

Capital Reporting Company
Hearing: Life Partners Holding, Inc. 05-01-2015

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T E X A S :
UNITED STATES DEPARTMENT OF JUSTICE
OFFICE OF THE UNITED STATES TRUSTEE

-----:
In re: :
Life Partners :
Holdings, Inc. : Case No.:
: 15-40289-RFN-11
-----:

Arlington, Texas
Friday, May 1, 2015

The following pages constitute the proceedings held in the above-captioned matter before Elizabeth Ziegler, Trial Attorney at the Office of the United States Trustee, held at the Law Offices of Marilyn D. Garner, 2007 East Lamar Boulevard, Suite 200, Arlington, Texas 76006, beginning at approximately 1:05 p.m.

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1 A P P E A R A N C E S

2 ON BEHALF OF
3 THE OFFICE OF THE UNITED STATES TRUSTEE:

4 ELIZABETH ZIEGLER
5 US Trustees Office
6 1100 Commerce Street, Suite 976
7 Dallas, Texas 75242
8 214.767.8967 - Phone
9 214.767.8971 - Fax

10 TELEPHONIC APPEARANCES:

11 Virginia Murphy, Life Partners
12 Ms. Keiffer (ph,) Life Partners
13 Lisa Saur (ph,) D.R. Saur Financial
14 Mike Welch, D.R. Saur Financial
15 Sherri Townsned, Tom Moran's Office
16 Kristen Bickham
17 Mary Rice
18 Noel Envire (ph)

19 ON BEHALF OF H. TOMAS MORAN, II:

20 Katherine Battia-Clark
21 Richard Roper
22 Tom Moran, Trustee

OTHER APPEARANCES:

Pam Johnson
Clint Cook
Mark Jarinski (ph)
James and Sherri Smith
John Johnson
Dave Rehman (ph)
Tom Rose
Roger King

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1 Pat and Patricia Briscoe (ph)
Kia (ph) Moore
2 David Reed
Doug McClellan (ph)
3 Lewis Pintoski (ph)
Dave Dicks
4 Jim Bray (ph)
Bertie Hines (ph)
5 Howard Fields
(Inaudible) Mr. Christian
6 Rubriana (ph) Ashley
Dean and Meredith Alferal (ph)
7 Glenda Perry
Jay Shuler
8 James Hood
Charles Knox
9 Barbara Beckham
Jim Bell
10 Jean Naft (ph)
Jerry Naft (ph)
11 Joel Franklin
Phil Cosey (ph)
12 Gil Meshedo (ph)
Dave Dickey
13 Omar Reynolds
Carla White
14 Deb Groom
Kitty Castenbaum (ph)
15 Debbie Horshell (ph)
William McIntire
16 Charles Schroeder
Winnie Osbourne (ph)
17 Bob Osbourne (ph)
Clifford Nix (ph)
18 Gary Trimble (ph)
Letha Sparks
19 Richard Warren
Paulette McLean
20 Robert McLean
Doris Pathis (ph)
21 Robert Hoke
Ken and Sherri Moore
22 Susan Fowler

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1 Gerald Green
Linda Shelton
2 Larry Shelton
Janine Seaman (ph)
3 Aleck Peach
Larry Butler
4 Robert Watkins
Mike Tomlinson
5 William Tomlinson
Floyd and Janet Green
6 Loretta Dominges (ph)
Oscar Dominges (ph)
7 Robin Worthington (ph)
Kevin Nichols
8 Barry Mullins
Virginia Rawleys (ph)
9 Nancy Cates (ph)
James Franco
10 Steve Mortinsen (ph)
Randy Johnson
11 Gary Dobbins
Judy Dobbins

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C O N T E N T S

WITNESS	Direct	Cross	Redirect	Recross
Henry Thomas Moran	13,14			

(No exhibits were marked.)

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1 P R O C E E D I N G S

2 MS. ZIEGLER: I'm going to go ahead and
3 commence the continued 341 meeting of creditors for
4 Partners Holdings, Inc.

5 This is bankruptcy case number 15-40289-RFN-
6 11. My name is Elizabeth Ziegler. I'm a trial
7 at the Office of the United States Trustee, and I will
8 be the presiding officer of today's meeting.

9 For the record, today is May 1st of 2015. We
10 do have some telephonic appearances, so if you are on
11 the telephone if I could just have you state your name,
12 please?

13 MS. MURPHY: Virginia Murphy (ph.)

14 MS. KEIFFER (PH): (Inaudible) Keiffer with
15 Life Partners.

16 MS. BICKHAM (PH): Kristen Bickham with Life
17 Partners.

18 MS. RICE: Mary Rice, R-I-C-E, fractional
19 investor.

20 MS. TOWNSEND: Sherri Townsend (ph) from Tom
21 Moran's office.

22 MS. SAUR (PH): Lisa Saur, D.R. Saur

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1 Financial.

2 MR. WELCH: Mike Welch, D.R. Saur Financial.

3 MS. ENVIRE (ph): Noel Envire, for Alliance
4 well, a fractional owner.

5 MS. ZIEGLER: Okay. Thank you. If I could
6 now have all the parties who are appearing
7 telephonically, put their phone on mute.

8 (Pause.)

9 MS. ZIEGLER: Okay. Could I have appearances
10 from parties in the room?

11 MS. BATTIA-CLARK (PH): Katherine Battia-
12 on behalf of Thomas -- H. Thomas Moran, II.

13 MR. ROPER: Richard Roper, also on behalf of
14 Mr. Moran.

15 MR. MORAN: Tom Moran.

16 MS. ZIEGLER: And what is your position?

17 MR. MORAN: Trustee.

18 MR. WILIBINSKI MUNCHART (PH): Joe Wilibinski
19 Munchart. I represent the creditors committee.

20 MS. ZIEGLER: And we're just going to go
21 around the room, so if I point in your direction, just
22 state your name, please.

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1 MS. JOHNSON: Pam Johnson.
2 MR. COOK: Clint Cook.
3 MR. JARINSKI (PH): Mark Jarinski.
4 MR. AND MRS. SMITH: James and Sherri Smith.
5 MR. JOHNSON: John Johnson.
6 MR. REHMAN (PH): Dave Rehman.
7 MR. ROSE: Tom Rose.
8 MR. KING: Roger King.
9 MR. BRISCOE (PH): Pat and Patricia Briscoe.
10 MS. MOORE: Kia (ph) Moore.
11 MR. REED: David Reed.
12 MR. MCCLELLEN (PH): Doug McClellen.
13 MR. PINTOLOSKI (PH): Lewis Pintosloski.
14 MR. DICKS: Dave Dicks.
15 MR. BRAY (PH): Jim Bray.
16 MR. HINES (PH): Bertie Hines.
17 MR. FIELDS: Howard Fields.
18 MR. CHRISTIAN (PH): (Inaudible) Christian,
19 the Ad Hoc Committee, fractional interest owners.
20 MS. ASHLEY: Rubriana (ph) Ashley, creditors
21 committee.
22 MR. ALFERAL (PH): Dean and Meredith Alferal.

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1 MS. PERRY: Glenda Perry.
2 MR. SHULER: Jay Shuler.
3 MR. HOOD: James Hood.
4 MR. KNOX: Charles Knox.
5 MS. BECKHAM: Barbara Beckham.
6 MR. BELL: Jim Bell.
7 MS. NAFT (PH): Jean Naft.
8 MR. NAFT (PH): Jerry Naft.
9 MR. FRANKLIN: Joel Franklin.
10 MR. COSEY (PH): Phil Cosey.
11 MR. MESHEDO (PH): Gil Meshedo.
12 MR. DICKEY: Dave Dickey.
13 MR. REYNOLDS: Omar Reynolds.
14 MS. WHITE: Carla White.
15 (Inaudible)
16 MS. GROOM: Deb Groom.
17 MS. CASTENBAUM (PH): Kitty Castenbaum.
18 MS. HORSHELL (PH): Debbie Horshell.
19 MR. MCINTIRE: William McIntire.
20 MR. SCHROEDER: Charles Schroeder.
21 MS. OSBOURNE (PH): Winnie Osbourne.
22 MR. OSBOURNE (PH): Bob Osbourne.

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1 MR. NIX (PH): Clifford Nix.
2 MR. TRIMBLE (PH): Gary Trimble.
3 MS. SPARKS: Letha Sparks with the Texas
4 Securities Board.
5 MR. WARREN: Richard Warren.
6 MS. MCLEAN: Paulette McLean.
7 MR. MCLEAN: Robert McLean.
8 MS. PATHIS (PH): Doris Pathis.
9 MR. HOKE: Robert Hoke.
10 MR. MOORE: Ken and Sherri Moore.
11 MS. FOWLER: Susan Fowler.
12 MR. GREEN: Gerald Green.
13 MS. SHELTON: Linda Shelton.
14 MR. SHELTON: Larry Shelton.
15 (Inaudible.)
16 MS. SEAMAN (PH): Janine Seaman.
17 MR. PEACH: Aleck Peach.
18 MR. BUTLER: Larry Butler.
19 MR. WATKINS: Robert Watkins.
20 MS. ZIEGLER: I think we're back over here.
21 MR. TOMLINSON: Mike Tomlinson.
22 MR. TOMLINSON: William Tomlinson.

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1 MR. GREEN: Floyd and Janet Green.
2 MS. DOMINGES (PH): Loretta Dominges.
3 MR. DOMINGES (PH): Oscar Dominges.
4 MS. WORTHINGTON (PH): Robin Worthington.
5 MR. NICHOLS: Kevin Nichols.
6 MR. MULLIN: Barry Mullins.
7 MS. RAWLEYS (PH): Virginia Rawleys.
8 MS. CATES (PH): Nancy Cates.
9 MR. FRANCO: James Franco.
10 MR. MORTINSEN (PH): Steve Mortinsen.
11 MR. JOHNSON: Randy Johnson.
12 MR. DOBBINS: Gary Dobbins.
13 MS. DOBBINS: Judy Dobbins.
14 MS. MEZURE (PH): Sophia Mezure.
15 MS. ZIEGLER: Okay. Are there people out in
16 the hallway?
17 UNIDENTIFIED SPEAKERS: Yes. A lot.
18 MS. ZIEGLER: A lot. Okay.
19 UNIDENTIFIED MALE: Thirty maybe. There's
20 about 30.
21 MS. ZIEGLER: Okay. Um, we -- bigger rooms
22 are not an option today, so --

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1 UNIDENTIFIED FEMALE: We can move forward
2 more.

