will be made to holders of Allowed General Unsecured Claims as set forth herein.

#### **6.2 *Compromise of Ownership Issues, MDL Litigation, McDermott Litigation and Intercompany Claims.***

(a) Pursuant to Bankruptcy Rule 9019, the Plan shall, and does, constitute a compromise and resolution of all Intercompany Claims, the Ownership Litigation, the MDL Litigation and the McDermott Litigation, all of which shall become effective on the Effective Date, and the consideration for which shall be as set forth in the Plan. Vida, MDL Counsel and McDermott Counsel have agreed to the terms for settlement of the MDL Litigation and the McDermott Litigation, respectively, as set forth below. Vida adopts and incorporates the Class Action Settlement into the Plan, as modified by the Plan, as more specifically set forth in **Schedule 6.2(a)** attached to the Plan, as if Vida had entered into and signed the same as the Trustee and the Subsidiary Debtors.

(b) On the Effective Date, (i) the Ownership Litigation shall be deemed resolved pursuant to the terms of the Class Action Settlement, and shall be dismissed with

prejudice and (ii) 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.

(c) On the Effective Date, the MDL Litigation shall be deemed resolved and settled as follows: (i) each MDL Plaintiff shall receive, in addition to the Election options for Fractional Interest Claims set forth in section 4.4 of the Plan, (A) an Allowed General Unsecured Claim equal to forty percent (40%) of such Person's Cost Basis in existing Fractional Interests for which an Election may be made, and shall receive a Pro Rata interest in the Litigation Trust calculated on such amount (that is, 40% of such Person's Cost Basis divided by the total amount of Allowed Claims participating in the Litigation Trust); and (B) an Allowed General Unsecured Claim equal to 108% of such Person's Cost Basis in Fractional Interests previously held by such Person and for which no Election is available under the Plan, other than with respect to Fractional Interests in Policies that matured on or prior to the Effective Date, minus any amounts received by such Person in connection with the pre-Effective Date sale of any Policies; and (ii) all distributions from the Litigation Trust on account of Claims held by MDL Plaintiffs shall be made to MDL Counsel.

(d) On the Effective Date, the McDermott Litigation shall be deemed resolved and settled as follows: (i) the McDermott Plaintiffs shall each receive an Allowed General Unsecured Claim in the amounts set forth on Schedule 6.2(d) attached to the Plan, for unreturned escrowed Policy premiums as set forth in the McDermott Litigation, and a beneficial interest in the Litigation Trust in respect thereof; and (ii) all distributions from the Litigation Trust on account of Claims held by McDermott Plaintiffs shall be made to McDermott Counsel.

### **6.3 *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 immediately set forth above, such 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.

#### **6.4     *Release of Liens.***

Except as otherwise provided herein, 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.

#### **6.5     *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.

#### **6.6     *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.

#### **6.7     *Discharge of 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 a Trustee Fee.

#### **6.8     *Restructuring and Other Corporate Actions and Transactions.***

(e)     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.

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

(g)     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.

(h) 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.

(i) 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.

(j) New Life Partners Governing Documents; New Management and Servicing Agreement; Policy Fund Documents. Upon the Effective Date (1) the New Life Partners Governing Documents shall become effective and shall be filed with the appropriate Governmental Unit, (2) the Policy Fund Documents shall become binding and effective and shall be filed with the appropriate Governmental Unit, if applicable, and (3) the New Management and Servicing Agreement shall become binding and effective.

(k) 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.

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

(m) 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.

(n) Exit Loan. On the Effective Date, the Exit Loan will be used to pay off any remaining DIP Claims, Administrative Claims, Priority Tax Claims and Fee Claims for which there were insufficient funds in the Estates to pay in full. 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.

#### **6.9 *Issuance of New Stock, Limited Partnership Interests 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, is hereby 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.

#### **6.10 *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.

#### **6.11 *Post-Confirmation Servicing Rights and Arrangements.***

On and after the Effective, Vida and the General Partner, as appropriate, shall service the Policies in the Policy Fund and held by Continuing Holders, and manage the Policy Fund, Assigning Holders' accounts and Continuing Holders' accounts, pursuant to the terms of



the New Management and Servicing Contract. The terms of the New Management and Servicing Contract shall include the following:

(a) There shall be a quarterly fee payable in advance prior to the 15<sup>th</sup> 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 (the “**Quarterly Management and Servicing Fee**”). Each Continuing Holder will be responsible for payment of its own individual Quarterly Management and Servicing Fee. If any Continuing Holder fails to pay its Quarterly Management and Servicing Fee with respect to any Fractional Interests in full, as and when due, such Fractional Interests will become Defaulted Fractional Interests and shall be treated in the manner set forth in section 4.4(b)(1).

(b) Vida and the General Partner will make available to all Continuing Holders and the Policy Fund, via a secure website accessible to individuals who have signed the requisite confidentiality agreement and who are Continuing Holders, Assigning Holders or 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 and the General Partner will also facilitate communication between and among Continuing Holders and the Policy Fund holding an interest 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 services to be provided by Vida and the General Partner 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;
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;<sup>1</sup>
10. Facilitating the acquisition of new life expectancy reports from third party providers on an as needed basis;<sup>2</sup>
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;
  - B. Analyzing each life settlement Policy's escrowed premium account;
  - C. Analyzing each life settlement Policy's internal account value and cash surrender value;
  - 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

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<sup>1</sup> Any third party acquisition costs for medical record updates are not included in the Quarterly Management and Servicing Fee, and will be passed on to Continuing Holders or the Policy Fund, as appropriate.

<sup>2</sup> Any third party acquisition costs for life expectancy reports are not included in the Quarterly Management and Servicing Fee, and will be passed on to Continuing Holders or the Policy Fund, as appropriate.

14. Retrieving death certificates, processing death claims, and ensuring that death benefit distributions are handled appropriately.

#### **6.12 *Reconciliation of Catch-Up Amounts and Repayment Amounts.***

Either in connection with the process for making Elections and casting Ballots, or via separate invoice, holders of Fractional Interest Claims will be informed of their Catch-Up Amount (if any) and Repayment Amount, 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. Catch-Up Amounts must be paid by the date that is the later of (i) 90 days after the Effective Date if the Catch-Up Amount is provided in connection with making Elections and casting Ballots or (ii) 90 days after the date on a Catch-Up Amount invoice.

#### **6.13 *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, the Committee and the Trustee shall cooperate and work with Vida and the Reorganized Debtors in a commercially reasonable manner in connection with all matters related to such Records.

#### **6.14 *Policy Fund Facility.***

Vida or an affiliate of Vida shall 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.

#### **6.15 *The Policy Fund.***

(a) Establishment of the Policy Fund. On the Effective Date, 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, and shall become binding on all parties upon the Effective Date without the need for any signatures or any further action. The Policy Fund will be managed and run by the General Partner, subject to oversight by the Policy Fund Advisory Board.

##### **(b) Policy Fund Advisory Board.**

(1) The initial members of the Policy Fund Advisory Board shall be as set forth in the Plan and the Plan Supplement, and such members' tenure shall

thereafter be governed by the terms of the Policy Fund Documents. The members of the Policy Fund Advisory Board shall have such rights as set forth in the Policy Fund Documents and as are not inconsistent therewith or with the terms of the Plan. No Assigning Holder shall have any consultation or approval rights in respect of the management and operation of the Policy Fund, except as may be set forth in the Policy Fund Partnership Agreement.

(2) The Policy Fund Advisory Board shall have the authority and responsibility to advise, assist and supervise the General Partner in the administration of the Policy Fund. The General Partner shall consult with and provide information to the Policy Fund Advisory Board in accordance with and pursuant to the terms of the Policy Fund Documents. The Policy Fund Advisory Board shall have the authority to select and engage such professional advisors as the Policy Fund Advisory Board may deem necessary or desirable to assist in the fulfilling its obligations under the Policy Fund Documents and the Plan, including, without limitation, any professional previously retained by any Assigning Holder, the Committee, or the Debtors. The Policy Fund 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 Policy Fund Advisory Board shall conduct business, have regular meetings and otherwise act in a manner pursuant to and as set forth in the Policy Fund Documents.

#### **6.16 *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, as provided in the Plan. The Policy Fund shall 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 the 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 the 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 the 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 beneficiary.

(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 and 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 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.

(1) 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 the 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.

**6.17 *Payment of Class Counsel Fees and Trustee Fee.***

The source of payment of Class Counsel Fees and the Trustee Fee shall be the Abandoned Fractional Interests. After Class Counsel Fees and the Trustee have been paid in full, all further maturities in respect of the Abandoned Fractional Interests shall be paid to those Persons holding limited partnership interests in the Policy Fund.

**ARTICLE VII**

**DISTRIBUTIONS**



**7.1 *Date of Distributions.***

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.

**7.2 *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), and the Exit Loan, and after the Effective Date, Cash received on account of Policy maturities and liquidating Litigation Trust Assets.

**7.3 *Disbursing Agent and De Minimis Distributions.***

All distributions under the 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.

The Disbursing Agent shall not make any Cash distribution to any Person in an amount less than \$25. Any distribution in an amount less than \$25 shall be retained by the Disbursing Agent until the next distribution. To the extent any final distribution to any Person is less than \$25, all such amounts shall be donated to the Austin Habitat for Humanity.

**7.4 *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 of the Plan.

**7.5 *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.

### **7.6     *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, except that distributions to MDL Plaintiffs and McDermott Plaintiffs from the Litigation Trust shall be made to MDL Counsel and McDermott Counsel, as appropriate, as set forth in section 6.2 of the Plan. 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.

### **7.7     *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 180<sup>th</sup> 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 the Plan, and (ii) the Claim of any holder with respect to such unclaimed property or interest in property shall be discharged and forever barred.

### **7.8     *Means of Payment.***

All distributions made pursuant to the Plan shall be in Cash, unless otherwise provided in the Plan.

### **7.9     *Setoffs and Recoupment.***

The Debtors, the Reorganized Debtors, the Litigation Trustee and 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 of the Debtors, the Reorganized Debtors, the Litigation Trustee or the Policy Fund of any right to payment, or right of setoff or recoupment.

### **7.10    *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 the Plan and the Trust Agreement.

**7.11 *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.

**7.12 *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.

**7.13 *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.

**7.14 *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.

## **ARTICLE VIII**

### **PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS**

#### **8.1     *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.

#### **8.2     *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.

#### **8.3     *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 the Plan as of the Effective Date, without any interest.

#### **8.4     *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.

## **ARTICLE IX**

### **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

#### **9.1     *Assumption and Rejection of Contracts and Leases.***

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.

## **9.2 *Cure Payments for Assumed Contracts.***

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.

## **9.3 *Inclusiveness.***

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.

## **9.4 *Claims Based on Rejection of Executory Contracts or 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.

# **ARTICLE X**

## **CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS OF THE PLAN**

### **10.1 *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.

### **10.2 *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.

### **10.3 *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.

### **10.4 *Effect of Failure of Conditions.***

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.

### **10.5 *Reservation of Rights.***

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.

## **ARTICLE XI**

### **EFFECT OF CONSUMMATION**

#### **11.1 *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.

#### **11.2 *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 the 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.

### 11.3 *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 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 the 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.

### 11.4 *Preservation of Claims and Causes of Action.*

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 Litigation Trust Beneficiaries. Such Causes of Action include, but are not limited to, those listed in **Schedule 11.4** attached to the Plan.

## ARTICLE XII

### RETENTION OF 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.

## **ARTICLE XIII**

### **MISCELLANEOUS**

#### **13.1 *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.

#### **13.2 *Filing of Additional Documents.***

Vida may file such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

#### **13.3 *Schedules, Exhibits and Plan Supplement Incorporated.***

All exhibits and schedules to the Plan, and the documents contained in the Plan Supplement, are incorporated into and are a part of the Plan as if fully set forth herein.

#### **13.4 *Intercompany Claims.***

All intercompany claims shall be discharged in accordance with section 1141(d)(1) of the Bankruptcy Code.

#### **13.5 *Amendment or Modification of the Plan.***

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.

#### **13.6 *Inconsistency.***

In the event of any inconsistency among the Plan, the Disclosure Statement, and any exhibit or schedule to the Disclosure Statement, the provisions of the Plan shall govern. In

the event of any inconsistency between the Plan and the Confirmation Order, the Confirmation Order shall govern.

### **13.7 *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.

### **13.8 *Expedited Tax Determination.***

The Debtors, the Reorganized Debtors, the Policy Fund or the Litigation Trustee, as the case may be, may request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Debtors for any and all taxable periods ending after the Petition Date through, and including, the Effective Date.

### **13.9 *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.

### **13.10 *Severability.***

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 the Plan; or (ii) require the re-solicitation of any acceptance or rejection of the Plan unless otherwise ordered by the Bankruptcy Court.

**13.11 *No Admissions.***

If the Effective Date does not occur, the Plan shall be null and void in all respects, and nothing contained in the Plan shall (a) constitute a waiver or release of any claims by or against, or any interests in, the Debtors, (b) prejudice in any manner the rights of Vida, the Debtors or the Trustee or any other party in interest, or (c) constitute an admission of any sort by the Trustee, the Debtors, Vida, or other party in interest.

**13.12 *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 the Plan or a Final Order of the Bankruptcy Court.

**13.13 *Notices.***

All notices, requests, and demands to or upon the Debtors, the Trustee or Vida to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to Vida:

VIDA CAPITAL, INC.  
Attention: Jeff Serra, President and CEO  
805 Las Cimas Parkway, Suite 350  
Austin, Texas 78746  
Telephone: (512) 402-9206  
Email: [jeff.serra@vidacapitalinc.com](mailto:jeff.serra@vidacapitalinc.com)

with a copy to:

If to the Trustee:

H. Thomas Moran II, Chapter 11 Trustee  
204 Woodhew Drive  
Woodway, Texas 76712  
Telephone: (405) 418-5707  
Email: [tmoran@theasg.net](mailto:tmoran@theasg.net)

with a copy to:

GRAY REED & MCGRAW, P.C.  
Attention: Jason S. Brookner  
1601 Elm Street, Suite 4600  
Dallas, Texas 75201  
Telephone: (214) 954-4135  
Facsimile: (214) 953-3132  
Email: [jbrookner@grayreed.com](mailto:jbrookner@grayreed.com)

THOMPSON & KNIGHT LLP  
Attention: David M. Bennett  
One Arts Plaza  
1722 Routh Street, Suite 1500  
Dallas, Texas 75201  
Telephone: (214) 969-1486  
Facsimile: (214) 880-3293  
Email: [David.Bennett@tklaw.com](mailto:David.Bennett@tklaw.com)

If to the Committee:

MUNSCH HARDT KOPF & HARR, P.C  
Attention: Joseph J. Wielebinski  
3800 Lincoln Plaza  
500 North Akard Street  
Dallas, Texas 75201  
Telephone: (214) 855-7500  
Facsimile: (214) 855-7584  
Email: [jwielebinski@munsch.com](mailto:jwielebinski@munsch.com)

**13.14 *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.

Dated: June 9, 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  
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Email: [jbrookner@grayreed.com](mailto:jbrookner@grayreed.com)

**Exhibit A to Plan**

**Class Action Settlement Agreement**

**Schedule 6.2(a) to Plan****Adoption of Class Action Settlement Agreement**

<b><u>Provision of Class Action Settlement Agreement (Paragraph number)</u></b>	<b><u>Provision of Plan (if applicable)</u></b>
1-24 (Recitals)	Adopted by reference except as modified by definitional changes
25 (Definitions)	Modified by definitions in section 1.1 of the Plan or omitted, as appropriate, to conform to the terms of the Plan.
26	Adopted by reference
27-32	Adopted by reference except as modified by definitional changes
32(a) and (b)	Adopted by reference except as modified by definitional changes
32(c) and (d)	Adopted as modified by section 4.4 of the Plan and by definitional changes
32(e) and (f)	Adopted by reference and in section 4.4 of the Plan except as modified by definitional changes
33-36	Adopted by reference except as modified by definitional changes
37	Adopted by reference and in definition of “Contributed Causes of Action”
38	Adopted by reference and in section 11.4 of the Plan except as modified by definitional changes
39-67	Adopted by reference except as modified by definitional changes

**Schedule 6.2(d) to Plan****Allowed Claims of McDermott Plaintiffs**

<b>Former Position Holders in Gummelt Policy</b>	<b>Amount of Allowed General Unsecured Claim</b>
Brenda Kay Williams	\$1,169.49
Buford John Young	\$793.42
Carlos Hernandez	\$857.44
Charles (CR) Franklin Rains	\$3,157.77
The Claudette J. Brandon Family Trust	\$2,062.87
The Craig D. Smith M.D. Profit Sharing Plan	\$1,586.82
Dean H. Graves	\$4,363.75
Dean M. Klinger	\$3,157.77
Debra J. Mints	\$793.42
Elizabeth Orłowski	\$1,272.14
Flint Immel	\$1,190.12
Frank Greg Williams	\$1,491.41
Frederick R. Fonseca	\$793.42
Helen Z. McDermott	\$1,983.53
Jacqueline M. Savoie	\$1,586.82
Janice Seaman	\$841.02
Jesse & Yolanda Villarreal	\$1,586.82
Joseph J. Gill	\$3,649.68



Judy Mowrey	\$1,269.47
Kathy L. Byfield	\$1,586.82
Lane & Diane Courson	\$3,967.05
Larry Ford	\$793.42
Linda Pacheco	\$793.42
Lorena Molina-Rojas	\$2,856.28
Mary B. Moffett	\$841.02
Matthew C. Baynham	\$952.10
Michael Byfield	\$1,586.82
Nancy Louise Leonard Insurance Trust II	\$793.42
Niewoehner Partnership Defined Benefit Plan	\$1,586.82
North Shore Podiatry Profit Sharing Plan	\$1,586.82
Paul Savoie	\$1,586.82
Ronald W. Tipton	\$793.42
Scott Farrar	\$1,983.53
Shane Foster	\$3,967.05
Shaughan Connelly	\$815.79
Susan McKee	\$1,586.82
Suzanne Mulkey-Kimbrel	\$912.62
The Speed Revocable Trust	\$1,586.82

### **Schedule 11.4 to Plan**

#### **Preserved and Transferred Causes of Action**

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.



CLERK, U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

**ENTERED**

THE DATE OF ENTRY IS ON  
THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed May 27, 2016

  
United States Bankruptcy Judge

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

IN RE:

LIFE PARTNERS HOLDINGS, INC.,  
*et. al.*

Debtors.

§  
§  
§  
§  
§  
§

CASE NO. 15-40289-rfn11

JOINTLY ADMINISTERED  
(Chapter 11)

**ORDER GRANTING JOINT MOTION TO COMPROMISE CLASS ACTION  
CONTROVERSIES, TO APPROVE PLAN SUPPORT AGREEMENT,  
AND FOR RELATED RELIEF**

Upon the *Joint Motion to Compromise Class Action Controversies, to Approve Plan Support Agreement, and for Related Relief* (the "Joint Motion") filed by H. Thomas Moran II (the "Trustee"), as chapter 11 trustee for Life Partners Holdings, Inc. ("LPHI"), Life Partners, Inc. ("LPI"), and LPI Financial Services, Inc. ("LPIFS," and together with LPI, the "Subsidiary

Debtors,” and together with LPHI, the “Debtors” or “Life Partners”),<sup>1</sup> Philip M. Garner, Steve South, as Trustee for, and on behalf the South Living Trust, Christine Duncan, Michael Arnold, Janet Arnold, and John S. Ferris, M.D. (the “Lead Plaintiffs”), on behalf of themselves and all those similarly situated (altogether the “Class Action Plaintiffs” or “Settlement Class Members”), and the Official Committee of Unsecured Creditors (the “Committee”) (collectively, the “Parties”); and a hearing having been held before this Court regarding the Joint Motion and any objections thereto (the “Objections”) on May 19, 2016 (the “Hearing”); this Court having reviewed and considered (i) the Joint Motion and reply in support of same, (ii) the Objections filed; (iii) the Stipulation Regarding Dkt. Nos. 1782, 2086, and 2094 (the “Stipulation”); (iv) the arguments of counsel, (v) the evidence proffered or adduced at the Hearing, (vi) the record in this case and in all cases arising in, arising under, or related to this case, and (vii) the Objections having been otherwise resolved, overruled, or withdrawn; and all parties in interest having been heard, or having had the opportunity to be heard, regarding the matters raised by the Joint Motion and relief related thereto; and after due deliberation thereon, this Court for the reasons stated on the record at the Hearing and for the following reasons hereby concludes, finds and orders that:<sup>2</sup>

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<sup>1</sup> The Trustee is serving as the sole director of LPI and LPIFS pursuant to the Trustee’s authority under this Court’s *Order Authorizing the Trustee to Amend the Governing Documents and To File Voluntary Chapter 11 Petitions For Debtor’s Subsidiaries* (the “Subsidiary Filing Order”) [Dkt. No. 261].

<sup>2</sup> The findings and conclusions set forth herein and on the record at the May 19, 2016 hearing (incorporated herein as set forth in paragraph N), constitute this Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, as made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

### **Jurisdiction, Final Order and Statutory Predicates**

- A. This Court has jurisdiction over the Joint Motion pursuant to 28 U.S.C. 157 and 1334, and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b).
- B. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
- C. The predicates for the relief sought in the Motion are Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) 9014, 9019, and 7023, Federal Rule of Civil Procedure 23 (“Rule 23”), and Sections 105, 362, 363, 502, and 541 of Title 11 of the United States Code (the “Bankruptcy Code”).

### **Notice**

- D. Notice of the Joint Motion<sup>3</sup> and the Hearing (the “Notice of Hearing”) was served in accordance with the applicable Bankruptcy Rules and Local Rules by the Trustee or his agents by electronic mail to the parties subscribing to the Court’s CM/ECF system in this case and by Epiq Bankruptcy Solutions, LLC, as service agent, on all other parties on the Consolidated Master Service List via electronic mail, where available, and otherwise via United States first class mail, postage prepaid. Therefore, due, adequate, and sufficient notice of the Joint Motion and the Notice of Hearing has been given to all parties entitled to receive notice as of the date hereof, no other or further notice is required, and a reasonable opportunity to object to the Joint Motion and to be heard at the Hearing was given as required by the Bankruptcy Code and the Bankruptcy Rules to all persons entitled to or who received notice.

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<sup>3</sup> Unless otherwise indicated, all capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Joint Motion, and if there is no meaning ascribed in the Joint Motion, shall have the meaning ascribed to such terms in the Settlement Agreement.

### Settlement Agreement

E. The Class Action Settlement Agreement (eff. March 24, 2016), as amended specifically in paragraph 42, as reflected in the copy of the Class Action Settlement Agreement attached to this Order as Exhibit A (the “Settlement Agreement”), was the product of arm’s-length negotiations among the Parties. The Settlement Agreement was negotiated, proposed, and entered into by the Parties in good faith and without fraud or collusion.

F. The Settlement Agreement represents the exercise of the Trustee’s and Subsidiary Debtors’ sound business judgment, is fair and reasonable, and is in the best interests of creditors, the estate, and all parties in interest.

### Reasonableness of Proposed Compromise

G. The compromise set forth in the Settlement Agreement is fair and reasonable and otherwise satisfies the requirements of Bankruptcy Rule 9019. With regard to the specific factors the Court is directed to consider in reviewing the reasonableness of the proposed compromise pursuant to *Protective Committee For Independent Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424-25 (1968), *In re Age Refining, Inc.*, 801 F.3d 530, 540 (5th Cir. 2015), *In re Cajun Elec. Power Coop.*, 119 F.3d 349, 356 (5th Cir. 1997); and *In re Jackson Brewing Co.*, 624 F.2d 599, 602 (5th Cir. 1980), the Court finds the factors weigh in favor of allowing the Motion, as follows:

- a. ***Probability of Success in the Litigation Being Compromised:*** The probability of success in the litigation being compromised is speculative and unclear. Litigation is inherently risky.
- b. ***Complexity, Expense, Inconvenience, and Delay of litigation:*** The complexity, expense, inconvenience, and delay of litigation is overwhelming and, in some respects, would waste the assets of the estates that otherwise would be available for creditors who ultimately hold allowed claims in this case. Any delay caused by litigation or otherwise jeopardizes the ongoing administration of the estates.



- c. ***Other Factors Bearing on the Wisdom of the Compromise:*** The Court defers to the Trustee's and Subsidiary Debtors' business judgment and has examined all of the relevant factors bearing on the wisdom of the compromise brought to the Court's attention. The Court believes the other relevant factors overwhelmingly support approval of the proposed compromise. Among other things, the compromise embodied in the Settlement Agreement resolves the Ownership Issue and furthers the prospects that a chapter 11 plan will be confirmed, that maximizes the recovery of creditors who hold allowed claims, including the Settlement Class Members. Further, approval of the Settlement Agreement does not preclude consideration of any competing plans. These factors significantly weigh in favor of approving the proposed compromise. Finally, Class Counsel has agreed to limit the amount of his fee request to an amount far less than the amount Class Counsel otherwise might be entitled to receive. These concessions and agreements of Class Counsel are significant and weigh heavily in favor of the approving the proposed compromise.
- d. ***Paramount Interests of Creditors and Proper Deference to Views:*** An overwhelming majority of parties representing interests of creditors are in favor of approval of the Joint Motion. Only five total objections to the Joint Motion were filed, one of which has been withdrawn pursuant to the Stipulation admitted as Exhibit 21 at the May 19, 2016 hearing. The Committee was extensively involved in the negotiation of the terms and conditions embodied in the Settlement Agreement and seeks approval of the Joint Motion. The Committee has examined the relevant issues very carefully and has invested its time and effort in ensuring that the outcome is in the best interests of creditors of the Debtors' bankruptcy estates. Similarly, the Lead Plaintiffs and Class Counsel are obligated to act in the best interests of the putative class members and they also have reviewed the relevant issues carefully and believe the proposed settlement is in the best interests of the putative class members.
- e. ***The Extent to Which the Settlement is Truly the Product of Arm's-Length Bargaining, and Not of Fraud or Collusion:*** The Court finds that the settlement truly is the product of arm's-length bargaining, and is not the product of fraud or collusion. No evidence has been adduced suggesting that the Settlement Agreement is anything other than the product of extensive, good faith, and arm's-length bargaining. Among other things, the Parties engaged in mediation before Retired Bankruptcy Judge Richard Schmidt, as reflected in his declaration admitted as Exhibit 20 at the May 19, 2016 hearing. The Parties negotiated extensively for months over the terms and conditions of the Settlement Agreement and related documents. The Parties sought input during those negotiations from persons who are not Parties to the Settlement Agreement, but who, nevertheless, asserted an interest in the terms and conditions of the Settlement Agreement.

**Certification of the Rescission Settlement Subclass and the Ownership Subclass for  
Purposes of the Class Claim**

H. The Settlement Agreement contemplates Claim No. 22670 shall be allowed on behalf of the Settlement Class pursuant to the Plan as a class proof of claim (“Class Claim”), to which Bankruptcy Rule 7023 applies pursuant to Bankruptcy Rule 9014, and allocation of that claim for each individual holder is in the amount set forth in LPI’s Bankruptcy Schedule F. The Settlement Agreement additionally contemplates that the Class Claim shall be classified as an allowed claim in each of Classes B2, B2A, B3, and B3A in the Plan as appropriate, as well as that the Lead Plaintiffs, in their capacity as Class Representatives, shall be authorized to cast one or more ballots (as applicable) (the “Class Ballot”) to accept the Plan on behalf of those Settlement Class Members with claims and interests in Class B2, B2A, B3, or B3A who do not timely cast a vote to accept or reject the Plan in the respective Class B2, B2A, B3, or B3A.

I. In view of these elements of the Settlement Agreement, the Court must engage in a two-step process as outlined in *Teta v. Chow (In re TWL Corp.)*, 712 F.3d 886, 892-83 (5th Cir. 2013). First, the Court must determine whether to exercise discretion under Bankruptcy Rule 9014 to apply Bankruptcy Rule 7023 and Rule 23 to the contested matter arising from the filing of the Joint Motion. The Court has determined to exercise its discretion under Bankruptcy Rule 9014 and apply Bankruptcy Rule 7023, and therefore Rule 23, to this contested matter. Among other considerations, the Court is directed to consider “whether class certification will adversely affect the administration of the case, especially if the proposed litigation would cause undue delay.” *Id.* at 893 (citation omitted). Here, the potential for protracted litigation is plainly present. By resolving this litigation, class certification will accelerate, and not delay, the administration of these cases, because class certification is part of the proposed compromise upon which the Plan is based. Allowance of class certification makes confirmation of the Plan

more likely. Conversely, failure to exercise discretion to apply Bankruptcy Rule 7023 in this bankruptcy case will adversely affect the administration of these cases. The delay and costs that would result if the Court were to decline to exercise its discretion to apply Bankruptcy Rule 7023 here are clearly substantial.

J. Second, the Court must determine whether the requirements for class certification have been met. *Id.* at 892-93. Rule 23 requires that certification be liberally granted where the prerequisites of Rule 23(a) and any part of Rule 23(b) is satisfied. The Rule 23(a) factors are as follows:

- (1) the class is so numerous that joinder of all members is impracticable;
- (2) there are questions of law or fact common to the class;
- (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class; and
- (4) the representative parties will fairly and adequately protect the interests of the class.

FED. R. CIV. P. 23(a). Rule 23(b)(2) permits certification of a mandatory class where “[t]he party opposing the class has acted or refused to act on grounds that apply generally to the class, so that final injunctive relief or corresponding declaratory relief is appropriate respecting the class as a whole.” The Court has already, in *Garner et al. v. Life Partners Inc.*, District Court Case No. 4:16-CV-212-A, issued a Report and Recommendation on the Parties’ Joint Motion for Preliminary Approval of the Class Action Settlement. See Case No. 15-04061-rfn [Dkt. No. 55, entered May 13, 2016] (the “Report & Recommendation”). In the Report & Recommendation, the Court recommended to the District Court, for the purposes of whether to grant preliminary approval to the Class Action Settlement under Rule 23(e), that the putative Settlement Class meets the requirements for certification set forth in Rule 23(a) and Rule 23(b)(2). Based on the

evidence adduced at the hearing, and for the same reasons set forth in the Report & Recommendation, the Court determines that the requirements of Rule 23(a) and Rule 23(b)(2) are satisfied for the purposes of allowing the Class Claim and the Class Ballot.

K. In sum, the Court finds that the Settlement Agreement is an appropriate mechanism by which to resolve these claims. Accordingly, in these bankruptcy cases, the Court hereby certifies the Rescission Settlement Subclass and the Ownership Settlement Subclass as defined and set forth in the Settlement Agreement for purposes of asserting all rights as the holders of the Class Claim, including for purposes of voting the Class Claim as set forth in the Settlement Agreement, subject to the rights of the Class Representatives and Certain IRA Investors as set forth in paragraph L below. Further, in these bankruptcy cases, the Court hereby appoints Keith L. Langston of The Langston Law Firm as Class Counsel and appoints the Lead Plaintiffs as class representatives for the Rescission Settlement Subclass and the Ownership Settlement Subclass.

L. The Trustee, Subsidiary Debtors, Committee, Class Representatives, Certain IRA Investors (as defined in Dkt. No. 2094), and Certain Objectors<sup>4</sup> reserve all rights and objections regarding how the Class Ballot will be tabulated, as to both numerosity and dollar amount. Certain IRA Investors and Certain Objectors specifically reserve the objection that the Class Representatives should not be able to cast a ballot for any Settlement Class Member who actually receives a ballot.

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<sup>4</sup> “Certain Objectors” means only the following: Transparency Alliance LLC, Pillar Life Settlement Fund I, LP, Pillar II Life Settlement Fund, LP, Pillar 3 Life Settlement Fund, LP, Pillar 4 Life Settlement Fund, LP, Pillar 5 Life Settlement Fund, LP, Evergreen Lifeplan Fund LP, Evergreen II Lifeplan Fund LP, Evergreen III Fund LLC, and Black Diamond Lifeplan Fund LP.