3 MS. ZIEGLER: Huh?

4 UNIDENTIFIED FEMALE: We can move forward
5 some more.

6 MS. ZIEGLER: Just squish? Just squish in?

7 UNIDENTIFIED MALE: If we can move this row
8 a little bit more --

9 UNIDENTIFIED MALE: There's room right here.

10 MS. ZIEGLER: There's a couple of more people
11 who can squish in.

12 (Pause.)

13 UNIDENTIFIED FEMALE: Is there another room
14 where they could call in to the line and hear?

15 MS. ZIEGLER: Um, what we could do is if I
16 have -- if you have -- yeah. Um, if somebody can put
17 a speaker phone or actually we can dial in to the call
18 line in the other room in there -- so if you can't be
19 this room we can have you call in on that line.

20 So I'm going to go ahead and do that in just
21 one minute, but what I'm going to do first -- and then
22 at -- if you haven't given your appearance yet, I'll

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1 take appearances at the conclusion of today's meeting.
2 But I just want to put Mr. Moran under oath and let him
3 give you a brief overview of where we are in the case,
4 and then I will set up the rest of the parties on the
5 conference call line in the other room.

6 Mr. Moran, can I have you raise your right
7 hand?

8 WHEREUPON,

9 HENRY THOMAS MORAN a witness, was called for
10 examination by counsel, and after having been duly
11 sworn, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MS. ZIEGLER:

14 Q Can you state your full name for the record,
15 please?

16 A Henry Thomas Moran.

17 Q And what is your position at Life Partners
18 Holdings?

19 A Trustee of Life Partners.

20 Q Okay. So, if you can --

21 UNIDENTIFIED FEMALE: We can't hear you.

22 UNIDENTIFIED MALE: He's going to have to

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1 speak up.

2 MS. ZIEGLER: So if you can --

3 MR. MORAN: Okay. I'll do it.

4 BY MS. ZIEGLER:

5 Q Just speak loudly and if you can just, with
6 the help of your counsel, give us an overview of where
7 we are in the case?

8 A Will do.

9 MR. ROPER: Ladies and gentlemen, I want to
10 make sure everybody can hear. We may not be able to
11 everybody in the hearing, but the good thing about, I
12 guess, being in a federal enclave like we are, we don't
13 have an obligation to call the Fire Marshall, so
14 everybody has to take an oath of silence not to call
15 Fire Marshall, all right? I don't think those security
16 guards are going to let them in the building anyway.

17 So, what I want to do is ask my client, Mr.
18 Moran, some questions today. I'm one of the lawyers
19 along with Katie Clark that is -- we're representing
20 Moran in this, and let me just say at the outset, we
21 know -- I don't need to emphasize this -- we all know
22 that literally your life savings are at stake here.

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1 UNIDENTIFIED FEMALE: Yes.

2 MR. ROPER: We get that, okay? I was a
3 federal prosecutor for about 26 years and I dealt
4 with white collar crime cases, and I can tell -- I've
5 represented victims, as I would say, many, many times
6 federal court, presenting cases, or supervised people
7 that did that.

8 And so look, for me, personally, I know where
9 you're coming from, okay? And so I know Mr. Moran,
10 based on his experience, knows where you're coming

11 We're here to try to give you a little idea
12 what's going on, but you've got to realize something,
13 Mr. Moran's only been on the ground for a short time.
14 This is a company that was built over 20 years and
15 you've got to recognize that this is an ongoing

16 So, one thing we're going to need from you is
17 to recognize that and have patience, and know that we
18 have the -- your best interests at heart, the creditors
19 in this case -- in trying to go forward in this case in
20 an orderly manner. All right?

21 DIRECT EXAMINATION

22 BY MR. ROPER:

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1 Q So, with that, let me start Mr. Moran, in
2 asking you, can you just give us a little bit of a
3 background on where you are that gave you the ability
4 and the qualifications to be the Trustee in this
5 particular case?

6 A Life Partners Holdings filed for bankruptcy,
7 as you all know --

8 UNIDENTIFIED FEMALE: Can you speak louder?

9 MR. MORAN: I'm sorry. Maybe I'll stand up.

10 BY MR. ROPER:

11 Q Yes.

12 A Life Partners Holdings filed for bankruptcy
13 and the Trustee was asked to be appointed, and the
14 appointed me as Trustee. The U.S. Trustee's Office
15 appointed me as Trustee.

16 Q But what kind of -- just give us a little
17 brief background of your qualifications to get to that
18 point.

19 A In 2002 the Oklahoma Securities Department
20 filed a lawsuit against a company that's similar to
21 company and got a judgment for fraud against that
22 company and asked for a receiver to be appointed.

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1 After some negotiation, I was appointed as --
2 in a joint consent order -- as the Conservator of the
3 assets of that company. It was very similar to this.

4 Later that -- that was in 2002 -- later that
5 year, the Florida Department called and said that they
6 had a company that they may want to put into
7 receivership and asked if I would be considered as
8 receiver. I talked to them -- another gentleman was
9 appointed as the, again, the Conservator of the assets
10 of that company. He appointed our -- me and our
11 as his consultant to manage the policies. That was in
12 August of 2002.

13 Then in 2004, an Ohio federal court asked me
14 to be the receiver of the assets of a similar company
15 this, and I was appointed as the receiver of the assets
16 of that company.

17 In 2000 and -- I think it was '09 -- 2008 or
18 '09, somewhere along in there, I was appointed receiver
19 of a similar type company in Boston, Lydia (ph)
20 then later I was appointed receiver of a company,
21 T. Stein and Associates, who actually owned life
22 insurance policies as part of the asset. So I was

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1 appointed receiver in New York.

2 In addition, I was appointed -- or our
3 was appointed as consultant or agent to two other
4 companies, Retirement Value here in Texas, and also
5 Group (ph) in California, and we've helped and still do
6 manage the policies there for the owners of those
7 policies.

8 So that's basically my background.

9 Q All right. And so in all those cases that
10 -- the ones that you were appointed as a receiver in
11 federal court, were you called upon to present
12 information to the federal Judge? And actually, the
13 federal Judge is the one who actually makes the final
14 call.

15 A Correct. Everything that I do, everything --
16 now, I want everyone here to understand. I'm not an
17 attorney. I'm a layman like most everyone else here,
18 and what I've found in the past is we try and provide
19 information out to other people. We try and -- I don't
20 want to say "dumb it down," but we have to dumb it down
21 so we can try and get it --

22 (Background noise interruption.)

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1 (Pause.)

2 MR. ROPER: Tom, can you hold on? Ladies and
3 gentlemen that are on the phone -- hello? If you're on
4 the phone, you've got to put your phone on mute,
5 because we can't hear in the meeting room. Thank you
6 very much.

7 MR. MORAN: So, what I'm saying is, we try
8 put everything as best we can in layman's terms.
9 Everything that I do on your behalf -- everything I do
10 on your behalf will be transparent.

11 It will go to the creditors committee. It
12 will go to anyone of interest. It will then be
13 presented to the Court. It will be public record. You
14 will have access to it. You will have a say in
15 everything that we do.

16 Nothing is going to happen on your behalf
17 behind the scenes. Everything is transparent. It's
18 very important for you to realize that.

19 BY MR. ROPER:

20 Q And that's essentially what happened in the
21 other cases where the federal Judge called on you to
22 make decisions -- similar, not in a bankruptcy context,

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1 but in a receivership context.

2 A That's correct.

3 (Background noise interruption.)

4 MR. ROPER: Folks on the phone, you've got to
5 mute your phone because we can hear you.

6 BY MR. ROPER:

7 Q So, let's move forward. You were appointed I
8 think on March the 13th, and the Court confirmed that
9 the 19th. Is that right?

10 A In Life Partners, yes.

11 Q Okay. And that would be Life Partners
12 Holding, Inc.?

13 A That's correct.

14 Q The holding company.

15 A Yes. Yes.

16 Q And when did you actually make entry into the
17 buildings?

18 A We went into the building the evening --
19 7:00 o'clock in the evening on March 13th.

20 Q Okay. After you made entry and had a chance
21 to do at least a preliminary search, did you -- did it
22 come to your attention that essentially Life Partners

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1 was a holding company for a couple of other entities
2 that are important in this matter?

3 A Yes. After several days we found out that
4 Life Partners Holding, Inc., which I'm the Trustee,
5 owned other companies. Life Partners, Inc., which is a
6 private company, Life Partners, Inc. Financial
7 which you all are probably familiar with which is owned
8 by Life Partners, Inc., and there are some ancillary
9 companies that really have no value.

10 Q And essentially was the Board of Directors
11 that governed the management of the company really, in
12 all practical purposes, the same for those companies?

13 A It was the same for those companies.

14 Q And did there come a time when --

15 (Background noise interruption.)

16 MR. ROPER: Please turn the volume down.

17 UNIDENTIFIED MALE: Yeah, I'm going --

18 TW: There you go. Okay.

19 MR. ROPER: Okay. I thought you were going
20 be serenaded for a second.

21 BY MR. ROPER:

22 Q So, at that point could you say that really

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1 these entities all operated as really one combined
2 entity?

3 A They were one combined entity. They had a
4 joint board, and I believe in some of the board minutes
5 they even acknowledged that it was one entity.

6 Q And did there come a time when those
7 resigned?

8 A Yes. We were there -- I believe the Judge
9 appointed me on the 19th. About a week and a half
10 I think we got our first resignation letter of one of
11 the board members, and then over a period of about a
12 week, week and a half, the rest of them resigned.

13 Q Okay. So at that point did you feel it was
14 important to go back to Judge Nealms (ph,) the Judge
15 appointed you, and ask permission to essentially be the
16 sole director of those entities?

17 A Correct.

18 Q These subsidiary entities -- and ask
19 permission from Judge Nealms to place those entities
20 into bankruptcy if you deemed it appropriate?

21 A Correct. Life Partners -- my hands were tied
22 a little bit on Life Partners, Inc. where all the

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1 employees were in Life Partners, Inc., and the policies
2 are held in the name of Life Partners, Inc.

3 And so, Judge Nealms (ph) I think was very
4 clear that he was concerned about the investors and
5 these policies, as I am, and so I needed to have
6 authority to do that, yes.