### **PLAN SUPPORT PROVISIONS**

M. The Settlement Agreement contains plan support provisions (the “Plan Support Provisions”) pursuant to which the Lead Plaintiffs agree to support confirmation of the Plan pursuant to 11 U.S.C. §1129, subject to certain conditions. The Court finds that the interests that 11 U.S.C. §1125 are intended to protect are not at material risk from the Plan Support Provisions of the Settlement Agreement. The Parties are all sophisticated and have been represented by experienced professionals throughout these proceedings. The Lead Plaintiffs and their counsel are sufficiently well-informed to act capably in protecting the interests of the Settlement Class Members. The Settlement Agreement allows the Class Representatives to cast the Class Ballot in support of another Plan they determine to be in the best interests of the Settlement Class Members. The Plan Support Provisions operate to foster, rather than disrupt, the formulation and confirmation of the Plan to maximize the recovery of creditors consensually.

N. In addition to the findings and conclusions stated in this Order, the Court incorporates all findings and conclusions stated on the record at the May 19, 2016 hearing on the Motion in their entirety as if set forth herein.

### **NOW, THEREFORE, IT IS HEREBY ORDERED THAT:**

1. The Joint Motion is **GRANTED** subject to the provisions of this Order.
2. Any Objections to the Joint Motion and the relief requested therein that have not been withdrawn, waived, or settled, are denied and overruled on the merits.
3. The Settlement Agreement attached as Exhibit A (including all of the related documents, appendices, exhibits, schedules, lists, and agreements), and the settlements, compromises, and transactions embodied therein, are **APPROVED** in all respects.

4. The Plan Support Provisions of the Settlement Agreement are **APPROVED** in all respects.

5. The Ownership Settlement Subclass and the Rescission Settlement Subclass are hereby certified as mandatory classes pursuant to Rule 23(b)(2), made applicable pursuant to Bankruptcy Rules 7023 and 9014, for the purposes of allowing the Class Claim and as otherwise set forth and described in the Settlement Agreement and in paragraph H above.

6. The Lead Plaintiffs are hereby appointed as class representatives for the Ownership Settlement Subclass and the Rescission Settlement Subclass for purposes of acting as and exercising all rights as the holder of the Class Claim as set forth in the Settlement Agreement, including, without limitation, to vote to accept the Plan as set forth in the Settlement Agreement and in paragraph H above.

7. Keith L. Langston of The Langston Law Firm is hereby is appointed as class counsel of the Ownership Settlement Subclass and the Rescission Settlement Subclass in these bankruptcy cases for purposes of acting as and exercising all rights as the holder of the Class Claim as set forth in the Settlement Agreement.

8. The Class Claim shall be and hereby is **ALLOWED** as set forth in the Settlement Agreement and the Plan, subject to the terms of the Stipulation.

9. The Parties are authorized and directed to consummate all aspects of the transactions embodied in the Settlement Agreement, including, but not limited, to execute all documents and to take all necessary or appropriate steps required to effectuate the terms of the Settlement Agreement.

10. This Order shall become effective immediately upon its entry.

11. This Court shall retain jurisdiction to determine any and all disputes concerning the interpretation, implementation or enforcement of this Order or the Settlement Agreement.

12. The terms and provisions of this Order shall be binding and enforceable in all respects upon the Parties, the Debtors' estates, and their creditors, and all persons or entities who have actual or constructive notice or knowledge of Joint Motion, and all of the foregoing shall take all actions reasonably requested of them or necessary to implement and effectuate the transactions contemplated by the Settlement Agreement.

13. To the extent there is a conflict between the provisions of this Order and the Settlement Agreement, the terms of the Settlement Agreement shall govern the interpretation of the salient provision or term.

14. The reservation of rights set forth in paragraph L above is approved, and it is so ordered. Further, the Trustee, Subsidiary Debtors, Committee, Class Representatives, Certain IRA Investors, and Certain Objectors have reserved their respective rights and objections regarding confirmation of the Plan and final approval of the Settlement Agreement by the District Court under Rule 23(e) of the Federal Rules of Civil Procedure in accordance with the Stipulation, and accordingly the Stipulation is approved, and it is so ordered that all such rights and objections of the Trustee, Subsidiary Debtors, Committee, Class Representatives, Certain IRA Investors, and Certain Objectors are preserved in accordance with the Stipulation.

\*\*\*END OF ORDER\*\*\*

# EXHIBIT A



## CLASS ACTION SETTLEMENT AGREEMENT

This Class Action Settlement Agreement (“Settlement Agreement” or “Agreement”) is entered into as of March 24, 2016, by and among the following parties (referred to collectively as the “Parties” and each individually as a “Party”): (a) Lead plaintiffs Philip Garner, Steve South as trustee for the South Living Trust, and Christine Duncan, in the class action adversary proceeding captioned *Garner et al. v. Life Partners, Inc.*, Adversary No. 15-CV-04061-RFN (Bankr. N.D. Tex.) (the “Garner Class Adversary”), lead plaintiffs Michael Arnold, Janet Arnold, Dr. John Ferris, Steve South as trustee for the South Living Trust, and Christine Duncan, in the class action adversary proceeding captioned *Arnold et al. v. Life Partners, Inc.*, Adversary No. 15-CV-04064-RFN (Bankr. N.D. Tex.) (the “Arnold Class Adversary”), and lead plaintiffs Michael Arnold, Janet Arnold, Dr. John Ferris, Steve South as trustee for the South Living Trust, and Christine Duncan, in the state court putative class action captioned *Arnold et al. v. Life Partners, Inc.*, Case No. DC-11-02995 (Tex. Dist. Ct. 14th Dist.) (the “Arnold State Court Action”) (collectively, “Lead Plaintiffs”), on behalf of themselves and all members of the Ownership Settlement Subclass and/or the Rescission Settlement Subclass as defined herein; (b) Lead Plaintiffs’ counsel, Langston Law Firm, Skelton Slusher Barnhill Watkins Wells PLLC (f/k/a Zelesky Law Firm PLLC), and Alderman Cain & Neill PLLC (“Plaintiffs’ Counsel”); (c) H. Thomas Moran II (“Moran” or the “Trustee”), chapter 11 Trustee for Life Partners Holdings, Inc. (“LPHI”); (d) LPHI, Life Partners, Inc. (“LPI”) and LPI Financial Services, Inc. (“LPIFS”, and together with LPI, the “Subsidiary Debtors”) (collectively, the “Debtors”); and (e) The Official Committee of Unsecured Creditors (the “Committee”) (the Trustee, Subsidiary Debtors, and Committee shall be referred to collectively as the “Estate Representatives”).

## **BACKGROUND**

1. For years, LPI was engaged in the business of acquiring life insurance policies known as viatical settlements or life settlements. Generally speaking, viatical settlements and life settlements involve the holder of a life insurance policy selling his or her interests in a life insurance policy to a third party in exchange for a lump-sum cash payment less than the policy's death benefit. LPI marketed and sold investment contracts relating to those policies to investors.

2. LPI's marketing and business operations were successful in large part because of its intense efforts to create and to maintain a public perception that its investment products held the prospect of substantial returns. These efforts included a vigorous effort to silence and discredit any attempt to question LPI's claims. These efforts were made by LPI, its affiliates, principals, and hundreds of sales agents. Thus, for example, when a media report suggested that LPI's life expectancy projections were inaccurate, LPI engaged in a contra campaign to support those projections, point to returns generated when policies did mature, conceal the large number of policies that had not matured as represented, and thus to perpetually convince investors that the maturity of their policy was just around the corner. Similarly, when, in January 2011, the SEC announced that it was investigating LPI, a concerted and sustained effort to disparage the SEC was undertaken by LPI, LPHI, and their principals. LPI also initiated a "resale" program that bought out unhappy investors for a time. As lawsuits were filed, LPI spent millions of dollars opposing the various cases, including those discussed below, and was able to obtain a number of favorable rulings and considerable delays and thus drive up the costs of those working to oppose or expose LPI. Through these combined efforts, LPI was able to maintain its façade essentially throughout the litigation described below.

3. In March 2011, the Arnold State Court Action was filed, alleging that LPI violated various federal and state securities laws, as LPI's life settlement investments were securities that were not registered with either the Texas State Securities Board or the United States Securities and Exchange Commission and therefore LPI was selling unregistered securities. The Arnold State Court Action sought relief in the form of rescission pursuant to the Texas Securities Act § 33, along with attorneys' fees, costs, and interest. As indicated, this litigation, like others that followed, was vigorously opposed, and was at one point dismissed by the trial court.

4. After more than four years of litigation, in May 2015, the Texas Supreme Court held in the Arnold State Court Action that the agreements LPI used to solicit money from investors are "investment contracts" and therefore securities pursuant to the Texas Securities Act. *Life Partners, Inc. v. Arnold*, 464 S.W.3d 660 (Tex. May 8, 2015).

5. On January 20, 2015, LPHI filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (as amended, the "Bankruptcy Code"), thereby commencing its bankruptcy case captioned *In re Life Partners Holdings, Inc.*, Case No. 15-40289-rfn11 (the "LPHI Bankruptcy Case"). On March 13, 2015, the U.S. Trustee appointed Moran as the Chapter 11 Trustee in the LPHI Bankruptcy Case, and on March 19, 2015, the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court") affirmed Moran's appointment.

6. On May 19, 2015, the Subsidiary Debtors filed their respective voluntary petitions for relief under chapter 11 of the Bankruptcy Code, captioned *In re Life Partners, Inc.*, Case No. 15-41995-rfn11 and *In re LPI Financial Services, Inc.*, No. 15-41996-rfn11, thereby initiating their bankruptcy cases in the Bankruptcy Court (the "Subsidiary Bankruptcy Cases"). On May 22, 2015, the Bankruptcy Court granted the Subsidiary Debtors' request to jointly administer the LPHI

Bankruptcy Case and the Subsidiary Bankruptcy Cases (collectively, the “Bankruptcy Cases”).

7. The Arnold State Court Action was stayed due to the Bankruptcy Cases.

8. In the Bankruptcy Cases, LPI has claimed that it is the owner of the life insurance policies underlying the securities the Settlement Class Members purchased and that those policies are property of the bankruptcy estates. The Plaintiffs (as defined herein) dispute that the policies, their proceeds, or any rights to which the owners of such policies are entitled (including, without limitation, the cash surrender value of each such policy) are property of the bankruptcy estates pursuant to 11 U.S.C. § 541. This dispute is referred to herein as the “Ownership Issue.”

9. Lead plaintiff Philip Garner filed the Garner Class Adversary on July 19, 2015 in the Bankruptcy Court on behalf of a class of “All persons or entities who invested in viatical settlement or life settlement securities sold by LPI. Excluded from the Class are LPI, all affiliated Life Partners companies or entities and any individual who served as an officer, director, advisor, board member, or otherwise was employed by LPI, including but not limited to all insiders of LPI,” alleging that the class members were the equitable owners of the life settlement securities they purchased from LPI (including all death benefit proceeds), and that the securities held by the class members (including all death benefit proceeds) along with all other monies held in trust are not the property of LPI or its bankruptcy estate. The Garner Class Adversary sought relief in the form of a declaratory judgment pursuant to Federal Rule of Bankruptcy Procedure 7001, 28 U.S.C. § 2201 *et seq.*, and 11 U.S.C. § 541. On July 31, 2015, a motion for class certification [Dkt. No. 8] was filed in the Garner Class Adversary.

10. Lead plaintiffs Michael Arnold, Janet Arnold, Dr. John Ferris, Steve South as trustee for the South Living Trust, and Christine Duncan, filed the Arnold Class Adversary on July

28, 2015 in the Bankruptcy Court on behalf of a class of “All persons or entities who invested in viatical settlement or life settlement securities sold by LPI. Excluded from the Class are [LPI], all affiliated Life Partners companies or entities and any individual who served as an officer, director, advisor, board member, or otherwise was employed by LPI, including but not limited to all insiders of LPI,” alleging that LPI’s life settlement investments were securities that were not registered with either the Texas State Securities Board or the United States Securities Exchange Commission, and therefore LPI was selling unregistered securities. The Arnold Class Adversary sought relief in the form of rescission pursuant to the Texas Securities Act § 33, along with attorneys’ fees, costs, and interest.

11. There was an unopposed Motion for Leave to File Consolidated Amended Complaint for the Garner Class Adversary and the Arnold Class Adversary filed on March 11, 2016 (when this motion is granted, the resulting proceeding will be the “Consolidated Class Adversary”). The Consolidated Class Adversary is captioned *South, et al. v. Life Partners, Inc.* There also will be a Joint Motion to Withdraw the Reference for the Consolidated Class Adversary filed on March 16, 2016 (the “Motion to Withdraw Reference”).

12. LPI filed an answer to the Garner Class Adversary on August 18, 2015 [Dkt. No. 10], and an answer to the Arnold Class Adversary on August 28, 2015 [Dkt. No. 8]. LPI denied that class treatment was appropriate and also denied that the relief sought in both the Garner Class Adversary and the Arnold Class Adversary was appropriate.

13. The Lead Plaintiffs, on behalf of the Plaintiffs, have filed Claim Nos. 18810, 22128, 22662, 22670, 23205, and 23212 (the “Class Proofs of Claim”), and the Lead Plaintiffs individually have filed Claim Nos. 18813, 18987–19000, 19121–29, 19132, 19753–74, 22663,

23666, 23667, 23213, 23215, 23216, 23600, and 23601 (the “Lead Plaintiff Proofs of Claim”) in the Bankruptcy Cases.

14. Plaintiffs’ Counsel has filed Claim Nos. 23211 and 22661 (the “Plaintiffs’ Counsel Proofs of Claim”).

15. Counsel for the Parties, following preliminary correspondence and discussions over telephone, email, and in person, engaged in and conducted in-person settlement meetings among counsel, as well as additional correspondence and discussions over telephone and email from August 2015 through March 2016. Due to these settlement negotiations, and as part of a joint effort to conserve the resources of the bankruptcy estates and maximize the benefits to the Plaintiffs, counsel agreed to stay all deadlines in the Garner Class Adversary and the Arnold Class Adversary.

16. As a result of complex and protracted discussions, the following settlements were agreed to: (a) *Term Sheet for Compromise to a Plan of Reorganization of LPHI, LPI, and LPIFS* (Sept. 24, 2015) [Exhibit A to Dkt. No. 1032, filed Sept. 25, 2015] (the “Term Sheet”); (b) *Debtors’ Expedited Motion for Interim and Final Orders (I) (A) Authorizing Debtors to Obtain Post-Petition Financing, (B) Granting Security Interests and/or Superpriority Administrative Expense Status; and (II) Granting Related Relief* [Dkt. No. 958, filed Sept. 16, 2015] (the “Financing Motion”); (c) the Plan (as defined below); and (d) this Settlement Agreement.

17. Plaintiffs’ Counsel conducted extensive investigation relating to the claims and the underlying events and transactions alleged in the Consolidated Class Adversary. Plaintiffs’ Counsel has analyzed evidence adduced during its investigation and has researched the applicable law with respect to the claims Plaintiffs have asserted against LPI, as well as the potential defenses

thereto. Additionally, Plaintiffs' Counsel's efforts in the Arnold State Court Action were traceable and necessary to the ultimate resolution of the Consolidated Class Adversary because, inter alia, the issue of whether the Settlement Class Members' investments with Debtors were securities, as that term is defined by the Texas Securities Act, is a prerequisite to determining the ultimate Ownership Issue and the right to rescission in the Consolidated Class Adversary.

18. Due to the complex nature of the issues involved, the Parties recognize that the outcome of the Consolidated Class Adversary is uncertain. The Plaintiffs have the burden of proof on some of the issues in the Consolidated Class Adversary, and LPI has the burden on others. The trial of the Consolidated Class Adversary would be lengthy and complex, adding to cost and potential delay. Importantly, the Plan cannot be formulated or confirmed without resolution of the Consolidated Class Adversary and the Ownership Issue. The interests of creditors of the Debtors are served if the compromise and settlement transactions contemplated in this Settlement Agreement (which resolves the Consolidated Class Adversary and the Ownership Issue) and the Plan are approved and implemented.

19. Based upon investigation, the circumstances surrounding the Bankruptcy Cases and the Consolidated Class Adversary, and the negotiation of the Term Sheet and the Plan, Lead Plaintiffs and Plaintiffs' Counsel have agreed to settle the Consolidated Class Adversary pursuant to the provisions of this Settlement Agreement after considering such factors as: (a) the substantial benefits to the Settlement Class Members under the terms of this Settlement Agreement; (b) the attendant costs, risks, and uncertainty of litigation, including trial and potential appeals; (c) the benefit to all creditors, including the Settlement Class Members, arising from the implementation of the transactions contemplated by this Settlement Agreement and the Plan; (d) the distraction and

diversion of personnel and resources as a result of continuing litigation; (e) the desirability of consummating this Settlement Agreement and the Plan promptly; and (f) the current financial condition of the Debtors.

20. The Estate Representatives have performed extensive due diligence and conducted extensive analysis of the issues that are the subject of this Settlement Agreement and believe that the terms of this Settlement Agreement, and the corresponding terms of the Plan, are an exercise of the Trustee's and the Subsidiary Debtors' sound business judgment and in the best interest of the Debtors' estates, their creditors, including the Settlement Class Members, and all other parties in interest, including, without limitation, the class of creditor interests represented by the Committee.

21. The Parties and their counsel negotiated the terms regarding the attorneys' fees and the attorney releases provided for in paragraphs 46-52 below after reaching agreement regarding material terms of the Settlement Agreement. Plaintiffs' Counsel has not received any payment for their services in the Consolidated Class Adversary or the Arnold State Court Action on behalf of the Lead Plaintiffs or the Settlement Class. In addition to the risk of non-payment that Plaintiffs' Counsel assumed in pursuing the Arnold State Court Action and the Consolidated Class Adversary, prior to the commencement of its Bankruptcy Case, LPI also moved for, and the state trial court entered an order granting, sanctions against Plaintiffs' Counsel for asserting a frivolous lawsuit and sought an award of attorneys' fees against Plaintiffs' Counsel in an amount in excess of \$360,000.00, which order of sanction subsequently was reversed and vacated after extensive litigation by Plaintiffs' Counsel.

22. This Settlement Agreement is the product of sustained, arm's-length settlement negotiations, including two day-long mediation sessions mediated by retired Federal Bankruptcy



Judge Richard Schmidt, and the Parties believe that the terms of this Settlement Agreement, including the provisions regarding the payment of attorneys' fees to Plaintiffs' Counsel are fair, reasonable, and adequate. Therefore, the Estate Representatives, joined by Lead Plaintiffs and Plaintiffs' Counsel, will seek Court approval of this Settlement Agreement as set forth below.

23. This Settlement Agreement shall in no way be construed or deemed to be evidence of, or an admission or concession on the part of any Party, with respect to any claim of fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that any Party has, or could have, asserted. Any and all statements, representations, and findings herein regarding, or in any way related to the Plaintiffs and Plaintiffs' Counsel (including, but not limited to, whether the Plaintiffs in the Consolidated Class Adversary can be certified as a "class" pursuant to Bankruptcy Rule 7023 or Federal Rule of Civil Procedure 23 or whether the Class Proofs of Claim can proceed on a "class" basis pursuant to Bankruptcy Rule 9014 or 7023) are made solely for the purpose of this Settlement Agreement, and shall not be deemed an admission or concession on the part of the Trustee or the Debtors; however, upon the Court's entry of the Final Approval Order (as defined below) and the Confirmation Order (as defined herein), the stipulations, representations, and findings in this Settlement Agreement shall be final, conclusive, and binding on the Parties as among each other solely (i) to enforce or construct this Settlement Agreement and (ii) in any proceeding or matter in which the terms of this Settlement Agreement are at issue, subject to the reversal or modification of the Final Approval Order or the Confirmation Order on appeal and the rescission rights under the terms of this Settlement Agreement. The Parties recognize that the Consolidated Class Adversary was filed and defended in good faith and that the Consolidated Class Adversary is being voluntarily settled on terms that the Parties believe to be

reasonable considering the merits of the claims or defenses and taking into account the expense and uncertainty of continued litigation and the Bankruptcy Cases. This Settlement Agreement has resulted from extensive, good-faith, and arm's-length negotiations among the Parties. The Parties agree that each has complied fully with the strictures of Federal Rule of Bankruptcy Procedure 9011 and Federal Rule of Civil Procedure 11 and that no sanctions or other relief against any Party is warranted or appropriate under such circumstances.

24. NOW, THEREFORE, subject to the approval of the Bankruptcy Court and confirmation of the Plan, and in consideration of the agreements and releases and assignments set forth herein and other good and valuable consideration, and intending to be legally bound, the Parties agree that the Consolidated Class Adversary and all other claims of the Plaintiffs and the Settlement Class Members encompassed within the scope of this Settlement Agreement and as set forth in the Plan be fully, finally, and forever settled, compromised, released, or assigned, and that the Consolidated Class Adversary, the Arnold State Court Action, and all other proceedings described herein or in Appendix B be: (i) dismissed with or without prejudice, without costs to the Parties except as provided herein; and/or (ii) assigned to the Creditors' Trust, as set forth herein, on the following terms and conditions:

#### **DEFINITIONS<sup>1</sup>**

25. When used in this Settlement Agreement, unless otherwise specifically indicated, the following terms shall have the meanings set forth below:

- a. "Amended Schedule F" has the meaning set forth in the Plan.

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<sup>1</sup> All other defined terms included throughout this Settlement Agreement shall have the meanings ascribed in this Settlement Agreement.

- b. “Assigning Position Holder” has the meaning set forth in the Plan.
- c. “Class Notice” means the notice to the Settlement Class as shall be given in the form deemed sufficient by the Court.
- d. “Confirmation Order” means the order of the Bankruptcy Court confirming the Plan pursuant to Bankruptcy Code section 1129.
- e. “Continuing Fractional Holder” has the meaning set forth in the Plan.
- f. “Continuing Position Holder” has the meaning set forth in the Plan.
- g. “Continuing Position Holder Contribution” has the meaning set forth in the Plan.
- h. “Court” means any court of competent jurisdiction, including but not limited to the Bankruptcy Court and the United States District Court for the Northern District of Texas.
- i. “Creditors’ Trust” has the meaning set forth in the Plan.
- j. “Current Position Holder” has the meaning set forth in the Plan.
- k. “Days,” unless specified as “business days,” means all calendar days, including Saturdays, Sundays, and legal holidays, but if the last day of a period is a Saturday, Sunday, or legal holiday, the period continues to run until the end of the next day that is not a Saturday, Sunday, or legal holiday.
- l. “Effective Date” means the first date by which all of the following have occurred:
  - (1) no Party has availed itself of any right to withdraw from or terminate the Settlement that has arisen pursuant to paragraphs 39-40 herein; (2) the Court has entered the Final Approval Order; (3) the Court has entered a final Confirmation Order; and (4) the Plan Effective Date has occurred and the Plan has become effective in accordance with its terms. Neither the provisions of Rule 60 of the Federal Rules of Civil Procedure nor the All Writs Act, 28 U.S.C. § 1651, shall be taken into

account in determining the above-stated times.

m. “Final 9019 Order” means a Final Order approving this Settlement Agreement and authorizing, empowering, and directing the Parties to enter into and perform their respective obligations under and pursuant to this Settlement Agreement under Rule 9019 of the Federal Rules of Bankruptcy Procedure.

n. “Final Approval Order” means a Final Order approving the Settlement Agreement as fair, reasonable, and adequate pursuant to Federal Rule of Bankruptcy Procedure 7023 or Federal Rule of Civil Procedure 23.

o. “Final Order” has the meaning set forth in the Plan.

p. “Fractional Interest” has the meaning set forth in the Plan.

q. “Fractional Interest Holder” has the meaning set forth in the Plan.

r. “Fractional Position” has the meaning set forth in the Plan.

s. “Investment Contract” has the meaning set forth in the Plan.

t. “IRA Holder” has the meaning set forth in the Plan.

u. “IRA Partnership” has the meaning set forth in the Plan.

v. “MDL Plaintiffs” means the plaintiffs in the multi-district litigation captioned *In re Life Partners, Inc. Litigation*, MDL No. 13-0357 (Tex. Dist. Ct. Dallas Cnty., created Sept. 9, 2013) identified on Appendix C, and limited to the capacity in which they are identified on Appendix C.

w. “New IRA Note” has the meaning set forth in the Plan.

x. “Objection Date” means the date by which Settlement Class Members must file any written objection or opposition to the Settlement Agreement or any part or provision thereof in the

Court, to be set by the Court and set forth in the Class Notice.

- y. “Original IRA Note Issuers” has the meaning set forth in the Plan.
- z. “Ownership Settlement Subclass” means the class to be certified for settlement purposes composed of:

All persons or entities (including all IRAs and their respective individual owners and related IRA custodians) who purchased and hold, as of the Plan Effective Date, securities issued or sold by LPI (directly or in the name of any Original IRA Note Issuer) related to viatical settlements or life settlements, regardless of how the investments were denominated (whether as fractional interests in life insurance policies, promissory notes, or otherwise) and who are Current Position Holders under the Plan, regardless of whether or not a claim was filed by a class member. Excluded from the Ownership Settlement Subclass are LPI; all affiliated Life Partners companies or entities; Linda Robinson-Pardo; Paget Holdings Ltd.; and investors whose only investments relate to Pre-Petition Abandoned Interests under the Plan.

- aa. “Ownership Settlement Subclass Member” (plural “Ownership Settlement Subclass Members”) means each person and entity who is a member of the Ownership Settlement Subclass.

bb. “Plan” means the *Second Amended Joint Plan of Reorganization of Life Partners Holdings, Inc., et al. Pursuant to Chapter 11 of the Bankruptcy Code* [Dkt. No. \_\_\_\_, filed March 24, 2016], including the Plan Supplement and all exhibits, schedules, and attachments thereto, all as may be amended, supplemented, or otherwise modified, provided, however, that no such Plan may materially change the terms of the Plan to be inconsistent with this Settlement Agreement without the written consent of Plaintiffs’ Counsel.

- cc. “Plan Effective Date” has the meaning of “Effective Date” set forth in the Plan.
- dd. “Policy” (plural “Policies”) has the meaning set forth in the Plan.
- ee. “Position Holder Trust” has the meaning set forth in the Plan.
- ff. “Preliminary Approval Order” means an order preliminarily approving the

Settlement Agreement as fair, reasonable, and adequate pursuant to Federal Rule of Civil Procedure 23 and/or Federal Rule of Bankruptcy Procedure 7023 and approving the sending of the Class Notice to the Settlement Class.

- gg. “Pre-Petition Abandoned Positions” has the meaning set forth in the Plan.
- hh. “Pre-Petition Default Amount” has the meaning set forth in the Plan.
- ii. “Qualified Plan Holders” has the meaning set forth in the Plan.
- jj. “Rescission Settlement Subclass” means the class to be certified for settlement purposes composed of:

All persons or entities (including all IRAs and their respective individual owners and related IRA custodians) who purchased and hold, as of the Plan Effective Date, securities issued or sold by LPI (directly or in the name of any Original IRA Note Issuer) related to viatical settlements or life settlements, regardless of how the investments were denominated (whether as fractional interests in life insurance policies, promissory notes, or otherwise) and who are Current Position Holders under the Plan, regardless of whether or not a claim was filed by a class member. Excluded from the Rescission Settlement Subclass are LPI; all affiliated Life Partners companies or entities; Linda Robinson-Pardo; Paget Holdings Ltd.; investors whose only investments relate to Pre-Petition Abandoned Interests under the Plan; Qualified Plan Holders; and all persons and entities listed on Appendix A.

- kk. “Rescission Settlement Subclass Member” (plural “Rescission Settlement Subclass Members”) means each person and entity who is a member of the Rescission Settlement Subclass.

- ll. “Settlement Class” means, collectively, the Ownership Settlement Subclass and the Rescission Settlement Subclass.

- mm. “Settlement Class Member” (plural “Settlement Class Members” or “Plaintiffs”) means each person and entity who is an Ownership Settlement Subclass Member or the Rescission Settlement Subclass Member.

### COURT APPROVAL

26. This Settlement Agreement shall be binding on the Parties as of the date set forth in the introductory paragraph of this Settlement Agreement, provided that (a) the Court enters the Final 9019 Order; (b) the Court enters the Final Approval Order; (c) the Effective Date occurs; and (d) no Party has availed themselves of any right to withdraw from or terminate the Settlement that has arisen pursuant to paragraphs 39-40 of this Settlement Agreement. The Parties shall use reasonable best efforts as soon as reasonably practicable after execution of this Agreement to obtain entry of the Final 9019 Order and Final Approval Order including: (a) filing joint motions pursuant to Sections 105(a) of the Bankruptcy Code, Federal Rules of Bankruptcy Procedure 9014, 9019, and/or 7023, and/or Federal Rule of Civil Procedure 23, as applicable, to seek entry of the Final 9019 Order, Preliminary Approval Order, and Final Approval Order to authorize and approve this Settlement Agreement, to approve the Class Notice, and to approve the allowance of the Class Claim (as defined herein) and the voting rights and procedure of the Class Representatives (as defined herein) as set forth herein; (b) on or before the Effective Date, or at another time as set forth in this Settlement Agreement, causing the Parties to fully perform their respective obligations under this Settlement Agreement; (c) not encouraging any person or entity to oppose, object to, or obstruct the approval of the Settlement Agreement or entry of the Final Approval Order; and (d) approving exculpation language the same or similar to that in Section 18.02 of the Plan as filed on March 24, 2016.

### STIPULATION TO CLASS CERTIFICATION

27. Pursuant to Federal Rule of Civil Procedure 23, Federal Rule of Bankruptcy Procedure 7023, incorporated herein as necessary under Federal Rule of Bankruptcy Procedure

9014, and incorporating Federal Rule of Civil Procedure 23, the Parties hereby stipulate that the requirements of Federal Rule of Civil Procedure 23(a) and 23(b)(2) are satisfied with respect to the Ownership Settlement Subclass defined in paragraph 25(z) and the Rescission Settlement Subclass defined in paragraph 25(ii). The Ownership Settlement Subclass and Rescission Settlement Subclass shall each be certified as a mandatory subclass under Federal Rule of Civil Procedure 23(b)(2), with no right of any Settlement Class Member to opt out of either subclass, including for the purposes of a class proof of claim and class voting of the class ballots to the extent provided for in paragraph 28; provided, however, that, in the event the Effective Date does not occur or this Settlement Agreement is later rescinded in accordance with its terms: (a) no class or subclass shall be deemed to have been certified by or as a result of this Settlement Agreement; (b) the Trustee and the Subsidiary Debtors shall not be deemed to have consented to the allowance or priority of any claim or the certification of any class; (c) the agreements and stipulations in this Settlement Agreement concerning class definition or class certification shall not be used as evidence or argument to support class definition or class certification; (d) the Trustee and the Subsidiary Debtors shall retain all rights to object to the claims in the Bankruptcy Cases asserted by Lead Plaintiffs, Plaintiffs, and Plaintiffs' Counsel; and (e) Lead Plaintiffs, Plaintiffs, and Plaintiffs' Counsel reserve all rights and remedies, including without limitation, the right to seek certification of one or more classes in the Consolidated Class Adversary.

28. Claim No. 22670 shall be allowed on behalf of the Settlement Class pursuant to the Plan as a class proof of claim ("Class Claim") to which Federal Rule of Bankruptcy Procedure 7023 applies pursuant to Federal Rule of Bankruptcy Procedure 9014, and allocation of that claim for each individual holder is in the amount set forth in Amended Schedule F. The Class Claim



shall be classified as an allowed claim in each of Classes B2, B2A, B3, and B3A in the Plan as appropriate. The Lead Plaintiffs, in their capacity as Class Representatives, shall be authorized to cast one or more ballots (as applicable) to accept the Plan on behalf of those Settlement Class Members with claims and interests in Class B2, B2A, B3, or B3A who do not cast a vote to accept or reject the Plan in the respective Class B2, B2A, B3, or B3A.