7 Q Okay. And -- all right. And we'll go into
8 that a little bit more. So in your duties as Trustee,
9 do you see that you're charged to operate the company
10 and also investigate the financial condition of the
11 company?

12 A I am. I am charged by the Court to do those
13 -

14 Q And are you planning to essentially report to
15 the Court and to the creditors committee about the
16 financial status of the company, the condition of the
17 company, and eventually come up with both an interim
18 final plan for moving forward with this company?

19 A We are supposed to go in and evaluate the
20 company, do an organization of the company -- re-
21 organize of the company, if necessary -- investigate
22 everything possible, books, records, everything that

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1 went on in this company, and report it back to the
2 Court, which of course will be public information for
3 everyone here.

4 Q All right. So let's move in and talk a
5 bit about the preliminary work you did in going into
6 company. Why don't you start -- describe for the folks
7 here what happened?

8 A Well, the first thing we did is we went in
9 we secured the assets, and the assets of Life Partners
10 Holdings, Inc. included the buildings, you know, in
11 of a strange way, the hanger that housed Mr. Aparado's
12 (ph) airplanes, a couple of offsite storage units.

13 I think you all may have heard of the
14 antiquities, the mammoth and the different types of
15 bones. Those were also part of the assets. I think
16 there was \$73,000.00 in cash in Life Partners Holdings,
17 Inc. There may have been a few other minor assets, but
18 that's primarily it.

19 Q And did you engage professionals to take
20 custody of the premises and also secure the data and
21 other things?

22 A We did. We had security come in for the

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1 weekend while we were there, change -- we had people
2 come in and change the locks. We secured the premises.
3 We had another group come in and secure all the data.

4 So we shut down the computers for about three
5 and a half days, I believe, and secured the data,
6 it all up. It's been in third-party hands ever since,
7 and then we got going again.

8 Q And did you begin a process of bringing your
9 team in to evaluate the policies and also evaluate the
10 financial condition of the company?

11 A We're evaluating the financial condition of
12 the company. We're also evaluating the organization of
13 the company, the policies, everything that the company
14 does.

15 Q Okay. Let me stop and pause you. Did you
16 have occasion to meet with the employees and has there
17 been a reduction in staff since you've started?

18 A We've met with the employees, we've met with
19 the different departments. There were 57 employees the
20 day that we started, and there are 42 today.

21 Q All right. And so you also had a chance to
22 evaluate the systems that are in place to not only

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1 the policies and the cash -- tell us just briefly a
2 little bit about that.

3 A The -- Mark Embrey (ph,) who was the Chief
4 Information Officer and is now President, did a very
5 good job of creating a data system to track your alls
6 money, and I will say it's a good system.

7 Where they lack is the policy management side
8 of this. The policy management side of this is a very
9 key aspect, as you can imagine. It's one of the areas
10 that our company -- I have a company called Asset
11 Servicing Group where we focus on the policy

12 The people that were there, in my belief,
13 not trained property in policy management. We
14 unbeknownst -- or unknown to them -- I think they
15 thought that they were, but they just weren't.

16 So I have people that have been training the
17 people there on how to actually manage a policy. I
18 people there, yesterday and today, actually training
19 people on how to track these policies to make sure that
20 they stay in force, the premiums are paid properly. So
21 that's what we're doing right now.

22 Q So let's get just a little quick snapshot of

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1 what you've seen on the policies, a number of policies?

2 A Okay. There's about 3,800 policies, and if I
3 could, let me just say, I know a lot of people here are
4 saying, "You've been there a month. Why isn't there
5 anything more done?"

6 There are 3,800 policies. The smallest
7 is about like this (indicating.) The biggest policy is
8 about like this (indicating.) If we average two to
9 three hours per policy, it would take, as you can
10 imagine -- what would that be? -- 3,800 -- so 10,000
11 hours to go through each one and analyze it thoroughly
12 and properly.

13 It would take five people -- for to five
14 people a full year to do that, so please, please bear
15 with us on that.

16 The other thing that we have found is that
17 some of the data that we see in the database is not
18 accurate. We've been able to confirm that it's not
19 accurate, so what that has forced us to do is to go in
20 - if we can't trust part of it, how can you trust any
21 it? So it's forcing us to go in and do -- just to
22 verify everything, and we have actually started that

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1 process.

2 What we're going to do, once we get the
3 correct data, is we will do a data -- new data into a
4 system -- actually we're going to use the system that
5 have. We're just going to loan it -- we'll I shouldn't
6 say "loan" because we're going to charge \$1,800.00 a
7 month, which is nothing. I think we're losing money on
8 it, but that's fine.

9 We're going to loan that to Life Partners for
10 the time being so that when as we deal with companies
11 that are interested in that data, they can go into our
12 system, they can pull out anything that they need to
13 evaluate it. They can do -- they can run reports out
14 it, they'll be online 24/7 if they want to be, with the
15 correct nondisclosure statements.

16 We're going to streamline this company where
17 it's going to be running like it should, and that's our
18 -- that's what we want to do.

19 Q So, on the face amount of the policies, what
20 would that be, in their portfolio?

21 A The face amount is right at \$2.8 billion
22 dollars in policies.

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1 Q And what about the premiums that are due each
2 year?

3 A Right around \$100 million a year.

4 Q How many positions are there?

5 A There's over 100,000 positions.

6 Q A thousand?

7 A Over 100,000 --

8 Q Okay. Now, what about the cash on hand at
9 this point in the combined entities?

10 A As of yesterday, I think there was about
11 \$1,750,000.00 in cash in all the companies.

12 Q So we're kind of in this interim period. Of
13 course, we don't have a plan presented. We don't have
14 LPI in bankruptcy or the other subsidiary.

15 What -- are you taking steps -- I understand
16 you're considering a platform -- you're interested in a
17 platform fee?

18 A We are -- let me explain that. I know that
19 you all received a fee last October that came
20 out of thin air, and everybody goes, "What the heck?"
21 would have done the same thing, I can assure you.

22 Unfortunately for all of us, we still have to

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1 manage these policies, so we -- yesterday or today
2 another fee is going to come out to you all. I'm sorry
3 to tell you that.

4 Now -- but let me help you. The fee is going
5 to be less than half of what the last fee is, and it's
6 only going to be for six months. So the fee that
7 receive will be less than 25% of the fee that you
8 received last October. This fee is only to help us
9 continue in operation until we can get this thing under
10 control.

11 Q All right. Now let me talk about the
12 information that you're trying to flow out to these
13 creditors. Tell us a little bit about that, the web
14 access --

15 A Oh, yeah. We have -- forgive me, I don't
16 if anyone here looks at Joe Belt's (ph) blog. If you
17 don't, it's a good one. He criticized me this week for
18 having a terrible website, and I called him and had to
19 agree.

20 So we're going to -- we're going to change
21 website. The information that you're going to receive
22 will be more up to date. It'll be more thorough. The

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1 frequently asked questions will be updated on a
2 continual basis.

3 And part of the reason that the information
4 was not presented properly -- it was just us scrambling
5 to get everything done and missing that side of it. So
6 it was not done intentionally. Please believe me.

7 Q So, and we also -- you also at this point
8 opened up where investors can see more information
9 regarding their accounts. Is that right?

10 A Yes. That's all open now. Yes.

11 Q All right. And you've continued to -- will
12 you continue to show these creditors -- continue to
13 consult the website? Hopefully it'll -- the new one
14 will be up?

15 A Yes.

16 Q And were you going to keep updating
17 information so they can look at it on a daily basis?

18 A Yes. It will be updated, and I'm going to
19 ask that it be updated continually. You may go two or
20 three days, hopefully not a week, but it -- hopefully
21 we'll be getting stuff out to you at least weekly, if
22 not sooner.

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1 Q So, regarding -- I know that the creditors
2 here -- the position holders would want to know about
3 the idea of your plan to avoid policies from lapsing.
4 Are you going to present, when you file the bankruptcy,
5 an LPI (ph?) A plan to deal with this?

6 A Yes.

7 Q And of course we can't go into that, but is
8 there -- will there be a plan to avoid policies from
9 lapsing?

10 A We will have a plan. That's my -- here, let
11 me just, if I can, just tell my ultimate goal.

12 Q All right.

13 A In 2002 we had to sell a portfolio. We just
14 completely ran out of money, and we asked -- and I
15 received letters from investors, and the letters I
16 received -- there's a stack -- I gave them to the
17 I promise you, it's this high (indicating,) and I was
18 reading the letters and they were hand written by
19 in their 80's sometimes -- you could barely read it
20 because it was just scratch, and there were tear stains
21 on the letters.

22 So, I understand. I want you all to know I

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1 understand. I'm not going to be the most popular guy,
2 but at the end of the day my ultimate goal for you all
3 is to maximize this investment to the very best of my
4 ability at the least expensive cost possible.

5 That's my ultimate goal. Nobody's going to
6 sway me from that. People are going to try and do all
7 these different things, and at one time or another some
8 people here are going to agree with me, some people are
9 going to disagree. One day or another -- everyone here
10 is going to disagree with me at some point, but at the
11 end of the day -- what I get from some of the other
12 investors in these other cases is I get Christmas
13 I get birthday cards on their birthday thanking me for
14 what I've done for them.

15 It's not me. I'm just telling you, it's a
16 process and if the process is done properly and
17 truthfully and openly, you all will know it. If you
18 get on board with it I can promise you everyone will be
19 better off at the end of the day.

20 And maybe I shouldn't have gone into all
21 but I'm -- I just wanted to say it.

22 Q So if you -- as we sit here today, have you

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1 already, when you came to this case, come in with a
2 preconceived idea of how you wanted to handle this, or
3 are you vetting proposals?

4 A No, I'm taking proposals. I've gone out to
5 everyone I can think of. I'm asking for proposals. I'm
6 asking for ideas. I don't want to come in thinking I
7 have all the ideas. Anybody that does that -- if I do
8 that, you need to get rid of me. You need somebody
9 else.

10 I want every idea that can come in possible,
11 and I'm going to take every idea possible. Everything
12 that comes in that I can vet, that I can substantiate
13 and vet, will be taken to the Court and presented there
14 as an alternative or something that can help you.

15 What I've tried to do going forward, and
16 there's probably some people in this room that I've
17 talked to, is I've looked for premium financing.
18 Obviously we have to pay premiums to keep these
19 in force, so I've been looking for premium financing.