29. The Parties also stipulate to the designation of Lead Plaintiffs to be appointed class representatives ("Class Representatives") on behalf of the Settlement Class, the Ownership Settlement Subclass and the Rescission Settlement Subclass for purposes of this Settlement and the Plan.

30. The Parties also stipulate to the designation of Keith L. Langston of the Langston Law Firm to be appointed class counsel ("Class Counsel") on behalf of the Settlement Class, the Ownership Settlement Subclass and the Rescission Settlement Subclass for purposes of this Settlement and the Plan.

31. The Estate Representatives, joined by Lead Plaintiffs and Plaintiffs' Counsel, shall obtain entry of the necessary order(s) of the Court authorizing, empowering, and directing the Trustee and Subsidiary Debtors to send the Class Notice to the Settlement Class Members in a form and manner deemed sufficient by the Court. This Notice will include, at a minimum: (a) a summary of the terms of the Settlement Agreement and instructions as to where the full terms of the Settlement Agreement can be obtained; (b) the definition of the stipulated Settlement Class and an explanation that the class will be mandatory with no right of the Settlement Class Members to exclusion or to opt-out, but with an opportunity to object; (c) an explanation of the Class Claim that will be allowed and treated in accordance with the Plan; (d) an explanation of Class Counsel's

Agreed Fee as defined herein, subject to Court approval; and (e) an explanation that all Settlement Class Members will have the opportunity to vote on the Plan themselves, but that any Settlement Class Members who do not vote will have their claims and interests voted by the Class Representatives in favor of the Plan.

### **EQUITABLE RELIEF**

32. The Final Approval Order shall be incorporated into and become part of the Confirmation Order. The Parties shall seek for the Court to enter, as part of the Final Approval Order or the Confirmation Order, or both, as applicable, equitable and declaratory relief summarized as follows and set forth fully in the Plan:

- a. LPI (and any successor entity) will not sell or otherwise introduce into the market any securities unless those securities are (i) issued pursuant to the Plan or (ii) properly registered as securities with all appropriate federal and state regulatory bodies;
- b. Debtors waive any claims to beneficial ownership in the Fractional Interests held in the name of the Settlement Class Members that are entitled to treatment as Continuing Fractional Holders, by election or otherwise, as set forth in the Plan and subject to the terms and conditions set forth in the Plan;
- c. Subject to the terms and conditions set forth in the Plan, Debtors will provide each Ownership Settlement Subclass Member, for each Fractional Position, except for those Fractional Positions where a Pre-Petition Default Amount is owed and not paid by the close of business on the deadline set forth in the Plan, with the elections described in Section 3.07(c) and (e) of the Plan for each Fractional Interest Holder

and IRA Holder, respectively, which are summarized as follows: (i) be treated as a Continuing Position Holder with respect to their Fractional Position and be confirmed as the owner of a Fractional Interest or a New IRA Note, after making the related Continuing Position Holder Contribution; or (ii) contribute their Fractional Position to the Position Holder Trust or the IRA Partnership and receive an interest in the Position Holder Trust or the IRA Partnership. In addition, IRA Holders will have the option to distribute the IRA Note to the individual owner of the IRA Holder so that it is owned outside of the IRA, in which case the individual owner will be able to make a Continuing Holder Election to become a Continuing Fractional Holder under the Plan;

- d. Subject to the terms and conditions set forth in the Plan, Debtors will provide the Rescission Settlement Subclass Members, for each Fractional Position, except for those Fractional Positions where a Pre-Petition Default Amount is owed and not paid by the close of business on the deadline set forth in the Plan, with the elections described in Section 3.07(b) and (d) of the Plan, which include the options summarized in paragraph 32(c) and the additional third option to rescind their purchase of the Fractional Interest and receive an interest in the Creditors' Trust.
- e. The Settlement Class Members who are IRA Holders stipulate that there was never any transfer of ownership of any Fractional Interest or other interest in any Policy made to any IRA Note Issuer Trust by them or on their behalf, nor any effective conveyance of any property to any of the IRA Note Issuer Trusts. The Settlement Class Members who are IRA Holders further stipulate that (i) any authority Brian

Pardo had to act on their behalf or for their benefit, as Trustee of an IRA Note Issuer Trust or otherwise, is revoked effective as of the Effective Date; (ii) the Settlement Class Members who are IRA Holders are not looking to Brian Pardo to take, and he is not authorized to take, any actions on their behalf, as such a Trustee or in any capacity; and (iii) all claims and causes of action they have or that may be asserted on their behalf against Brian Pardo in any capacity are included in the Assigned Claims; and

- f. The Rescission Settlement Subclass Members who assign their Additional Assigned Claims (as defined herein) to the Creditors' Trust pursuant to paragraph 37 and the Plan shall receive an additional Allowed Claim in Class B4 in an amount equal to 0.5% (one-half of one percent) of their Allowed Claim amount on Amended Schedule F, for which the Rescission Settlement Subclass Member will receive a corresponding interest in the Creditors' Trust (the "Additional Allowed Claim"). This interest shall be in addition to any interest in the Creditors' Trust granted under paragraph 32(d) of this Agreement.

#### **RELEASE AND ASSIGNMENT OF CLAIMS AND DISMISSAL OF ACTIONS**

33. Upon the Effective Date, the Lead Plaintiffs (individually and as Class Representatives of all Settlement Class Members), all Settlement Class Members, Plaintiffs' Counsel, Class Counsel, and all of their current and former parents and subsidiaries, affiliates, partners, officers and directors, agents, employees, and any of their legal representatives (and the predecessors, heirs, executors, administrators, successors, purchasers, and assigns of each of the foregoing) (collectively, the "Settling Parties") shall be deemed to have conclusively, absolutely,

unconditionally, irrevocably, and forever, released, waived, and discharged the claims against the Debtors asserted in Count II of the Consolidated Class Adversary, or that could have been asserted as part of Count II of the Consolidated Class Adversary (the “Released Claims”).

34. Upon the Effective Date, the Settling Parties shall be deemed to have conclusively compromised and exchanged for the treatment under the Plan all claims against the Debtors’ estates, including but not limited to any proof of claim or interest filed by any Settlement Class Member, the claims asserted in the Plaintiffs’ Counsel Proofs of Claim, the Lead Plaintiff Proofs of Claim, the Class Proofs of Claim, and any claim for rejection damages resulting from the rejection of an Investment Contract, except for the Class Claim that will be allowed and treated as set forth in paragraph 28 of this Settlement Agreement and the Plan (the “Compromised Claims”), provided that nothing herein shall be deemed to release the Assigned Claims or Additional Assigned Claims, as defined and referenced in paragraphs 36-37 herein. After the Effective Date, the Settling Parties shall not seek, and are hereafter barred and enjoined from seeking, to recover from the Debtors’ estates based in whole or in part upon any of the Compromised Claims or conduct at issue in the Compromised Claims.

35. In addition, as to the Released Claims and the Compromised Claims, the Settling Parties hereby expressly waive and release upon the Effective Date any and all provisions, rights, and benefits conferred by Section 1542 of the California Civil Code and Section 20-7-11 of the South Dakota Codified Laws, each of which provides that a general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor, and any similar provision, statute, regulation, rule, or principle of law or equity of any other state or

applicable jurisdiction. The Settling Parties acknowledge that they are aware that they may hereafter discover facts in addition to, or different from, those facts which they know or believe to be true with respect to the subject matter of this Settlement Agreement, but that it is their intention to release fully, finally, and forever all Released Claims and to conclusively compromise and exchange for the treatment under the Plan the Compromised Claims, and in furtherance of such intention, this release and/or compromise shall be and will remain in effect notwithstanding the discovery or existence of any such additional or different facts.

36. Upon the Effective Date, the Lead Plaintiffs (individually and as Class Representatives of all Rescission Settlement Subclass Members), Rescission Settlement Subclass Members (excluding the MDL Plaintiffs, who will assign the same character of claims to the Creditors' Trust via separate settlement agreement), Plaintiffs' Counsel, and all of their current and former parents and subsidiaries, affiliates, partners, officers and directors, agents, employees, and any of their legal representatives (and the predecessors, heirs, executors, administrators, successors, purchasers, and assigns of each of the foregoing) (collectively, the "Assigning Parties") assign all of their rights in any and all claims, damages, demands, suits, causes of action, obligations, remedies, debts, rights, and liabilities, whether known or unknown, liquidated or unliquidated, fixed or contingent, foreseen or unforeseen, matured or unmatured, whether class or individual, in law, equity, or otherwise, including claims for costs, fees, expenses, penalties, and attorneys' fees (except those that are the subject to the Fee Application, as defined below, or otherwise deemed allowed and treated pursuant to this Settlement Agreement or the Plan), asserted by the Assigning Parties, or that could have been asserted by the Assigning Parties, or that the Assigning Parties have, may have, or are entitled to assert directly, representatively, derivatively, or in any other

capacity, against the Debtors, Brian Pardo, Deborah Carr, Kurt Carr, R. Scott Peden, Linda Robinson a/k/a Linda Robinson-Pardo, Pardo Family Holdings, Ltd., Pardo Family Holdings US, LLC, Pardo Family Trust, Paget Holdings, Inc., Paget Holdings Ltd., Tad M. Ballantyne, Fred DeWald, and Harold E. Rafuse (collectively, the “Assigned Claims”), to the Creditors’ Trust. The Assigning Parties, as of the Effective Date, transfer and assign all aspects of title to the Assigned Claims to the Creditors’ Trust, including but not limited to the right to bring suit on the Assigned Claims, to recover any form of relief whatsoever on the Assigned Claims, including but not limited to money damages, and to distribute funds to the creditors of the Debtors’ estates in accordance with the terms of the Plan. No further action on the part of the Assigning Parties is necessary to effectuate the assignment of the Assigned Claims set forth in this paragraph, and the Assigning Parties confirm that it is their present intent to retain no right or interest in the Assigned Claims. The Assigning Parties further acknowledge that after the Effective Date the Creditors’ Trust has the exclusive legal right and power to prosecute, compromise, settle, assign, receive proceeds from, or otherwise control the Assigned Claims. The Assigning Parties represent that they will do nothing in the future to impair, release, compromise, waive, or relinquish the Assigned Claims, to defend or take the position that the Assigned Claims were released or do not belong to the Creditors’ Trust, or to assist any person in defending any of the Assigned Claims or arguing that the Assigned Claims do not belong to the Creditors’ Trust. The Assigned Claims include, but are not limited to, the claims asserted in the Arnold Class Adversary, the Arnold State Court Action, and the other pending litigation listed in Appendix B. The assignee (as determined by the Plan) of the Assigned Claims shall cause the appropriate substitution of parties and counsel to the litigation listed in Appendix B within 30 days of the Effective Date.

37. The ballot sent to all Rescission Settlement Subclass Members will contain a statement and opportunity for a Rescission Settlement Subclass Member (excluding the MDL Plaintiffs, who will assign their claims to the Creditors' Trust via separate settlement agreement) to elect not to provide an assignment to the Creditors' Trust of any claims other than the Assigned Claims. Upon the Effective Date, the Lead Plaintiffs, individually, and all Rescission Settlement Subclass Members who do not elect through their ballot not to provide an assignment of the Additional Assigned Claims (as defined herein) (excluding the MDL Plaintiffs, who will assign their claims to the Creditors' Trust via separate settlement agreement), and all of their current and former parents and subsidiaries, affiliates, partners, officers and directors, agents, employees, and any of their legal representatives (and the predecessors, heirs, executors, administrators, successors, purchasers, and assigns of each of the foregoing) (collectively, the "Additional Assigning Parties") assign all of their rights in any and all claims, damages, demands, suits, causes of action, obligations, remedies, debts, rights, and liabilities, whether known or unknown, liquidated or unliquidated, fixed or contingent, foreseen or unforeseen, matured or unmatured, whether class or individual, in law, equity, or otherwise, including claims for costs, fees, expenses, penalties, and attorneys' fees (except those that are the subject to the Fee Application, as defined below, or otherwise deemed allowed and treated pursuant to this Settlement Agreement or the Plan), asserted by the Additional Assigning Parties, or that could have been asserted by the Additional Assigning Parties, or that the Additional Assigning Parties have, may have, or are entitled to assert directly, representatively, derivatively, or in any other capacity, against Life Settlement Exchange, LLC; Fred A. Cowley; Security Reserve Financial, Inc.; Gallagher Financial Group; Edward G. Burford Corporation; Sun Safety, Inc.; Faye Bagby; Ella Oliver d/b/a Investingmakesmesick.com;



Wealthstone Financial; Falco Group, LLC; Mark McKay; Kainos Asset Management, LLC; Peyton Inge a/k/a H/ Peyton Inge; Life Strategy Services, LLC; Ted Hasson; James Sundelius; Abundant Income, LLC; B G & S Management Consultants; BG & S Consultants; BG & S; Tim Harper; Brian Harper; American Safe Retirement, LLC; ASR Alternative Investments, LP; Joe Barkate dba MTLRC, LLC; Rich DePaolo; Alpha & Omega Global Risk Mgt., LP; AO Global, LLC; Petra World Wide, Inc.; Tolleson Investments, LLC; William M. Tolleson; Tolleson Holdings, LLC; Steadfast Endeavors, LLC; New Asset Advisors, LLC; Curtis M. Cole; New Asset Alternative, LLC; Lakeside Equity Partners, Inc.; Dewitt & Dunn, LLC; Frank W. Bice; The Retirement & Investment Council; Russell Hagan; and all prior officers, directors, affiliates, associates, members, principals, partners, officers, directors, trustees, control persons, employees, agents, brokers, attorneys, shareholders, advisors, investment advisors, banks, IRA advisers, IRA brokers, IRA custodians, insurers, insiders, licensees, master licensees, and representatives of the Debtors, and any entities in which any of these persons or entities has a direct or indirect interest, and any other persons or entities against whom the Additional Assigning Parties have a claim arising out of or relating to their investment with LPI or interest in the Debtors, arising out of or relating to any conduct, act, or omission of any of these persons or entities or otherwise related to the business of the Debtors from the beginning of the world until the Effective Date (collectively, the “Additional Assigned Claims”), to the Creditors’ Trust. Excluded from Additional Assigned Claims are all claims against any legal or tax professional retained on or after January 20, 2015. The Additional Assigning Parties, as of the Effective Date, transfer and assign all aspects of title to the Additional Assigned Claims to the Creditors’ Trust, including but not limited to the right to bring suit on the Assigned Claims, to recover any form of relief whatsoever on the Additional Assigned Claims,

including but not limited to money damages, and to distribute funds to the creditors of the Debtors' estates in accordance with the terms of the Plan. No further action on the part of the Additional Assigning Parties is necessary to effectuate the assignment of the Additional Assigned Claims set forth in this paragraph, and the Additional Assigning Parties confirm that it is their present intent to retain no right or interest in the Additional Assigned Claims. The Additional Assigning Parties further acknowledge that after the Effective Date the Creditors' Trust has the exclusive legal right and power to prosecute, compromise, settle, assign, receive proceeds from, or otherwise control the Additional Assigned Claims. The Additional Assigning Parties represent that will do nothing in the future to impair, release, compromise, waive, or relinquish the Additional Assigned Claims, to defend or take the position that the Additional Assigned Claims were released or do not belong to the Creditors' Trust, or to assist any person in defending any of the Additional Assigned Claims or arguing that the Additional Assigned Claims do not belong to the Creditors' Trust. As consideration for assigning the Additional Assigned Claims to the Creditors' Trust, each Additional Assigning Party shall receive an Additional Allowed Claim, as defined in paragraph 32(f).