20 We're starting to get offers in. Our
21 attorneys are talking to their attorneys and we're
22 moving that forward.

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1 Q All right. And are you still in the process
2 of trying to obtain information?

3 A Oh, my gosh. Yeah. As I said, there's 3,800
4 policies, two to three hours per policy. We are
5 obtaining information and every day -- I wish I could
6 tell you -- every day something new pops up. Yesterday
7 something new popped up that we didn't even know about.
8 So, yes.

9 Q And then there are two escrow companies that
10 essentially work -- that manage the escrow premium --
11 the escrow accounts.

12 A Yes.

13 Q And are we still in the process of getting
14 information?

15 A We're trying to get information from them,
16 as a matter of fact, what I just said was from one of
17 those areas. So, yes.

18 Q Okay. Well, I want to kind of pivot over and
19 talk a little bit about the -- what's -- what we've
20 heard of before -- certainly before today -- is the
21 ability and desire of positions holders to be able to
22 sell their position.

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1 A Right.

2 Q Okay? I want to talk about that. Now, prior
3 to you coming in there was a platform set up by LPI. It
4 was essentially kind of a bulletin board private
5 platform set up to facilitate the sale.

6 A Right.

7 Q And did -- were there fees charged to
8 holders that desired to sell?

9 A There were fees charged. I don't know that
10 the position holders knew of the fees, if it was fully
11 disclosed, but on the -- let me see, the last -- if I
12 can recall -- in the last three years on the re-sales,
13 there have been \$17,000,000.00 on re-sales paid out in
14 fees and commissions.

15 Q All right.

16 A That I'm not -- I don't think anyone here saw
17 any of that.

18 Q And I can assume that you're not going to
19 continue that same process --

20 A No.

21 Q -- if an when the Court would authorize re-
22 sale.

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1 A No.

2 Q All right. So, as a result of that -- and I
3 want to -- I had a chance to read in Judge Allen's (ph)
4 order the SEC -- the federal Judge -- the federal
5 district Judge in Austin, who presided over the
6 securities enforcement action, and I understand from
7 reading his order, there was some findings of fraud in
8 the company.

9 A Yes.

10 Q Right?

11 A Yes.

12 Q Would you think that Judge Allen's findings
13 and your subsequent investigation of -- would you think
14 that that would impact your ability at this point to
15 authorize sales of these policies?

16 A Absolutely, for two reasons, and I've talked
17 to some of the investors here and people on the phone.
18 This, as you know -- this is at the Texas Supreme Court
19 being considered whether it's a security or not. I
20 differing views or opinions coming from different sides
21 to whether it is or isn't. I've talked to some very
22 smart people that think it is, so --

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1 But, here's the thing. What we found is that
2 -- and based on the Judge's decision that there has
3 fraud, and if we allow a transaction that was a
4 fraudulent transaction in the first place to continue,
5 are we perpetuating the fraud?

6 This has to be cleared through a Court. It
7 has to be open to a Judge. It has to be open to you.
8 You all have to know everything that happened with
9 policies, with this transaction.

10 Q And the people that are buying it have to
11 know, too, right?

12 A And the people that would buy it. And there
13 has been no disclosure that I can see to you all, and I
14 think a lot of the disclosure that you've received has
15 been verbal, and the disclosure that you all have told
16 me has not jived with what we're seeing in these files.

17 Q So essentially if we ever -- you've been able
18 to at least preliminarily -- and this is preliminary --
19 to confirm Judge Allen's findings?

20 A Yes.

21 Q Okay. Let's talk just a little briefly about
22 it, and I bring that up to explain to these folks why

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1 it's important to get this right before a Court would
2 allow re-sales --

3 A Right.

4 Q -- if that happened.

5 A Okay.

6 Q So, in regards to that, there were certain --
7 there was -- as kind of the infamous Cassidy L.E. (ph)
8 that was given life expectancy that we're giving --

9 A Right.

10 Q Have you been able to determine that that
11 didn't jive with the actual incoming life expectancy of
12 L.E.'s that were -- that came along with the policies
13 that were purchased?

14 A Yes. For everyone here, there are -- in this
15 industry there are life expectancy providers, third
16 party providers, that institutions depend on for life
17 expectancies when they are buying policies.

18 Now, understand they also have their internal
19 people running all these reports, running different
20 financial models to jive with the life expectancies,
21 they were buying policies -- it looks to us as though
22 they were buying policies based on the life

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1 coming from a third party provider, okay?

2 Now, I do want to clarify, those third party
3 providers have adjusted their life expectancies twice
4 least over the past seven years, eight years, something
5 like that. So those life expectancies have gone up a
6 little bit.

7 So, let's just say that someone had a life
8 expectancy of eight years, and it was adjusted 20%,
9 It might be nine years or ten years. The life
10 expectancies we're seeing that came from Dr. Cassidy
11 might be four years.

12 So, what happened is, they bought the policy
13 based on one life expectancy, sold it to the investors
14 on another life expectancy much lower. But let me tell
15 you what that translates to you all in the way of fees
16 and commissions.

17 In the past eight years there has been --
18 there has been about two -- between -- I think it's
19 right at \$2.3 billion dollars in face amount of the
20 policies purchased. Okay? The -- let's see if I can
21 get these numbers right.

22 The amount purchased for those policies, the

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1 amount that went to the insured to buy those policies,
2 was \$348 million. The amount that went for fees to the
3 licensees and life partners was \$396 million, so more
4 than double went in fees than went to the insured.

5 So that's why, if you're wondering why your
6 investment might be under water, or at least not under
7 water but not what you thought it was going to be, it's
8 because of the fees. It's very -- it's 30% of the
9 invested dollar that went out to -- in fees and
10 commissions.

11 Q So if you had a policy you're evaluating,
12 these folks would have seen would have been the face
13 amount of the policy, and then another lump sum figure
14 for the acquisition amount.

15 A That's correct.

16 Q Say I'm looking for --

17 A Based on a life expectancy.

18 Q Yeah. And so it would be -- the face amount
19 may be \$7.5 million, and the acquisition amount would
20 \$4.5 million --

21 A Four and a half --

22 Q So -- but would there be a disclosure to the

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1 folks that are buying this as to what the fees and
2 commissions were? Did they know that breakdown?

3 A No.

4 Q Did they have any idea that what they -- that
5 the amount that they were paying in fees exceeded in
6 many cases the value of the purchase of that policy?

7 A No. And in that particular case the -- I
8 think in that particular case there was a \$7.5 million
9 dollar policy, the purchase price was \$4.5 million
10 dollars, about \$1.5 went into a premium escrow. You
11 are familiar with that. So there's \$3 million left to
12 pay for the policy. The insured received \$700,000.

13 Q Okay. The commission that you said that went
14 to the licensees and LPI --

15 A Yes.

16 Q What percentage of the total --

17 A Over the average of eight years, it was about
18 30%.

19 Q Okay. What would you say during that time
20 period the industry standard would be for commissions
21 and fees?

22 A Maybe two percent.

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1 Q Okay. So how was that spilt up between the
2 licensees and the -- and LPI? Where did that money go?

3 A I believe of the 30%, if I can recall, I
4 that LPI got about 17%, and the licensees got about
5 somewhere in there. For example, in the past -- let's
6 see, past seven years -- one licensee received an
7 average of over \$10 million dollars per year.

8 Q So over seven years, how much?

9 A So, \$75 million.

10 Q Was any of that ever disclosed to these
11 investors?

12 A Not to my knowledge.

13 Q All right. All right. And let me just say
14 this, the stuff that we're going with, we've been --
15 you've been essentially in almost daily contact with
16 creditor's committee. Is that right?

17 A Recently, yes.

18 Q Okay. And you've been working with them,
19 the creditor committees, to push out some of this
20 information?

21 A Right. And some of them, I'm seeing today,
22 new, so they haven't even received a number. I'm sorry

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1 that they're having to hear it this way, but, yes.

2 Q All right. Based on that, you think, from
3 what you've told us, that that will impact, based on
4 advice you're getting, the ability to come up with a
5 plan to re-sell?

6 A Correct. I believe what we'll have to do is
7 we will probably -- not probably -- we will ask the
8 Court to put LPI into bankruptcy so that we can get it
9 in a form where we can refinance, sell, whatever we
10 to do to maximize -- again, I want to get back to this.
11 It's really important for you to hear this -- to
12 maximize the value for me -- for you, not for me.

13 (Laughter.)

14 A And I'm sure a lot of people here think it's
15 to -- I'm trying to maximize it for me. I am not. The
16 people that know me, and I will -- and I'm happy to sit
17 with anybody I can, look you straight in the eye. You
18 will find I am here for you. It's the only reason I'm
19 here and any time you all think that I'm not, maybe you
20 do need somebody new. But I'm here for you.

21 Q All right. So in the next week we should
22 for LBI and maybe the other subsidiaries going into

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1 bankruptcy?

2 A Yes.

3 Q And you presenting an interim plan?

4 A Presenting an interim plan, and it will be
5 public information.

6 Q And you'll be vetting that with the Court?

7 A Yes.

8 Q And the creditors also?

9 A Yes.

10 Q I think that's all.

11 A Okay.

12 MS. ZIEGLER: Great. I just want to give
13 everyone a heads up. I've already spoken -- before I
14 have any questions, what we're going to do is get this
15 meeting transcribed as soon as possible and get a copy
16 to the Trustee, so if you have -- if you want to review
17 the testimony and the questions, you'll have an
18 opportunity to do that afterwards as well.

19 UNIDENTIFIED MALE: Do we have ability to
20 you information other than what you heard today? Is
21 that right?

22 MR. ROPER: Yeah. I think what we're going

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1 try to do is set up an ability on the website to send
2 information --

3 UNIDENTIFIED MALE: There's a lot of things
4 you need to hear you didn't hear today.

5 MR. ROPER: Well, we're all ears.

6 MR. MORAN: Yes.

7 MR. ROPER: We've only got two of them. You
8 may not be able to get them right away.

9 Mk: You'd have to talk with the Trustee and
10 his counsel because they're the ones who will be
11 that if you've got additional --

12 MR. ROPER: We want to try to -- initially
13 to do stuff over the website, and I think we have
14 ability to communicate. And look, maybe we need to
15 enhance that. I mean, I've got a lot of calls and
16 there's so many hours in the day to call people back,
17 and so -- I know Tom has, and the other lawyers have,
18 and I know the creditor's committees have, so to answer
19 your question, it is yes, we will.

20 Mk: Okay. What is the website?

21 MR. MORAN: It's lphitrustee.com.

22 MK: I'm going to ask everybody who asks a

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1 question, if you could state your name first and then
2 ask your question.

3 MR. KNOX (PH): My name is Charles Knox. If
4 you could -- pardon me -- dumb it down a little bit
5 further for me and maybe the questions will help
6 everybody else.

7 As an example, I have \$380,000.00 invested in
8 28 policies. If one person dies, it's projected to
9 bring in \$620,000.00. Where do I stand? What's the
10 process and possibly will I see any of that money? I'm
11 bleeding right now.

12 I've paid over -- about out \$100,000.00 the
13 last three years that you've been calling us up. So,
14 when you talked about fees a while ago -- anyway, the
15 amount of money that's going to come back to the
16 investors, how does that stand with what we're paying
17 to keep the policies going?

18 MR. MORAN: I think that's a really good
19 question. I think everybody in this room has that same
20 question. So, the answer to your question is, when I
21 went in I immediately looked for premium financing to
22 take the burden off of you.

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1 I mean, a lot of people here, I know, cannot
2 sleep at night because they don't know how they're
3 to pay the next premium or the next platform fee.

4 I talked to a man yesterday that's freshly
5 of the hospital with a heart attack. The doctor told
6 him it was probably due to this transaction, so believe
7 me, I do understand. He is about my age. We related.

8 My initial study -- I'm seeing some initial
9 numbers and I'm not going to tell you the numbers
10 because I don't want to say something that I can't back
11 up. My initial study tells me that we can come up with
12 a plan relatively quickly to relive your burden.

13 MR. KNOX (PH): You're talking about the
14 premium burden?

15 MR. MORAN: Premium burden.

16 MR. KNOX (PH): Oh. When you say "financing"
17 there's nothing I will have to do to finance?

18 MR. MORAN: We will make arrangements. We're
19 not going to put this stuff on you. We will make
20 arrangements through the Court. It will be
21 You can call me or come to the Court and say, "I like
22 this. I don't like this." There will be many -- I

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1 mean, there will be other options that will come in.

2 I will probably have a recommendation as to
3 one or two that I think is best for you all, but
4 obviously you're entitled to disagree with me. But I
5 will come in with a plan to tray and maximize the

6 Now, when I met with the creditor's committee
7 the first time, they did not know that all of these
8 had gone out. So let's equate it this way. If you buy
9 a house for \$200,000.00 and the real estate agent
10 charges you a 30% fee, you've paid \$260,000.00 for this
11 house, which means you're going to have to wait longer
12 to get your money back, if you ever get it all back at
13 all. Okay?

14 So, what we want to do is -- like Will Rogers
15 said, "I'm not interested in the return on my money,
16 interested in the return of my money." And that's what
17 I'm trying to do. I'm trying to get as much money back
18 for you as I possibly can. I can't predict what it's
19 going to be.

20 MR. KNOX (PH): Is there a possibility of --
21 know as a group we could have a little leverage with
22 people's own policies -- I mean, who are paying a

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1 policy, too. That drops where they're going to get
2 their money.

3 Is there a point where we can waive our
4 premium for "x" amount of months until the bankruptcy
5 over with?

6 MR. MORAN: Um, let me say this, for the
7 policies to stay in force, we have to pay premiums.

8 UNIDENTIFIED MALE: I respectfully disagree.
9 I've been a life insurance agent since 1987. I've been
10 a CPA since 1975. I've got three end reports here that
11 have hundreds of thousands of dollars in them. The
12 amount of the mortality cost per year means the cash in
13 those policies would carry those policies for three to
14 five years without any additional premiums, and without
15 the policies lapsing.

16 MR. MORAN: That's exactly right.

17 UNIDENTIFIED MALE: That is a fact.

18 MS. ZIEGLER: Can I have you state your name,
19 please?

20 MR. LORENZE (PH): Norm Lorenze. I've sent a
21 letter to the three members of the committee and to the
22 -- a certified letter.

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1 MR. MORAN: And that was a statement rather
2 than a question, but you're absolutely correct. There
3 are some policies that are like that.

4 UNIDENTIFIED MALE: Some policies.

5 MR. MORAN: Some policies. There's also
6 - I'm not sure that you know, but there are also some
7 policies that will mature in two years, where if the
8 person doesn't die, the policy goes away. So I don't
9 know if you took that into your calculation or not.

10 MR. PATTERSON (PH): My name is Frank
11 Patterson (ph.) I'm in middle Texas. Several
12 problematic issues here. You've talked a lot about
13 websites. Website is not the problem. LPI's website
14 was fine for 20 years, so if you're worried about a web
15 site, we're wasting time.

16 The other thing is, you're talking about
17 premium financing, absolutely unnecessary because this
18 gentleman asked the question if he could get his money
19 back. If we pay the premium and keep paying death
20 claims, everybody's in good shape, so I don't know why
21 paint a bad picture about -- we're going to keep paying
22 the premiums one way or the other, and I assume we're

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1 going to pay the death claims out. Is that true?

2 MR. MORAN: Well, you say that "we're going
3 pay the premiums." I think there's a lot of people in
4 this room that can't pay premiums.

5 MR. PATTERSON (PH): So that's why you need
6 rethink the resale. Those people were selling their
7 policies because they couldn't pay the premium. That
8 was a win/win/win situation. It kept the policy owners
9 that could pay the premium from the chance of losing
10 theirs, so the resale -- of course the commission was
11 out of line, but don't throw out the baby with the bath
12 water. Cut the commissions down and let people that
13 want to sell their policies sell them, and let people
14 that want to buy them -- that's called a free market.

15 And you're talking about some of these
16 commissions that are out of heart. Did you know, I
17 bought one of these balance bracelets the other day for
18 \$39.00 from a pro shop? You know what we buy them for
19 from China? Ninety-eight cents. So that's the free
20 market. People are making commissions.

21 The guy that made \$10 million dollars
22 commissions that you said, and everybody gasped, he

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1 brought in \$20 million dollars a month for that year.
2 I brought in that much money and sold annuities --
3 everybody's heard of annuities -- he'd make twice that
4 much commission.

5 So when you bring in money, people are going
6 to make commissions, and people who don't know, if you
7 bought an annuity lately, you don't know what he made
8 and what everybody made, so let's not paint this as
9 bleak as it is, and let's deal with the real issues.

10 MR. MORAN: So you think those commissions
11 were justified?

12 MR. PATTERSON (PH): I didn't say that.
13 I don't think the life insurance commissions they pay
14 out are justified. I don't think me paying \$40 --
15 \$39.00 for a balance was justified, I'm just saying it
16 was legal.

17 MR. ROPER: Do you think they should have
18 disclosed that to these people?

19 MR. PATTERSON (PH): Everybody needs
20 disclosure, full disclosure, and nobody does that. I
21 didn't have any idea they could buy those for 98 cents,
22 you know?

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1 UNIDENTIFIED MALE: I'm an agent, can I speak
2 to that?

3 MS. ZIEGLER: Can I have you sit down? Well,
4 I'm going to ask Mr. Roper. Can you answer the
5 question?

6 MR. ROPER: Yeah, and I'm going to keep this
7 brief, but I represent not 200,000, not 40, I represent
8 \$15 million dollars of plans because I do a fund. And
9 what we have done has kept me from doing my fiduciary
10 responsibility based on the SEC law. It's what they
11 told me to do.

12 I can't fulfill my duties because of stopping
13 some -- I'm trying to do some transactions that are
14 commission free. I can't even do that. There's no
15 commissions. All we're doing is helping people get out
16 of a bind. I transfer them into this fund, they don't
17 have to pay anymore premiums and they're getting
18 maturities every quarter.

19 So there's things going on. We don't want to
20 mess up things by making more mistakes than there's
21 already made, and by worrying about the website and
22 worrying about who made commissions back in 2006 is not

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1 going to help us any. Let's cut those commissions,
2 them practical, and let business run.

3 And also, worrying about where there's going
4 to be a security or not, until the law is changed it's
5 not a security in the State of Texas, so we've got to
6 operate that way until the law is changed.

7 UNIDENTIFIED MALE: There are two Court of
8 Appeals that said it is.

9 MR. ROPER: Two Court of Appeals, but it
10 hasn't changed the law. So until the law changes it,
11 it's 70 miles per hour and they're going to change it
12 80, I better drive 70 until they change it, or say 60.

13 So I've got to go by the law of the land of
14 today. I can't high percolate and figure out what's
15 going to happen. That's not fair to anybody.

16 So anyway, there's a lot of issues and I
17 appreciate your time, but I would like to get back to
18 both of you guys in a more direct way and let you know
19 really what's happening to folks out there. Are we
20 really helping a lot of people right now like we should
21 be?

22 MS. ZIEGLER: Do you have a question?

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1 MR. FRANKLIN: My name is Joel Franklin. I'm
2 an agent. I do nine dollar policies. My commission at
3 the street level was six percent, so don't go home and
4 kill the guy who put you in it. I make six or seven
5 percent on most annuities I sell. Now, who got the
6 of the 30%?

7 I don't know about it either, but if I would
8 have I wouldn't have been selling the product. Thirty
9 percent commissions -- you throw commissions and fees
10 together, I don't know where the rest of that went, but
11 it's not the street level agent. I don't know who got
12 \$10 million out here.

13 MS. ZIEGLER: And I understand because I know
14 specifically -- and I know that there's a bunch of
15 people here, but does anybody have any -- out of town
16 people -- have specific questions for Mr. Moran, the
17 Trustee?

18 Okay, we've got one over here, so --

19 UNIDENTIFIED MALE: What about those of us
20 that got --

21 MR. MORAN: Could you identify yourself?

22 MS. ZIEGLER: Could you state your name

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1 sir?

2 MR. MCINTIRE: Wayne McIntire.

3 MR. MORAN: What about what?

4 MR. MCINTIRE: We've got those policies that
5 were misrepresented -- the life expectancy?

6 MR. MORAN: Yeah.

7 MR. MCINTIRE: Yeah. Well, what if we're
8 holding those? We can we expect out of this?

9 MR. MORAN: Well, most everyone here is
10 holding those.

11 MR. MCINTIRE: We've all got those?

12 MR. MORAN: Yeah.

13 UNIDENTIFIED FEMALE: If they said two to
14 years, do you have an opinion that it's really eight to
15 ten years?

16 MR. MORAN: We believe that if the -- this is
17 not an exact science, please, so we believe that the
18 actual life expectancy is -- if it's a four year life
19 expectancy, that's going to be about 40%, 45%, with the
20 actual life expectancy.