38. Nothing in this Settlement Agreement or in any ballot signed by any Settlement Class Member shall affect or limit: (a) the right of the Trustee, Debtor, Creditors' Trust and its trustee, or their successors to prosecute: (i) *Moran v. Pardo, et al.*, Case No. 4:15-cv-00905-O; (ii) *Moran v. Sundelius, et al.*, Adversary No. 15-40289-rfn11; (iii) *Moran v. Abundant Income, LLC et al.*, Adversary No. 15-04110-rfn; (iv) *Moran, et al. v. 72 Vest, et al.*, Case No. 16-04035; (v) *Moran, et al. v. Ostler, et al.*, Case No. 16-04022; (vi) *Moran, et al. v. A. Roger O. Whitley, Group, Inc., et al.*, Case No. 16-04038; (vii) *Moran, et al. v. Happy Endings*, Case No. 16-04024; (viii) *Moran, et al. v. Robin Rock, et al.*, Case No. 16-04034; (ix) *Moran, et al. v. Ballantyne, et al.*, 16-

04039; (x) *Moran, et al. v. Funds for Life, et al.*, Case No. 16-04029; (xi) *Moran, et al. v. Averritt, et al.*, Case No. 16-04032; (xii) *Moran, et al. v. Coleman, et al.*, Case No. 16-04037; (xiii) *Moran, et al. v. Atwell, et al.*, Case No. 16-04030; (xiv) *Moran, et al. v. Atwell, et al.*, Case No. 16-04030; (xv) *Moran, et al. v. Blanc & Otus, et al.*, Case No. 16-04031; (xvi) *Moran, et al. v. Alexander, et al.*, Case No. 16-04036; (xvii) *Moran, et al. v. ESP Communications*, Case No. 16-04027; (xviii) *Moran, et al. v. Cassidy*, Case No. 16-04033; (xix) *Moran, et al. v. Brooks*, Case No. 16-04025; (xx) *Moran, et al. v. Summit Alliance Settlement Co., LLC, et al.*, Case No. 16-04026; (xxi) *Moran, et al. v. American Heart Association, et al.*, Case No. 16-04028; (xxii) any other adversary proceedings brought by or against the Trustee pending on March 15, 2016; and (xxiii) any objections to any and all claims filed by, scheduled or listed for, or otherwise asserted by any person or entity listed on Appendix A, or any other individual who served prior to January 20, 2015 as an officer, director, advisor, board member, or otherwise was employed by LPI or any of its affiliates, including but not limited to all insiders of LPI or any of its affiliates, or any sales agents, brokers, IRA advisors, IRA custodians, IRA brokers, or other individuals affiliated with Life Partners' sales or business, or any licensee or master licensee; or (vi) any other claims owned by the Trustee, the Debtors, or any of their successors; or (b) the Creditors' Trust and its trustee's or their successor's right to prosecute: (i) the Arnold State Court Action; (ii) *In re Life Partners Holdings, Inc. Shareholder Derivative Litigation*, Case No. DR-11-CV-43-AM (W.D. Tex.); (iii) the litigation matters identified in Appendix B; (iv) the litigation matters assigned to the Creditors' Trust by the MDL Plaintiffs; (v) any claims assigned to the Creditors' Trust by the Plan, the Trustee, or the Debtors; (vi) the Assigned Claims; (vii) subject to the terms of paragraph 37, the Additional Assigned Claims; or (viii) any other claims assigned to or otherwise owned by the

Creditors' Trust, its trustee, or their successors.

### **RESCISSION**

39. If the Court does not approve or enter the Final Approval Order or the Final 9019 Order; if the Final Approval Order or the Final 9019 Order is modified or set aside on appeal; or if the Confirmation Order is modified, reversed, or vacated on appeal, then the Party or Parties adversely affected by or who opposed such refusal to provide or affirm the requested relief, modification, vacation, or appeal shall each, in their sole discretion, have the option to rescind this Settlement Agreement in its entirety by written notice to the Court and to counsel for the other Parties that is filed and served within ten (10) days of the event triggering the right to rescind. Any decision with respect to an application for or award of attorneys' fees, costs, or expenses, by the Court, on appeal, or otherwise, shall not be considered material to the Settlement Agreement and shall not be grounds for rescission.

40. If the Settlement Agreement is rescinded in accordance with its terms, is not approved by the Court, or otherwise fails to become effective in accordance with its terms, including if the Effective Date fails to occur, then this Settlement Agreement will not take effect and will become null and void for all purposes, and the Parties will be restored to their respective positions in the Consolidated Class Adversary and the Arnold State Court Action as of the Execution Date of this Agreement, which shall be the date set forth in the introductory paragraph of this Settlement Agreement. In that event, this Settlement Agreement, and representations made in conjunction with it, may not be used in the Consolidated Class Adversary, the Arnold State Court Action, or otherwise for any purpose. The Parties expressly reserve all rights if the Settlement Agreement does not become effective or if it is rescinded.

**PLAN SUPPORT AND ENTRY OF FINAL 9019 ORDER, FINAL APPROVAL ORDER,  
AND CONFIRMATION ORDER**

41. The Estate Representatives, joined by the Lead Plaintiffs and Plaintiffs' Counsel, shall seek entry of the Final Approval Order and Final 9019 Order, which as applicable shall include the provisions in Paragraph 32 of this Settlement Agreement and provisions: (a) authorizing the Trustee and the Debtors to enter into this Settlement Agreement; (b) approving this Settlement Agreement, and directing its implementation pursuant to its terms and conditions; (c) approving the allowance of the Class Claim as a class proof of claim pursuant to Bankruptcy Rules 9014 and/or 7023; (d) deeming the Plan and Confirmation Order to incorporate and include the terms and conditions of this Settlement Agreement and to approve the compromise and settlement that is contemplated in this Settlement Agreement as part of the Plan pursuant to 11 U.S.C. § 1123(b); (e) as of the Effective Date, releasing the Released Claims, and permanently barring and enjoining all Settling Parties from instituting, maintaining, or prosecuting, either directly or indirectly, any lawsuit that asserts Released Claims; (f) as of the Effective Date, approving the assignment of and assigning the Assigned Claims and Additional Assigned Claims to the Creditors' Trust; (g) appointing Lead Plaintiffs as Class Representatives of the Ownership Settlement Subclass and Rescission Settlement Subclass, and authorizing and empowering Lead Plaintiffs, in their capacity as Class Representatives of the Settlement Class, to complete the class ballots and vote to accept the Plan on behalf of all Settlement Class Members who do not cast an individual ballot, subject to and in accordance with this Settlement Agreement; and (g) reserving to the Court that enters the Final Approval Order continuing jurisdiction over the Parties with respect to the Settlement Agreement and the Final Approval Order.

42. Class Representatives and Plaintiffs' Counsel agree to fully support the Plan, and, pursuant to the Class Claim allowed under this Settlement Agreement, Class Representatives agree to vote in favor of the Plan on behalf of themselves and in their capacity as Class Representatives on behalf of any Settlement Class Members who do not cast an individual ballot, provided, however, that if the Class Representatives, in consultation with Plaintiffs' Counsel, determine in the good faith exercise of their fiduciary duty and taking into consideration all relevant risk factors including, but not limited to, the opinions of the Plan Proponents and the Plan Supporters, potential delay, financial outcome, and other legal and regulatory factors, that there is a proposed plan other than the Plan that ~~fully incorporates the terms of and~~ <sup>g</sup> <sup>v materially</sup> is not inconsistent with this Settlement Agreement and is in the best interest of the Settlement Class Members (the "Alternate Plan"), then Class Representatives and Plaintiffs' Counsel may choose to support that Alternate Plan.

#### **DISCOVERY AND COOPERATION**

43. Discovery from Arnold State Court Action. Within 30 days after the Effective Date, Class Counsel shall deliver to the Trustee, by and through his attorneys at Thompson & Knight, 1722 Routh Street, Suite 1500, Dallas, Texas 75201, Attn: Jennifer R. Ecklund, a copy of all written discovery, deposition transcripts and exhibits, and documents that are not subject to any privilege or immunity that were produced in the Arnold State Court Action that have not already been provided to the Trustee, through counsel.

44. Cooperation from Lead Plaintiffs. Upon reasonable notice, each Lead Plaintiff agrees to make himself or herself available for an interview, at mutually convenient times and at a location or locations of his or her choice within the United States, or by telephone. Each Lead Plaintiff will provide truthful information and requested documents (if reasonably available), and

shall cooperate in the preparation of truthful declarations and/or affidavits if requested by the Trustee or his successor, the trustee of the Creditors' Trust, or their counsel. Nothing herein shall require the Debtors to pay any expense of the Lead Plaintiffs or his or her attorney in connection with any interview provided for in this paragraph 44. An "interview" for purposes of this paragraph 44 shall last no longer than two hours, excluding reasonable breaks.

45. Cooperation from Class Counsel. Class Counsel for the Rescission Settlement Subclass agrees to reasonably cooperate with a designee of the Trustee or his successor, the trustee of the Creditors' Trust, or their counsel, free of any charge, to provide information relevant to the Settlement Class Members' investments with LPI, including consulting with a designee of the Trustee or his successor, the trustee of the Creditors' Trust, or their counsel on the discovery and events from the Arnold State Court Action, securing documents requested from Lead Plaintiffs, and providing work product from the Arnold State Court Action or the Consolidated Class Adversary relevant to the Creditors' Trust's prosecution of the Assigned Claims, the Additional Assigned Claims, or other litigation to benefit the bankruptcy estates or the Creditors' Trust, up to fifty (50) hours of attorney time, including travel time. Provided, however, that Class Counsel shall not be required to provide requested cooperation if Class Counsel reasonably believes providing such cooperation is unlawful, would result in Class Counsel violating any ethical rule governing the practice of law, and/or expose Class Counsel to risk of liability to any person or entity.

#### **ATTORNEYS' FEES**

46. Class Counsel will apply to the Court for an award of attorneys' fees in an amount not to exceed \$33,000,000 (the "Agreed Fee"), to be paid over time through the mechanism described below (the "Fee Application"). The Trustee and Subsidiary Debtors estimate the present

value of the Agreed Fee to be \$5,219,043. The Fee Application is subject to approval by the Court, and the final amount awarded by the Court on the Fee Application (the “Approved Fee”) will be paid through the mechanism described below and set forth in Section 4.03(b) and 4.13(e) of the Plan.

47. Settlement Class Members will not be required to pay the Approved Fee from any portion of Fractional Positions owned by or contributed to the Position Holder Trust by Settlement Class Members pursuant to the Plan. Class Counsel agrees to defer payment of the Approved Fee and instead to be paid the Approved Fee in accordance with the Plan in kind and over time on the basis of the face amount of Pre-Petition Abandoned Positions, and through transfer to Class Counsel (or a designee of Class Counsel) of ownership of a *pro rata* share<sup>2</sup> of the Pre-Petition Abandoned Positions to Class Counsel in the aggregate face amount of the Approved Fee (the “Fee Positions”<sup>3</sup>) on or before the later of: (i) the completion of Catch-Up Reconciliation (as defined in the Plan); or (ii) ten (10) days after the Fee Application is approved in the amount of the Approved Fee, regardless of whether the Approved Fee or Final Approval Order is appealed or sought to be modified by any person or entity. If the Approved Fee or Final Approval Order is appealed, maturity proceeds allocated to the Fee Positions will be placed into escrow pending the outcome of the appeal, and if the Approved Fee or Final Approval Order is modified or reversed on appeal, the registered ownership of the affected Pre-Petition Abandoned Positions (or maturity proceeds therefrom) will be transferred to the Position Holder Trust, but only to the extent of the

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<sup>2</sup> The Fee Positions will be a percentage of every Pre-Petition Abandoned Position determined by taking the Approved Fee and dividing it by the total value of the Pre-Petition Abandoned Positions. For example, if the total value of the Pre-Petition Abandoned Positions is \$180 million and if the Approved Fee is \$33 million, the Fee Positions will be 18.3333% of each of the Pre-Petition Abandoned Positions.

<sup>3</sup> Also referred to as “Class Action Litigants’ Counsel Fee Positions” in the Plan.



modification or reversal. Plaintiffs' Counsel's ownership of the Fee Positions will be subject to a 3% (three percent) servicing fee and no other encumbrances, including but not limited to "catch-up" payments or ongoing premium payment obligations. The Fee Positions will be governed by and treated under the Plan. In no event will Class Counsel have the right to recover payment or recovery of its attorneys' fees pursuant to this Settlement Agreement in excess of the Approved Fee.

48. The Estate Representatives: (a) shall not directly or indirectly oppose and shall advance and support the Fee Application and entry of one or more appropriate orders authorizing and directing the payment and allowance of the Agreed Fee, in full, payable as set forth in this Agreement; and (b) shall not take any position that would be inconsistent with the positions asserted by Class Counsel in support of the Agreed Fee. The Trustee and Subsidiary Debtors shall: (a) cooperate with Class Counsel as reasonably requested with respect to the Fee Application; and (b) oppose any request by any person or entity to reduce the amount of the Allowed Fee below the Agreed Fee. The Trustee and Subsidiary Debtors agree that payment and allowance of an Approved Fee to Class Counsel in the amount of the Agreed Fee, payable as set forth in this Agreement, is a fair and reasonable fee calculated as a percentage of the common fund under applicable non-bankruptcy law, based upon and directly traceable to the work performed by Plaintiffs' Counsel and the significant benefits conferred on the Settlement Class, *inter alia*, traceable to the relief awarded to the Settlement Class Members in the terms of this Settlement Agreement.

49. The Trustee and Subsidiary Debtors recognize that the Agreed Fee is less than the amount that Class Counsel may otherwise be entitled to receive, as a percentage of a common fund,

a fund that Plaintiffs' Counsel discovered, prosecuted, and created for the benefit of the Settlement Class. Class Counsel asserts the common fund traceable to the amounts recovered by Class Counsel for the benefit of the Settlement Class Members is \$1,283,607,944, which is the amount of claims entitled to rescission as a result of the opinion obtained through Plaintiffs' Counsel's litigation in the Arnold State Court Action. Regardless, under an actual monetary value approach, the Plan results in substantial value and direct benefits presently estimated to be \$1,078,582,000 to the Settlement Class Members on account of the claims awarded to them through the Arnold State Court Action and the settlement of the Consolidated Class Adversary. This value is comprised of at least the sum of the stream of payments that will be paid to Settlement Class Members through the Plan. If the common fund is calculated using the "actual monetary value" method, then the Agreed Fee is only 3.06% of the common fund.

50. Accordingly, the Trustee and Subsidiary Debtors acknowledge and agree that regardless of the methodology employed to calculate the common fund, the amount of the common fund is sufficiently large that the amount of fees to be requested by Class Counsel pursuant to this Agreement in the Fee Application (i.e., the Agreed Fee) is fair and reasonable as a percentage of the common fund and should be allowed and is a significant concession by Class Counsel.

51. Moreover, the Trustee and Subsidiary Debtors recognize that that the resolution of the Ownership Issue is required in order to permit the formulation and confirmation of the Plan, and Class Counsel's acceptance of payment over time through the mechanism described in paragraph 47, rather than in a lump sum in cash on the Effective Date, significantly increases the Debtors' liquidity and ability to perform the future obligations that benefit all creditors under the Plan and is a significant factor supporting the averment that the Plan is feasible and satisfies, inter

alia, 11 U.S.C. § 1129(a)(11). Therefore, the Trustee and Subsidiary Debtors acknowledge that the Agreed Fee is both fair and reasonable, considering the factors expressed in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974).

52. A reduction, by the Court, on appeal, or otherwise, of the Agreed Fee or Approved Fee is not considered material to this Agreement and shall not affect any other rights or obligations under this Agreement. In the event the amount payable to Class Counsel is reduced, by the Court, on appeal, or otherwise, the related funds or Pre-Petition Abandoned Interests will remain part of the Debtors' bankruptcy estates and be treated in accordance with the Plan.

#### **ADDITIONAL PROVISIONS**

53. Reasonable Best Efforts to Obtain Final Approval of the Settlement Agreement. Counsel for all Parties agree to use their reasonable best efforts to obtain final approval of this Settlement Agreement, subject to the Parties' rights to rescind the Settlement Agreement as set forth in paragraphs 39-40 and fiduciary obligations of the Parties.