21 If I can, let me explain life expectancies.
22 don't know if people -- some people here understand it,

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1 some don't, and I know everyone has been told -- or a
2 lot of people have been told something different.

3 When you hear a four year life expectancy,
4 many people think that that person is going to pass
5 within four years. An actuarial table tells you that
6 close to 50% of the people will die within four years.
7 Most of the other 50% leftover will die in the next
8 years, and then there's a slight tail after that. So,
9 four year life expectancy doesn't mean four years. It
10 means that person could live eight years.

11 Now, if a four year life expectancy is
12 actually a nine year life expectancy instead of a four
13 year life expectancy, that could mean 18 years. So I
14 know a lot of people have heard these policies are
15 maturing and everything's going great. The total
16 maturities we've seen -- now -- and please, I shouldn't
17 even bring up this number because it's a preliminary
18 number that I've seen -- but the total maturities we've
19 seen in 25 years is only \$500 million.

20 So -- and that's in 25 years. There's only
21 \$2. -- what did I say -- \$2.7 billion left, so it's --
22 these policies, and you all know it, are not maturing

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1 the way it was told to you.

2 MS. ZIEGLER: Hold on. We had this

3 Can you state your name, please?

4 UNIDENTIFIED MALE: One quick thought --

5 MS. ZIEGLER: Could you just state your name,

6 sir?

7 MR. WATKINS: Robert Watkins (ph.)

8 MS. ZIEGLER: Okay.

9 MR. WATKINS: Ten years ago nobody knew that

10 the pharmaceuticals were going to extend the senior

11 expectancy that they have. That's the first problem we

12 ran into.

13 My direct question -- I have a widow lady who

14 has three policies she wants to sell. Her health has

15 become bad. It wasn't necessary for funding purposes,

16 she just didn't want to contend with it anymore, so I

17 worked with a company that buys policies, got bids for

18 them, got all the forms signed, got them back to the

19 company buying the policies, and then transactions were

20 stopped.

21 Is there any way we can avert that to help

22 people that are in dire need?

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1 MR. MORAN: I'm going to give you an example,
2 and I'm going to give you an answer.

3 Somebody asked me a similar question. I
4 if you bought a car -- let's call it a Lexus -- you
5 bought a Lexus that had 6,000 miles on it and you were
6 able to get it for \$60,000.00, and you had it for three
7 months and found out later that it really didn't have
8 6,000 miles, it had 60,000 miles on it, the speedometer
9 had been rolled back, and you drove it for five years
10 and then the car showed on the speedometer that it had
11 66,000 miles, when it actually had 120,000 miles.
12 Are you going to sell it as though it had 66,000 miles
13 or 120,000 miles?

14 I don't know if you understand what I'm
15 saying. What I'm trying to say is there was fraud in
16 many of these transactions. Are you going to try and
17 sell this as a fraudulent transaction, or are you going
18 to sell it as though it's a clean transaction?

19 MR. WATKINS: Well, she understood that she
20 would make a sacrifice to sell it ahead of time. It
21 wasn't that she was going to lose some money. She just
22 was interested in getting out of it.

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1 MR. MORAN: I'm sorry, but that's not my
2 question. Are you going to sell it as though she was
3 possibly involved in a fraudulent transaction, or as if
4 it was a clean transaction?

5 MR. WATKINS: (No audible response.)

6 UNIDENTIFIED FEMALE: May I?

7 MR. MORAN: Yes.

8 MS. BROOM: My name is Deb Broom (ph,) and,
9 um, I appreciate everything that's being said, and I --
10 I'm a licensee and I would like to purchase one of my
11 investor's policies without a commission.

12 And I'm also a real estate agent, and I --
13 full disclosure -- you know, when you were saying that
14 it makes complete sense to me, and at the same time,
15 like, okay, you know, what I'm understanding -- is it a
16 bankruptcy Judge that needs to make the decision that
17 these re-sales can happen? Is that what it is?

18 MR. MORAN: We will present something to the
19 Court in that effect. Yes.

20 MS. BROOM: Okay. That being, then what I
21 would like to say is, my answer to your question to him
22 would be that you sell it -- that I would sell it as

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1 what it truly is. A full disclosure. "This is what I
2 know. This is what I thought I knew. This is what I
3 know."

4 And I understand that we don't even -- I get
5 the position. We don't even know what -- you don't
6 know what it was.

7 MR. MORAN: Right. Thank you.

8 MS. BROOM: But at the same time, all we can
9 do is what we do know. And the beauty of the, you know
10 -- of it is, factually we can tell -- you know, and it
11 will take work and I can understand that -- but we can
12 tell what the policy is, what the value is, you know,
13 what the premiums are, and we can tell that there is
14 someone out there at a certain age that -- my
15 understanding is that all these people do exist and
16 hopefully they are at an age that they were when the
17 policies -- and we sell them at that, and it's
18 completely with eyes open.

19 I mean, I want to buy the policy, and I'm
20 willing to, and I would sign -- I would sign anything.
21 Literally, I would sign a statement saying, "I hold no
22 - I'm taking full responsibility for my investment. I

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1 understand what it is," and that's purely based on --
2 there's a human with a certain age, and there's a life
3 insurance policy. And, you know, your statement a
4 minute ago about some of them may mature -- I mean, I
5 was like, you know, full disclosure about everything.

6 So, as these requests are coming in -- and
7 these people need help, otherwise they wouldn't be
8 selling. They need the help.

9 As these are coming in, they get a value.
10 bankruptcy Judge understands the urgency of this matter
11 and starts evaluating them one right after the other,
12 and that is going to relieve so much of -- I mean,
13 people, if we want this to work and we all do, I think
14 this is a vital part of it, and I'm more than happy to
15 go -- and I know -- I'm sure everyone else here is more
16 than happy to go and testify, speak, whatever -- you
17 know, send affidavits.

18 I would be delighted to, and I think that it
19 is a very important part, and I appreciate everything
20 you're saying, but it can't -- we don't know -- we
21 know what happened. We may never know what happened to
22 all of it.

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1 MR. MORAN: Thank you. I know that's a
2 statement. If it was a question I would --

3 MS. ZIEGLER: Okay. There's the gentleman in
4 the red shirt.

5 MR. HOOK: Thank you. Thomas Clint Hook
6 I know that the process is ongoing, and thank you for
7 doing this.

8 What is being done to determine the extent to
9 which the licensees, the people that sold policies,
10 about the fraud and that they're being held
11 Having their licenses pulled, perhaps? Financially, can
12 you speak to that at all?

13 MR. MORAN: I know the -- under the
14 Court, one of the things that I'm charged to do is go
15 and look for fraud. I'm charged to go in and look for
16 fraud. I'm charged to go in and look for any
17 abnormalities, discrepancies. We are looking at of
18 those things right now, and that's all I can say.

19 In fact, what she was saying over here is, I
20 know everybody wants to do a transaction. She's a real
21 estate agent. If she got a hundred thousand calls
22 to sell a house, how many calls can you take?

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1 It's -- that's what we have going here, and
2 -- and it's like she said -- bear with me just for a
3 second -- she said, "I will buy this policy. I don't
4 know that the age is correct, but if it's correct," --
5 well, that's the problem. We don't know if the age is
6 correct. We don't know what was paid for it. We don't
7 know anything for sure on those policies, so that's
8 where we are.

9 MR. HOOK: I got ya.

10 MS. ZIEGLER: Great --

11 MR. RITTER: Yeah. David Ritter (ph.) I
12 represent the ad hoc committee of fractional interest
13 holders. And just -- I'll just ask one question
14 other people -- but is there a way, when you do file
15 LPI, for you to have the Court allow you to sell
16 policies to other policy holders, or other interest
17 holders, on the same policy? Because that would take
18 care of the problem where you've got a Lexus -- you've
19 got other people that are owners of that Lexus -- are
20 buying up the same exact car.

21 MR. MORAN: I agree with you, David. I think
22 that that is a very good suggestion and something we

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1 should look at. Thank you very much.

2 MS. ZIEGLER: Yes --

3 MR. BORNE: Richard Borne (ph.) I guess
4 I misunderstood you, but were you saying that your goal
5 is to get everybody out from under these policies by
6 selling them, or still holding them until maturity?

7 MR. MORAN: No. My goal is to maximize the
8 investments. If selling the policies is the maximum
9 investment, yes. If financing the policies is the
10 maximum -- the best way to maximize it, yes. If --

11 UNIDENTIFIED FEMALE: What does that mean,
12 financing the policy?

13 MR. MORAN: Someone paying -- if they can't
14 pay the premiums, that someone comes in and pays the
15 premiums.

16 UNIDENTIFIED FEMALE: And gets a portion of
17 their portion?

18 MR. MORAN: Yes. Or whatever. Now this --
19 please remember, this is all going before a Judge. This
20 will all be in front of you. Every suggestion that
21 comes in to me is then going to go in front of a Judge
22 for a determination, so I'm looking -- I'm trying to

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1 evaluate -- please understand, there are 106,000
2 different people with different thoughts.

3 You have one. I just heard what yours are.
4 I've got all these people here with maybe another 100,
5 and then I've got another 105,000 people out there with
6 others.

7 So, there's not a catchall for everyone, and
8 that's where I'm trying to get -- I'm trying to get to
9 the closest middle ground for the best of everybody.

10 UNIDENTIFIED MALE: But is it --

11 UNIDENTIFIED FEMALE: But it's a different --

12 UNIDENTIFIED MALE: Are we overpaying for
13 policies right now? How quickly are we going to know
14 what we're actually paying for a policy that owned --
15 that we actually have an interest in?

16 MR. MORAN: I would -- here's what I would
17 say, and this is what I'm told. Remember, I'm not an
18 attorney. I believe everyone here has a possible claim
19 in the bankruptcy court.

20 So, whether you think you have a policy or
21 don't have a policy, you still have a claim in the
22 bankruptcy court. Would that be a fair statement?

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1 MR. ROPER: Yeah. But we're not making a
2 determination whether it's a claim or ownership
3 interest. Really, that's beyond the scope of this. Is
4 that right?

5 MR. MORAN: Well, that's beyond the scope of
6 this, but there would -- there would at least be -- if
7 someone had a policy to possibly lapse, they would
8 have some type of right, correct?

9 MR. ROPER: Yes.

10 MR. MORAN: Okay.

11 MR. BELL: Yeah. My name is Jim Bell and I'm
12 a licensee and have been active for about four years.
13 I'm also an investor, and I've learned a lot of things
14 here, too, that I want clarified in the interest of
15 transparency.

16 If what you're saying is Cassidy closed a
17 expectancy on some insured person that was eight years,
18 that's the first part of transparency I think this
19 needs to know. If in fact they have -- let's say in
20 old -- before they changed the terminology -- it was a
21 three to five year life expectancy. If you find that
22 that life expectancy wasn't three to five years that

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1 presented to -- bought from Cassidy's company, Life
2 Partners -- I think, number one, everybody in here
3 should know what the actual life expectancy was on the
4 policy.

5 If you've got those files and you're having
6 spend two to three hours on it in the first place, that
7 would be nice information to know. If you're going to
8 have records that show -- Dr. Cassidy said eight years,
9 but it got on the page at four, I'd be, as an investor
10 or an agent, I'd like to know that information on each
11 of these policies.

12 MR. MORAN: Sure.

13 MR. BELL: And if that's the case, I'd also
14 like to know if, you know, every investor on every
15 policy gets a policy funding agreement with the policy
16 number on it. That has to jive, too. If they actually
17 own a policy, if that policy funding agreement is
18 accurate. Is that true?

19 MR. MORAN: Well, there's about 20 legal
20 questions. Uh --

21 MR. BELL: I understand. But I think in the
22 interest of transparency --

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1 MR. MORAN: Well, no, no. No. In the
2 interest of transparency, 60% of the money that went
3 into these policies actually went into a note that
4 supposedly bought an interest in the policy.

5 MR. BELL: Right.

6 MR. MORAN: And you talk about people that
7 hurting, those people are hurting because many of them
8 are supposed to be taking out disbursements now out of
9 their IRA's and there's no way for them to do it
10 there's no money in there.

11 So, I mean, listen everybody has an answer,
12 but there's always a legal issue surrounding -- and not
13 just one legal issue, there may be ten legal issues
14 surrounding every statement that's made.

15 MR. BELL: I'm sure. But that's also in the
16 interest of what these people are talking about
17 reselling these policies, if you're going to continue
18 perpetuate fraud that you found, then you're going to
19 have to know what the actual life expectancy was when

20 MR. MORAN: I agree with you 100%, yeah.

21 UNIDENTIFIED MALE: My name is (inaudible)
22 I'm a (inaudible) interest owner. I've got five

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1 policies. You made a statement earlier that we would
2 have to pay a new fee that would be possibly half of
3 previous fee.

4 I did not pay the previous fee because I felt
5 like it was -- fraud involved -- something was going
6 I didn't pay that, so I'm at high risk for not paying
7 this?

8 MR. MORAN: Here's my intention, and this is
9 what I did in another case in Ohio. The people that
10 paid, I gave them a bonus because they helped -- helped
11 us keep this thing going. The people that didn't pay
12 were behind the people that did pay.

13 In other words, if someone paid, they would
14 get their money first plus a little bit of a bonus.

15 UNIDENTIFIED MALE: Do I need to go in and
16 that fee? I believe there's (inaudible) -- paid any
17 additional fees that they (inaudible) -- to collect
18 money just because they're -- it costing more money
19 they previously thought.

20 MR. MORAN: Right. You've heard my
21 description of the fraud. You know what I'm trying to
22 do. You know that we need to keep this company going.

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1 would recommend that you weigh it the best you can.

2 UNIDENTIFIED FEMALE: Sir, what do you mean
3 bonus? You paid -- moved them to the front of the line
4 and the bonus. What does that mean?

5 MR. MORAN: Well, what we did in that other
6 transaction and what we're going to do here, I don't
7 know. But if someone pays to keep this thing going, we
8 -- instead of paying them back 100% on their money up
9 front, we would pay them back -- depending on which way
10 we go. We might pay them 105%.

11 UNIDENTIFIED FEMALE: What about those paying
12 premiums the whole time that others had not? Is that -
13 -

14 MR. MORAN: We're going to consider that as
15 well.

16 UNIDENTIFIED FEMALE: I have a question.

17 MR. MORAN: Yes.

18 MS. MCLEAN: My name is Paula McLean (ph) and
19 I have two policies with life expectancies that are way
20 beyond, okay? So now you talk about a percentage that
21 might be a part -- my question is, to cut back on the
22 hardships that it's causing with all these fees -- we

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1 pay for the insurance once a year --

2 (Background noise interruption.)

3 MS. MCLEAN: Why do we have to have the other
4 company money? Why do we have to pay them to cut a
5 check and send it to LPI? We pay fees for that also.

6 MR. MORAN: Go ahead --

7 MS. ZIEGLER: Whoever's appearing
8 telephonically, can you mute your phone, please? Thank
9 you.

10 MR. MORAN: Um, this company was put in
11 bankruptcy a month ago.

12 UNIDENTIFIED FEMALE: In January.

13 MR. MORAN: What's that?

14 UNIDENTIFIED FEMALE: In January.

15 MR. MORAN: In January, yeah. Right. I'm
16 sorry. I was appointed -- there are a lot of questions
17 I'm not going to be able to answer.

18 I'm not disagreeing with you. More than
19 likely I am agreeing with you, but I don't have an
20 answer at this time.

21 MS. MCLEAN: So at this time we have to keep
22 paying Millennium (ph) to write a check to LPI, and

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1 the time I stay on the phone with Millennium because
2 they haven't cut it in time and I get default letters
3 saying that it's -- you know, they didn't get the
4 So then I have to call Millennium and, oh yeah, well,
5 they'll do it right now.

6 MR. MORAN: For now. Now, as you heard me
7 say, I will come to the Court with a plan and my plan
8 to relieve this stress from everyone in short order.

9 MR. FIELDS: I have a question. My name is
10 Howard Fields (ph.) You mentioned about the age of the
11 people that own the policy, and you keep saying if
12 that's actually true -- my person has gone -- or four
13 people have already gone way past their life

14 My question is, do you know if what we were
15 sent through email, the person's age, is accurate?
16 now, it's kind of weird. I mean, it's like three or
17 four or five years past the life expectancy of that
18 person.

19 MR. MORAN: See, understand --

20 MR. FIELDS: Now I'm wondering if honestly --
21 if the life -- if that was people's age at that time
22 when the policy was bought, or does the person exist?

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1 That's another question --

2 MR. MORAN: Well, I -- the person probably
3 exists because we're paying a premium on their life
4 insurance policy, but understand, if Dr. Cassidy gave a
5 four year life expectancy and someone else gave a nine
6 year life expectancy, that nine year life expectancy
7 means 18, possibly 20 years.

8 So -- so understand that. And we have not
9 verified the age. I will tell you that I believe that
10 the ages in most of these policies is going to be --

11 UNIDENTIFIED FEMALE: Could you speak clearer
12 so we can hear out here? We're getting a lot of
13 interference.

14 MR. MORAN: Um, so -- yeah, I'm -- I can't
15 verify the ages, but I believe the ages are pretty much
16 accurate. Yes.

17 UNIDENTIFIED MALE: Thank you very much.
18 (Inaudible) -- on the committee that represents all of
19 the fractional interest owners, not the creditors. We
20 are not creditors, as you know, in our opinion at this
21 point, and except that we may be because of a
22 claim, which is the issue here.

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1 Right now we own interest in these policies,
2 and so -- some of you we represent here, so if we
3 you might want to (inaudible) -- so here are my
4 questions to you, Mr. Trustee Moran, and thank you very
5 much.

6 First of all, we had a nice meeting with the
7 lawyers and with Tom Moran, and we really think that
8 they -- everything they're saying to you is in fact
9 accurate. They have our best interest at heart.

10 I happen to know a lot of people that he
11 knows, and so we have a lot of people in common. I
12 absolute confidence in the Trustee, so you should feel
13 bad -- very much better about that. Another Freudian
14 slip.

15 But, here's the thing. Here's the situation.
16 Unfortunately, he's got some action that he may need to
17 take, which are going to be against what we think need
18 to be taken, not because he's trying to do something
19 wrong, but we just think that it's the wrong action.

20 And so, here are the questions that I have
21 that I think are important to all of you. So, the
22 question is, have there been maturities in the six

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1 that you've been on the job?

2 MR. MORAN: Yes.

3 UNIDENTIFIED MALE: Have those payments gone
4 out to the people in this room and other people at that
5 time?

6 MR. MORAN: Yes.

7 UNIDENTIFIED MALE: Okay --

8 MR. MORAN: Well, if -- all of the money
9 that's come in has gone out.

10 UNIDENTIFIED MALE: Okay. So, we're not --
11 it's not a situation where you guys are holding those
12 funds to pay other expenses. If somebody here is lucky
13 enough to have a maturity, they're getting a check,
14 assuming the processing type things that you make,
15 right?

16 MR. MORAN: Right.

17 UNIDENTIFIED MALE: Okay, good. So, the
18 that you and Mr. Roper and Katie are probably not going
19 to address -- she was talking here a minute ago -- and
20 that is the question of whether these fractional
21 interests that we own are securities?

22 And so I think everybody in this room knows

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1 that Judge Mallen (ph) ruled that they were securities.
2 You know, he or something -- they said it's securities.
3 Am I right, Mr. Roper?

4 MS. ZIEGLER: It was a Texas State -- yeah.
5 No. I mean, the FTC action had to do with the fact
6 LPHI is a public company. That's a slightly different
7 issue. The Texas Supreme Court was a result of a
8 different action, not by the Federal or Superior -
9 -

10 UNIDENTIFIED MALE: All right. So here's the
11 question for you then. To your best knowledge right
12 now, are the fractional interests that we own
13 securities? Yes or no?

14 MS. ZIEGLER: Well, that -- I mean, obviously
15 that's a question for the Judges. I mean, the whole
16 Supreme Court of the State of Texas has been asked to
17 answer, and other courts have also looked at it, not
18 just Texas. So there's no way that he can answer that
19 question.