54. Audit Rights. Debtors agree to cause the Position Holder Trust to be required to keep sufficient books, records, and accounts regarding its collection and distribution of death benefits and its other obligations under this Agreement, and to maintain such records until the expiration of seven (7) years after the year to which such records pertain. Upon ten (10) days notice, Class Counsel shall have the right, at its own expense and not more than once every other calendar year, to have an independent auditor, who shall be a certified public accountant from an accounting firm of Class Counsel's choice, inspect and audit the Position Holder Trust's relevant records and practices during the Position Holder Trust's normal business hours solely to verify the accuracy of payments and compliance with the Position Holder Trust's obligations under this

Agreement, subject to the independent auditor signing a confidentiality agreement with the Position Holder Trust. The independent auditor shall only disclose to Class Counsel the amount of death benefits collected and distributed and the amount of any underpayment or overpayment, and shall not disclose to Class Counsel documents, invoices, investor identities, or any other confidential or proprietary information of the Position Holder Trust. If any such audit should disclose an alleged insufficient payment to Class Counsel, the independent auditor shall deliver a report to the Position Holder Trust, and the Position Holder Trust shall have thirty (30) days to review the report and either accept or object to the findings of the report. If the Position Holder Trust accepts the findings of the report, the Position Holder Trust shall bring itself into compliance with the Agreement within fifteen (15) days after acceptance and pay Class Counsel for any shortfall determined. If the Position Holder Trust objects to the findings of the report, Class Counsel and the Position Holder Trust will jointly hire a third-party certified public accountant unaffiliated with either side to prepare a report within thirty (30) days. If the third-party report identifies a shortfall owed to Class Counsel, the Position Holder Trust shall bring itself into compliance with the Agreement within fifteen (15) days after issuance of the third-party report determining any shortfall. In the case of an accepted audit report or third-party audit report showing underpayment of more than one percent (1%) for any calendar year, the Position Holder Trust shall also pay for Class Counsel's reasonable expenses of such audit (including attorneys' fees and fees paid to the auditor). In the case of an accepted audit report or third-party audit report showing no underpayment for any calendar year, Class Counsel shall pay for the Position Holder Trust's reasonable expenses of such audit (including attorneys' fees and fees paid to the auditor), if any.

55. No Admission. This Settlement Agreement, whether or not it shall become final,

and any and all negotiations, communications, and discussions associated with it, shall not be: (a) offered or received by or against any person as evidence of, or be construed as or deemed to be evidence of, any presumption, concession, or admission by a Party of the truth of any fact alleged or defense asserted, of the validity of any claim, of the deficiency of any defense, or of any liability, negligence, fault or wrongdoing on the part of any Party; (b) offered or received by or against any person as a presumption, concession, admission or evidence of the violation of any state or federal statute, law, rule, or regulation or of any liability or wrongdoing by any Party, or of the truth of any of the claims, and evidence thereof shall not be directly or indirectly, in any way, offered or received (whether in the Consolidated Class Adversary, or in any other action or proceeding), except for purposes of enforcing this Settlement Agreement and the Final Approval Order and Confirmation Order, including, without limitation, asserting as a defense the release and waivers provided herein; (c) offered or received by or against any person as evidence of a presumption, concession, or admission with respect to a decision by any court regarding the certification of a class, or for purposes of proving any liability, negligence, fault, or wrongdoing, or in any way referred to for any other reason as against the Trustee or the Debtors, in any other civil, criminal, or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Settlement Agreement; provided, however, that if this Settlement Agreement is approved by the Court, then the signatories to the Agreement may refer to it to enforce their rights hereunder; or (d) construed as an admission or concession by an Party that the consideration to be given in this Settlement Agreement represents the relief that could or would have been obtained through trial in the Consolidated Class Adversary or the Arnold State Court Action.

56. Arm's-Length Negotiations. The Parties agree that the terms of this Settlement Agreement were negotiated at arm's length and in good faith, and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel. This Settlement Agreement shall not be construed more strictly against one Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Parties, it being recognized that it is the result of arm's-length negotiations between the Parties and their counsel, and all Parties have contributed substantially and materially to the preparation of this Settlement Agreement.

57. Only written modification. This Settlement Agreement, including the appendices to this Settlement Agreement, may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all signatories to this Settlement Agreement or their successors-in-interest. Any condition in this Settlement Agreement may be waived by the Party entitled to enforce the condition in a writing signed by that Party or its counsel. The waiver by any Party of any breach of this Settlement Agreement by any other Party shall not be deemed a waiver of the breach by any other Party, or a waiver of any other prior or subsequent breach of this Settlement Agreement by that Party or any other Party. Without further order of the Bankruptcy Court, the Parties may agree to reasonable extensions of time to carry out any of the provisions of this Settlement Agreement.

58. Headings. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

59. Authority of the Court. The administration and consummation of this settlement as embodied in this Settlement Agreement shall be under the authority of the Court orders approving

this Settlement Agreement and authorizing and directing the Parties to effectuate and implement this Settlement Agreement pursuant to Federal Rules of Bankruptcy Procedure 9019 and 7023 and Federal Rule of Civil Procedure 23 and the Confirmation Order, and the Court that enters the Final Approval Order shall retain continuing and exclusive jurisdiction for the purpose of, *inter alia*, entering orders providing for the enforcement of the terms of this Settlement Agreement.

60. Taxes. The Plaintiffs and Plaintiffs' Counsel acknowledge that neither of the Trustee, the Debtors, any of their counsel, nor Plaintiffs' Counsel, have provided, made, or are making in connection with the Settlement Agreement, any tax advice or any representations regarding possible tax consequences relating to the Settlement Agreement or the Plan. The Plaintiffs and Plaintiffs' Counsel further acknowledge that neither the Trustee, the Debtors, the Committee,<sup>4</sup> and their successors under the Plan, any of their counsel, nor Plaintiffs' Counsel, have or will have any responsibility for any taxes due based upon the equitable relief provisions in paragraph 32 or based upon any other provision of the Settlement Agreement or the Plan except for the Approved Fee. Plaintiffs' Counsel acknowledges that neither the Trustee, the Debtors, the Committee, and their successors under the Plan, nor any of their counsel, have or will have any responsibility for any taxes due based upon payment of the Approved Fee. Each Settlement Class Member's tax obligations, if any, and the determination thereof, are the sole responsibility of the Settlement Class Member. The Debtors shall comply with all applicable reporting and withholding obligations imposed by law, including reporting the payment of the Approved Fee and backup withholding if Class Counsel does not furnish its taxpayer identification number to the Debtors

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<sup>4</sup> Nothing in this paragraph is intended to diminish or affect in any manner any responsibility for any taxes due, based upon the equitable relief provisions in paragraph 32, that any Committee member may have by virtue of such individual's status as a Settlement Class Member.

using Form W-9, Request for Taxpayer Identification Number and Certification.

61. Entire Agreement. This Settlement Agreement (inclusive of its appendices) and the Plan constitutes the entire agreement among the Parties concerning this settlement, and no representations, warranties or inducements have been made by any Party concerning this Settlement Agreement (inclusive of its appendices) other than those contained and memorialized in the Settlement Agreement (inclusive of its appendices) or the Plan. In the event of a conflict between the terms of this Settlement Agreement and the terms of the Plan, the terms of this Settlement Agreement shall control.

62. No Third Party Beneficiaries. This Settlement Agreement is not intended to confer any rights, obligations, or remedies on any person other than the Parties and their successors and assigns.

63. Multiple Counterparts. This Settlement Agreement may be executed in one or more original, e-mailed, and/or faxed counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument.

64. Binding Nature. This Settlement Agreement shall be binding upon, and inure to the benefit of, the successors and assigns of the Parties.

65. Choice of Law. The construction, interpretation, operation, effect and validity of this Settlement Agreement shall be governed by the laws of the State of Texas without regard to the applicable choice of law rules, except to the extent that federal law requires that federal law govern.

66. Representations and Warranties. All counsel and any other person executing this Settlement Agreement and any of its appendices, or any documents related to the Settlement Agreement, warrant and represent that they have the full authority to do so and that they have the



authority to take appropriate action required or permitted to be taken pursuant to the Settlement Agreement to effectuate its terms. The Parties agree to use their reasonable best efforts to consummate the settlement in accordance with the terms of this Settlement Agreement and shall execute and deliver any document or instrument reasonably requested by any of them after the date of this Settlement Agreement to effectuate the intent of this Settlement Agreement.

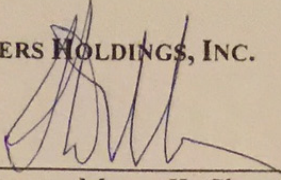
67. Severability. Any determination that any provision of this Settlement Agreement or any application thereof is invalid, illegal, or unenforceable in any respect in any instance shall not affect the validity, legality, and enforceability of such provision in any other instance, or the validity, legality, or enforceability of any other provision of this Settlement Agreement. No Party shall assert or claim that this Settlement Agreement or any provision hereof is void or voidable if such Party performs under this Settlement Agreement without prompt and timely written objection.

IN WITNESS WHEREOF, the Parties hereto have caused this Settlement Agreement to be executed, by their duly authorized attorneys as of March 24, 2016.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK]**

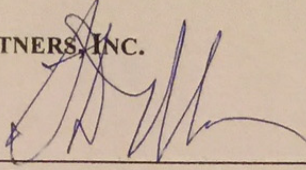
Date: 3/24/16

**LIFE PARTNERS HOLDINGS, INC.**

By:   
H. Thomas Moran II, Chapter 11 Trustee for  
Life Partners Holdings Inc.

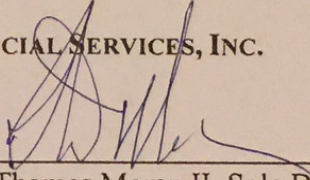
Date: 3/24/16

**LIFE PARTNERS, INC.**

By:   
H. Thomas Moran II, Sole Director of Life  
Partners, Inc.

Date: 3/24/16

**LPI FINANCIAL SERVICES, INC.**

By:   
H. Thomas Moran II, Sole Director of LPI  
Financial Services, Inc.

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Mark Reddus, Member

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Bert Scalzo, Member

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Skip Trimble, Member

**LEAD PLAINTIFFS AND PROPOSED CLASS  
REPRESENTATIVES**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Philip Garner

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Christine Duncan

**LIFE PARTNERS HOLDINGS, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
H. Thomas Moran II, Chapter 11 Trustee for  
Life Partners Holdings Inc.

**LIFE PARTNERS, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Colette Pieper, CEO of Life Partners, Inc.

**LPI FINANCIAL SERVICES, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Colette Pieper, CEO of LPI Financial Services,  
Inc.

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

Date: 3-17-2016

By:   
Mark Reddus, Member

Date: 3-17-2016

By:   
Bert Scalzo, Member

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Skip Trimble, Member

**LEAD PLAINTIFFS AND PROPOSED CLASS  
REPRESENTATIVES**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Philip Garner

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Christine Duncan



**LIFE PARTNERS HOLDINGS, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
H. Thomas Moran II, Chapter 11 Trustee for  
Life Partners Holdings Inc.

**LIFE PARTNERS, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Colette Pieper, CEO of Life Partners, Inc.

**LPI FINANCIAL SERVICES, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Colette Pieper, CEO of LPI Financial Services,  
Inc.

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Mark Reddus, Member

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Bert Scalzo, Member

Date: 3/22/16

By: Skip Trimble  
Skip Trimble, Member

**LEAD PLAINTIFFS AND PROPOSED CLASS  
REPRESENTATIVES**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Philip Garner

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Christine Duncan

**LIFE PARTNERS HOLDINGS, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
H. Thomas Moran II, Chapter 11 Trustee for  
Life Partners Holdings Inc.

**LIFE PARTNERS, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Colette Pieper, CEO of Life Partners, Inc.

**LPI FINANCIAL SERVICES, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Colette Pieper, CEO of LPI Financial Services,  
Inc.

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Mark Reddus, Member

Date: \_\_\_\_\_


By: \_\_\_\_\_  
Bert Scalzo, Member

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Skip Trimble, Member

**LEAD PLAINTIFFS AND PROPOSED CLASS  
REPRESENTATIVES**

Date: 3/18/2016

By:  \_\_\_\_\_  
Philip Garner

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Christine Duncan

**LIFE PARTNERS HOLDINGS, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
H. Thomas Moran II, Chapter 11 Trustee for  
Life Partners Holdings Inc.

**LIFE PARTNERS, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Colette Pieper, CEO of Life Partners, Inc.

**LPI FINANCIAL SERVICES, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Colette Pieper, CEO of LPI Financial Services,  
Inc.

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Mark Reddus, Member

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Bert Scalzo, Member

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Skip Trimble, Member

**LEAD PLAINTIFFS AND PROPOSED CLASS  
REPRESENTATIVES**


Date: \_\_\_\_\_

By: \_\_\_\_\_  
Philip Garner

Date: 3.17.16

By: Christine Duncan  
Christine Duncan

Date: 3/17/2016

By:   
Steve South as trustee for the  
South Living Trust


Date: 3-16-2016

By:   
Dr. John Ferris

Date: 3-16-2016

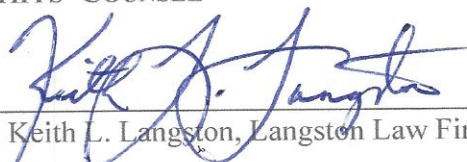
By:   
Michael Arnold

Date: 3-16-2016

By:   
Janet Arnold

PLAINTIFFS' COUNSEL

Date: \_\_\_\_\_

By:   
Keith L. Langston, Langston Law Firm

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Scott Skelton, Skelton Slusher Barnhill  
Watkins Wells PLLC (f/k/a Zelesky Law Firm  
PLLC)

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Robert Cain, Alderman Cain & Neil PLLC



Date: \_\_\_\_\_

By: \_\_\_\_\_  
Steve South as trustee for the  
South Living Trust

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Dr. John Ferris

Date: \_\_\_\_\_

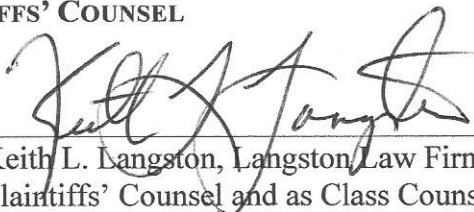
By: \_\_\_\_\_  
Michael Arnold

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Janet Arnold

**PLAINTIFFS' COUNSEL**

Date: \_\_\_\_\_

By:  \_\_\_\_\_  
Keith L. Langston, Langston Law Firm, as  
Plaintiffs' Counsel and as Class Counsel

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Scott Skelton, Skelton Slusher Barnhill  
Watkins Wells PLLC (f/k/a Zelesky Law Firm  
PLLC)

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Robert Cain, Alderman Cain & Neil PLLC



Date: \_\_\_\_\_

By: \_\_\_\_\_  
Steve South as trustee for the  
South Living Trust

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Dr. John Ferris

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Michael Arnold

Date: \_\_\_\_\_

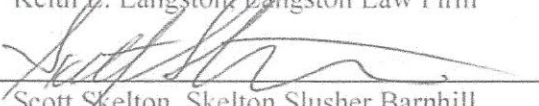
By: \_\_\_\_\_  
Janet Arnold

PLAINTIFFS' COUNSEL

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Keith L. Langston, Langston Law Firm

Date: \_\_\_\_\_

By:  \_\_\_\_\_  
Scott Skelton, Skelton Slusher Barnhill  
Watkins Wells PLLC (f/k/a Zelesky Law Firm  
PLLC)

Date: \_\_\_\_\_

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Robert Cain, Alderman Cain & Neil PLLC

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Steve South as trustee for the  
South Living Trust

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Dr. John Ferris

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Michael Arnold

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Janet Arnold

**PLAINTIFFS' COUNSEL**

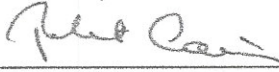
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Keith L. Langston, Langston Law Firm

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Scott Skelton, Skelton Slusher Barnhill  
Watkins Wells PLLC (f/k/a Zelesky Law Firm  
PLLC)

Date: \_\_\_\_\_

By:  \_\_\_\_\_  
Robert Cain, Alderman Cain & Neil PLLC

## Appendix A

A Roger O. Whitley Group, Inc.	Charlotte Hardin	Dee Wayne Cullum
A Silver Lining, LLC	Charmaine Wages	Dennis Carpenter
A. Nick Coppolo	Charter Insurance Brokerage, Inc.	Dennis Lagow
Achim Reinhardt dba LifeSet TBB	Chidester Investment, LLC	Dennis O. Harris
Afrain Cavazos	Cindy Bulloch	Descartes Limited
Alexandra Agencies Limited	Clear Sum, LLC	Diamond Safe Financial, LLC
Alternative Investment Advisors, LLC	Clint Perrin	Dipak Patel
Andrew Walvoord	Clyde Jones	Diversified Metroplex Investors, LLC
Andy Hines	Concierge Life Settlements, Inc.	Don Ballew
Anne Stilwell Kleefisch	Connie Forbes	Donald B. Bergis
Assured Retirement, LLC	Connie Langley	Donald L. Ashberry
Bagby Investments LP	Craig C Perkins Wealth Solutions LLC	Donald Whittenburg and Mgmt
Barlas & Chamber, LLC	Craig C. Perkins	Douglas Allison
Bay Wine, Inc.	Crossroads Agency	Eagle One Investments, LLC
Becky Weatherby	CUB Investments	Earl Stewart
Betty J. Horton	Dallas Air Charter	EBS III Financial, Inc.
Bill Enlow	Dan Lahey	Educated Investment Group
Billie Hall	Danny J. Markham	Edward G. Burford aka Eddie Burford
Blackstone Family Partnership	DAT Interests, Inc.	Edward G. Burford Corporation
Brad Wilemon	Dave F. Dallons	Edward O. Reeves
Brent Husted	David Barr	ENR Enterprises, LLC
Brian E. Prechtl	David Bendel	F. R. Harden
Brian Harper	David Eiland	Faye Bagby
Brian Murray	David F. Brockman	Fei Havenor
Byron T. Gannaway	David M Bruce TR	Fellowship Financial, LLC
Cade Smith	David Norcom	Fidelis Fetsch
Caperton Enterprises, Inc.	David Taliaferro	Filpansick Holdings, LLC
Carrie Bitros	David Valencia	Forward Financial & Ins Services, Inc.
Carteya Limited	David Youzva	Forward Focus International Corp.
Centerline Resources, LLC	dba Positive Rate Investments, LLC	Frank Dimicelli

Fritz J Aldrine	Jack R. Barnes	Ken Comeaux
Gain Plan Financial, LLC	Jack Rosenquist	Ken Higdon
Garry Madaline	Jacob Moran	Kenneth Holland
Gary Brosseit	Jacqueline M. Tyler	Kenneth J. McGovern
Gary Cassill	James B Sloan	Kenneth Nelson
Gary Henderson	James C. Calmes	Kenneth Smith
George Filpansick	James H. Cobb	KL Grace, LLC
Gerald DuBose	James Moriarty III	K's Marketing, Inc.
Gil DeShazo	James Rose	Lana Borbas
Glenda L. Cooper	James Sundelius	Larry Darnall
GO Financial Services, Inc.	James T. Payton	Laura Olbeter
Good Life Financial	Janet Kusch	Lead Masters Insurance Marketing &
Grace Life Investments	Jay Heimbarger	Financial Network, Inc.
Gregg M Cune	Jeannette Bajalia	Life Financial Group, LLC
Gregory Dailey	Jeff Martel	LifeMatters International, Inc.
Guy Smith	Jeff S. Garrett	Linda Harper
Hans P. Reinhart	Jerry Weakley Enterprises, Inc.	Lloyd Lowe Sr.
Harmon Insurance Agency	Jody Ashford	Lori Herzog
Harry J Wilson	Joe Bollinger	Luxury Management, LLC
Hollis Steven Hufstetler, Sr.	Joel F. Woods	Lynn Investments, LLC
Homer H. Stout	John Crooks	Marianne Honea
Howard J. Boutte	John Guess	Mark Bronson
Huilen E Tseng	John Harper	Mark House
Humberto Alcazar, Jr.	John J. Gannon	Mark McKay
IFS Financial Services	John P. Ley	Matt Pashby
Innovative Charitable Solutions, Inc	John R. Gove	Maxing Money Solutions, Inc.
Integrity Capital Advisory, LLC	John R. Harkey Sr.	MCH Advisors Inc.
Inter Consulting	John S. Muratore	MDH Investments
Internet Aces Corp	Johnson Financial Consulting, Inc.	Melinda Mangrum
Investment Income Group, LLC	Joseph Barkate, PLLC	Merrie M. Kelly
Isidore Enterprises Inc.	Joseph Feldman	Michael Lloyd
IWM Investments, LLC	Joseph Hopkins	Michael McGarrah
Jack Lee Dixon TR U	Julie Cepelak dba Wealth Watchers, LLC	Michael Mishler
Jack M. Pausman	Keith Randolph-Lipscomb	Michael T. Tyler

Miles Babcock	Rick Curtis	The Arbitrage Advisory Group, Inc.
Money Team Coach, LLC	Robert D. Phillips	The Elisha Group, LLC
Mustang Ins. Group	Robert H. Watlington	The Perfect Enhancement, LLC
Nathaniel Hawkins III	Robert M. Rountree	The Property People, LLC
Necia B. Cobb aka Necia Bishop-Cobb	Robert Newton	The Retirement & Investment Council
New England Alternative Investments, Inc.	Robert Quick	Thomas Burk Massey
Norman Lorentz	Robert Rountree Jr.	Thomas C. Zyroll
NW Safe Retirement	Robert Westrup	Thomas Quinn
Ohlhaber Asset Management, LLC	Robert Whipple, Inc.	Thomas R. McElroy
Omnium International Group, Inc.	Robin Rock, Ltd.	Thomas R. Wilson
OPV Enterprises, LLC	Roger Lane	Timothy Joyce
Paget Holdings, Ltd.	Ronald Coleman	Todd Shevlin
Pamela Ball	Ronnie Knoy	United Senior Advisors Group
Pamela M. Burton	Ronnie McAda, Jr.	Vernon Bell
Pamela S. Davis	Root Hospitality Solutions, LLC	Vicki C. Flannery
Paul Nick	Russell Hagan	Victor Pantuso
Paula Izzard Properties, LLC	Ryan Cowley	Wade L. Hampton
Phillip Bellangan	Safe Alternative Investments, LLC	Wealth Associates Incorporated
PowerStream Investment Corporation	Sean Maness	Wellspring Enterprise Mgmt, Inc.
Presidents Marketing Group	Secure Retirement Solutions, LLC	Wendelin Labio-Balallo
Professional Insurance Elite Agency, LLC	Shamrock Life Settlement, Inc.	Wheetley Financial Services
R Squared Inc.	Sherwood International Corporation	William Knoy
Randal Wallis	Sidney Evans	William M. Tolleson
Randel Brookings	Spectrum Advisors, Inc.	William Michael Tolleson
Rands Agency, Inc.	Stephanie M. Lucke	William V. Mozek, Jr.
Raymon G. Chadwick Jr.	Steve Feeken	Windfall Development, Inc.
Raymond Croteau	Sun Safety, Inc.	Winners Only Team, Inc.
Raymond Fox	Sundridge Financial, LLC	
Retirement Options, LLC	Susan Carver	
Retirement Rescue, LLC	Susan J. Payton	
Rich DePaolo	T. Brooks Moore	
Richard Shaw	TEK 2001, Inc.	
Richard W. Kemp	Tena Wilson	
Richard Wong	Texas Fifty Plus, Inc.	

## Appendix B

*Jack and Jolene Wasson v. Cathy Dewitt, Lakeside Equity Partners, Inc. v. Life Partners, Inc.*, No. 16-04040-rfn (United States Bankruptcy Court for the Northern District of Texas, filed Dec. 26, 2012, removed March 14, 2016)

*William S. Eastwood, Russell J. Bowman, and Kristina A. Bowman v. Life Partners Inc. and LPI Financial Services*, No. 16-06003 (United States Bankruptcy Court for the Western District of Texas, filed Nov. 20, 2014, removed March 14, 2016)

*JMD Resources, LLC v. Life Partners Inc., Life Partners Holdings, Inc.*, No. 16-05016 (United States Bankruptcy Court for the Western District of Texas, filed May 13, 2014, removed March 14, 2016)

*Michael Arnold, Janet Arnold, Steve South, John S. Ferris, and all others similarly situated v. Life Partners, Inc., Life Partners Holdings, Inc., Abundant Income, and Milkie/Ferguson Investment, Inc.*, No. DC-11-02995 (Tex. Dist. Ct. Dallas Cnty., filed Mar. 14, 2011)

*Anthony Sansone, on behalf of himself and all others similarly situated v. Life Partners, Inc.*, No. 15-1628-CI (Fla. Cir. Ct. Pinellas Cnty., filed March 12, 2015)

*Pillar Life Settlement Fund I, LP et al. v. Life Partners, Inc.*, No. 15-04106-rfn (United States Bankruptcy Court for the Western District of Texas, filed Dec. 22, 2015)

*KLI Investments, LP et al. v. Life Partners, Inc.*, No. 15-04051-rfn (United States Bankruptcy Court for the Western District of Texas, filed June 19, 2015) (including all intervenors and proposed intervenors)

## Appendix C

1. Allen, Jr., James
2. Armstrong, Sandra
3. Babb, Joseph
4. Balady, Louis
5. Barbarin, Joy C.
6. Beal, Christopher
7. Bingiel, Alana
8. Bingiel, Joseph
9. Bingiel, Joseph & Alana
10. Birtcher, Danny
11. Blackwell, Hurshel Dwayne
12. Blackwell, Patricia
13. Broderick, Matthew
14. Brown, Emily
15. Padron, Eladio
16. Byram, Jimmie
17. Carey, Nancy
18. Carey, Robert
19. Carey, Robert & Nancy
20. Carpenter, Barbara
21. Carpenter, Michael
22. Chapman, Rita
23. Chidester, John D.
24. Coffey, Mary Jane
25. Collins, Bruce
26. Collins, Deborah
27. Colvin, James
28. Contella, Charles Joseph
29. Cooper, Glenda
30. Cooper, Glenda (Custodian for Lina Grace Assaad UGMA)
31. Cooper, Glenda (Custodian for Samuel Mark Assaad UGMA)
32. Harvey Living Trust (Glenda Cooper as Trustee)
33. Cooper, Thomas
34. Cotten, Bill & Nancy
35. Cumbest, Glenda (obo Joseph B. Cumbest, Sr., Deceased)
36. Cummings, Lucinda
37. Cummings, Terry
38. DeMars, Sandra (obo Larry Eugen DeMars, Deceased)
39. Dinsmore, Gerald
40. Dirks, Sherra
41. Douma, Paul

42. DuKet, Thomas
43. Eccles, Stephen & Daryl
44. Evans, Donna
45. Evans, Robert
46. Falvo, Elaine M.
47. Falvo, III, Louis
48. Fisher, Warren
49. Funke, Henry & Diana
50. Gallina, Pamela
51. Gartenberg, Joel
52. Gillespie, Carolyn
53. Goldstein, Janet
54. Guion, DDS, H. Don
55. Halman, Douglas
56. Harris, Dennis
57. Hilliard, Robert J.
58. Hillman, Rebecca
59. Holland, Theresa
60. Hubbard, John
61. Hubbard, William Brent
62. Hutchinson, George
63. Hutchinson, Laura
64. Hutto, Don
65. Inglis, Lona
66. Inglis, Ronald
67. Ira M. Sabbagh Trust (Ira M. Sabbagh as Trustee)
68. Ivory Artists, Inc.
69. Jacobi, Richard & Anna
70. Jennings, Joe
71. Johnson, Clara
72. Johnson, Gary
73. Johnston, Ross
74. Jones, Henry & Nancy
75. Jones, Shana
76. Gerald Williams Jr & Shana Jones Rev. Living Trust (Gerald Williams, Jr. & Shana Jones as Trustees)
77. Jortner, DDS, Wayne
78. Joshi, Sanjay
79. Kanouse, Thomas J.
80. The Kaye Family Trust (Michael C. Kaye & Pamela S. Gerver-Kaye as Trustees)
81. Kellogg, Alan
82. Kitchen, Richard
83. Kohler, Janet
84. Kohler, Kirk



85. Kovac, David L.
86. The George and Jacqueline Krabbe Family Trust (George & Jacqueline Krabbe as Trustees)
87. Krizman, James
88. Kwok, Don Chaen & Nguyen, Christine
89. Lair, Kelly
90. Lair, Peggy
91. Langhurst, Kathleen
92. Langhurst, Paula
93. Lilli, II, Joseph A.
94. Love, James
95. Love, James & Denise
96. Lunsford, Joanna
97. Lunsford, Ray & Joanna
98. Lutz, Carolyn
99. Lutz, Douglas C.
100. Lutz, Jr., Richard Paul
101. Marsters, Dorothy
102. Marsters, Judson
103. Marti, Thomas
104. Mathis, Charles
105. McClain, Todd
106. McClain, William Troy
107. McDermott, Helen Z.
108. McKinley, Albert
109. McKinley, Albert & Geneva
110. McKinley, Geneva
111. June McLaren Living Trust (William & June McLaren as Trustees)
112. William McLaren Living Trust (William & June McLaren as Trustees)
113. Ed E. McWilliams Revocable Trust (Ed & Nancy McWilliams as Trustees)
114. Mellado, Eduardo & Agueda
115. Mondeau, Adrienne
116. Morrow, Arthur
117. Morrow, Jennie
118. Morse, Terrance L.
119. Mucker, Matthew
120. Mulligan, Ashley
121. Mullins, Gary
122. Munger, Ann
123. Munger, Ann & Robert
124. Munger, Robert
125. Neal, Donna
126. Neal, Earl
127. Nelson, Jerry & Joan
128. Ninich, James Henry

129. Nix & Nix Family, LP
130. Nolin, Wendy
131. O'Keefe, Mary
132. Ormsby, Jo
133. Parrott, Robyn
134. Patty, Kevin
135. Patty, Therese
136. Patty, Dayna
137. Patty, Melissa
138. Patty, Kevin & Therese
139. Pennel, Brock & Diana
140. Phillips, Hazel
141. Pippi, Augustine & Susan
142. Pirie, Glenda
143. Plumlee, Hubert
144. Polk, Charles & Marilyn
145. Polk, Marilyn
146. Poth, Konrad E.
147. Charles G. & Marjorie E. Quarnstrom Revoc. Living Trust (Faye Bagby as Trustee)
148. Quarnstrom, Charles & Marjorie
149. Raisinghani, Mahesh
150. Reader, Jamieson & Misti
151. Recker, Janet
152. Recker, Steven
153. Redden, Jr., Jim
154. Reynolds, Charles
155. Rice, Dennis
156. Richardson, II, Louis D.
157. Rivard, William
158. Roddy, Joe
159. Rose-McDaniel, Deborah
160. Sachanko, Susan B.
161. Sanders, Brandon
162. Sanderson, Michael
163. Sandoval, Ana
164. Sandoval, Will
165. Sandoval, Will & Ana
166. Saucedo, Linda
167. Schwab, III, Carl F.
168. Schwab, John
169. See, Bud S.
170. Sekely, Erick
171. Sherriff Family, LLC
172. Shiring, Robert

173. Simms, Leigh B.
174. Smith, Charles E.
175. Smith-Conner, Sandra
176. Somerset Partners Strategic Asset (Whitmire, David)
177. Stagner, Cathy M.
178. Stark, Michael P.
179. The Stelmak Family Trust (Robert & Judith Stelmak as Trustees)
180. Stelmak, Robert
181. Stephan, David A.
182. Steuben, Marilyn
183. Storey, Debbie T.
184. Tallhammer, Bela
185. Tucker, Alan
186. Vorheis, Jerry
187. Richard & Judy Walker Family Trust (Richard & Judy Walker as Trustees)
188. Walker, Van
189. Warner, Wanda
190. Weddel, Elmer
191. White, Howard
192. Whitehurst, Robert
193. Whitmire, David
194. Williams, Thomas G.
195. Willingham, John
196. Wilson, Darlene
197. Woelfel, John
198. Wohleb, Clifford
199. Wohleb, Clifford & Jennes
200. Wood, Daniel
201. Wood, Sharon
202. Zagar, Amy
203. Zagar, Keith
204. Zaroni, Muriel M.