20 MR. MORAN: The Texas --

21 MR. ROPER: If you're asking what our
22 is --

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1 UNIDENTIFIED MALE: What's your position

2 MR. ROPER: Our position is that I think -- I
3 think, you know, life -- and if I were going to
4 it, I'd handicap that the Supreme Court is going to say
5 it is a security. I'll tell you that.

6 But, I think we're going to have to --
7 ultimately, this may be something that's presented to
8 the Court and I don't want to prejudice our filing on
9 that. But I can tell you, if I were -- I'll handicap
10 that it is a security.

11 UNIDENTIFIED MALE: Okay. Does the -- Letha
12 Sparks (ph) from the Texas Securities Department is
13 here, and I think -- do you want to maybe talk about
14 that later?

15 MS. SPARKS: Our opinion, right now today, we
16 have two appeals courts in Texas saying they are
17 securities. The question is before the Texas Supreme
18 Court because Mr. Pardo (ph) and Life Partners, Inc.
19 and Life Partners Holding, appealed to the
20 Texas Supreme Court.

21 That case was under oral arguments in January
22 before the bankruptcy was filed. When the bankruptcy

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1 was filed, then that's -- waiting on the decision from
2 the Supreme Court Judges. That kind of put it into
3 (inaudible.) But Mr. Moran has got an order from the
4 bankruptcy Judge that says the Texas Supreme Court go
5 ahead and enter your opinion on this.

6 Today, our agency takes the position that as
7 it stands right now, selling life settlements the way
8 Life Partners sold them in Texas is a security. You
9 have to look to the instrument that's used, how it's
10 sold, how it functions, and what it does, and those
11 investments -- the Appeals Courts say they are
12 securities.

13 UNIDENTIFIED MALE: Well --

14 UNIDENTIFIED MALE: Wait, wait, wait.

15 (Inaudible) Life Partners question has to do with that?
16 It's all part of the same issue.

17 So, for all of you in this room who have
18 issues, should take the position that we are assuming
19 that these guys are right, they are securities, and
20 is right about this, that they are securities.

21 Now, here's my final question. If in fact
22 they are securities, and let's assume you agree with

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1 are they debt securities or are they equity securities?

2 MR. MORAN: Again, I'm not an attorney. I'm
3 not trying to -- you know this, I'm not going to ever
4 try and evade a question.

5 UNIDENTIFIED MALE: I know you're not.

6 MR. MORAN: But that's -- that's a legal
7 question. I --

8 UNIDENTIFIED MALE: That's all right, but let
9 me just make sure that we all understand why it's an
10 important question. Katie, I don't know if you or Rich
11 want to weigh in on this at all, and maybe this is a
12 Court issue, but think about this for a second.

13 If they are debt securities, which I can't
14 imagine how they could be debt securities, there's not
15 note, okay? Then this creditors committee that
16 represents creditors is not representative. If in fact
17 they are equity securities, which we believe they are,
18 then in fact that's the position we need to look at and
19 that's the position we're going to take.

20 MS. ZIEGLER: Yes?

21 MS. JOHNSON: My question is -- my name is
22 Johnson --

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1 MS. ZIEGLER: Thank you.

2 MS. JOHNSON: My question is this, when the
3 new platform fee initially came out we initially
4 the letter and didn't pay it, but then when they sent
5 a letter saying basically we're going to lose out if we
6 don't pay it, we paid, but we sent an email saying that
7 before we pay by this date, 100% of our investments
8 exceeded their life expectancy.

9 In order to prove to us that it's not a
10 we would like to wait to pay the platform fee until we
11 see at least one -- until we see that, you know,
12 something pays off. Well, again, in just a couple of
13 weeks one matured, okay?

14 So, my question is, was that all -- I mean,
15 it possible that they've all matured already and that
16 they've held them back, or some of them have matured
17 they just haven't told us?

18 MR. MORAN: No. Those -- I -- this is just a
19 guess on my part. I think that was a complete
20 coincidence. I don't think there was anything going on
21 in trying to get whatever your fee was.

22 UNIDENTIFIED MALE: I just have a comment.

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1 said she got a follow-up letter threatening her
2 position. I never got that letter. I got one letter
3 and it just said, hey, send some money. We're in need
4 of new --

5 MS. ZIEGLER: Mr. Willerdinski (ph)?

6 MR. WILLERDINSKI: Tom, I've got a few
7 questions for you, and ladies and gentlemen, I am Joe
8 Willerdinski and I represent the official unsecured
9 creditors committee that was appointed by the U.S.
10 Trustee.

11 Tom, a couple of questions. First, in
12 addition to looking at the company and understanding
13 what the company did and some of the facts that you're
14 now disclosing about potential fraud, looking at these
15 interim plans and then a long term plan --

16 MR. MORAN: Yes.

17 MR. WILLERDINSKI: -- there was an issue
18 raised about the wrongs that may have been done by
19 people.

20 MR. MORAN: Right.

21 MR. WILLERDINSKI: That's part of what you're
22 also looking at, correct?

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1 MR. MORAN: That's correct. Yes.

2 MR. WILLERDINSKI: And that's something
3 still going on now. You've got a lot of things to look
4 at. Is that a fair statement?

5 MR. MORAN: We do. And that's not a short
6 term deal.

7 MR. WILLERDINSKI: Besides looking at them
8 coming up with a conclusion, is it your responsibility
9 and the committee's responsibility to then pursue those
10 claims if appropriate?

11 MR. MORAN: It's our -- it's my
12 Joe, that we are supposed to give those findings to the
13 appropriate parties.

14 MR. WILLERDINSKI: Okay. And would you
15 be under a plan, long term, to identify those claims
16 to pursue those claims if appropriate?

17 MR. MORAN: Oh, absolutely. Yes.

18 MR. WILLERDINSKI: Okay. The second thing
19 in addition to the decisions, all of the decisions
20 you're trying to make and you're trying to balance,
21 you've not come to any definitive conclusion, have you?
22 I mean, you've heard comments today and suggestions and

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1 ideas, are you just -- are you going to ignore them?
2 you going to take them into consideration? Are you
3 going to think about them and work with your counsel?
4 How is -- what's the process?

5 MR. MORAN: Oh, yeah. Absolutely. I --
6 that's the one thing I'm probably fairly good at. I'm
7 not too good at many things, but I do listen, and I do
8 take to heart what I hear.

9 We are going to look -- as I said, we're
10 to look after your best interest. I told this poor man
11 that came out of the hospital with a heart attack, I'm
12 going to treat his money better than I would my own,
13 I mean that, and I'm going to do that for everyone
14 So, yes.

15 MR. WILLERDINSKI: Tom, you make a decision,
16 right? And you've said you're not going to be
17 everybody's friend here. You're going to make some
18 tough decisions.

19 MR. MORAN: Absolutely.

20 MR. WILLERDINSKI: You're then going to take
21 it to the Court to get approved, and the Court's going
22 to either like what you propose or dislike what you

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1 propose.

2 MR. MORAN: That's correct.

3 MR. WILLERDINSKI: Everybody here can come to
4 the Court. I can go to the Court, and I've been to the
5 Court --

6 MR. MORAN: Yeah.

7 MR. WILLERDINSKI: -- and I can challenge
8 you're going to do, correct?

9 MR. MORAN: And I don't doubt that you
10 probably will.

11 MR. WILLERDINSKI: But at the end of the day,
12 I mean -- and I just want people to understand this --
13 there's no way you're going to make a decision that
14 everyone's going to be satisfied with.

15 MR. MORAN: No. And, Joe, if I can, I'll
16 expand on that a little bit -- expound. We were in a
17 Court setting one time and we had a bunch of different
18 proposals before the Court, and 13 new attorneys showed
19 up in court. Thirteen new. We hadn't seen but maybe
20 one or two.

21 And all of them got up and said they had the
22 best plan for effectively everyone here. Every -- all

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1 these 13 employees -- attorneys -- had a plan for you
2 here, and our Judge said -- he said, "You know," -- he
3 said, "I'm in a court every day, and I'm in this court
4 because I can't get two people to agree, much less
5 4,500." So, that's the case.

6 You all, at some point, will agree with me
7 along the way. You aren't going to agree with me -- at
8 the end some won't agree with me. But all I can ask
9 to do is go to bed at night knowing that I am going to
10 be working for what I think is best for you, and that's
11 not always going to be the case, I'm sorry to say, but
12 in most cases it will be.

13 MR. WILLERDINSKI: Mr. --

14 MR. MORAN: Yes?

15 MR. WILLERDINSKI: I just want to ask you a
16 couple of more follow-ups. Mr. Moran, some people have
17 raised suggestions and one of them, for example, is the
18 issue of is this a security or not? Besides trying to
19 maximize value, you're job is also to reduce exposure
20 the estate, correct?

21 MR. MORAN: Absolutely, yes.

22 MR. WILLERDINSKI: So is part of your

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1 to this issue of bringing it to the Court and seeing if
2 there can be a procedure to sell these policies that
3 or may not be a security, to try not to expose the
4 estate to other claims?

5 MR. MORAN: That's exactly right. Yes.
6 you.

7 MR. WILLERDINSKI: Did I hear clearly that
8 are going to propose something to the Court that will
9 allow some form of sale of the policies?

10 MR. MORAN: Some form of sale of a -- and I
11 say that -- some form of sale of the claim.

12 MR. WILLERDINSKI: Okay. And then the --
13 maybe it's a comment, if you don't mind, but Mr.
14 (inaudible,) I appreciated your questions. I know you
15 sit on the ad hoc committee.

16 I have not had a chance to meet you, but you
17 criticize the committee and I'll just say, I've been
18 working on this for three months. I was in the court
19 for six days to get Mr. Moran appointed, which the
20 approved. It wasn't my decision.

21 The Court found that there were many gross
22 mismanagement -- well, that there was gross

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1 mismanagement, and many other reasons for the
2 appointment of a Trustee. Your committee took the
3 opposite position on that.

4 And, also, whether you're a creditor or not
5 or if you're a creditor, we think the committee -- we
6 know the committee has the job of representing you. I
7 would agree with you, though, the issue could be
8 you're a creditor or not, and that's a fair point, but
9 that is our job, is to represent the creditors of the
10 estates.

11 UNIDENTIFIED MALE: Well, I believe that, and
12 I think you guys are doing a good job of that. The
13 problem that we have is we think you guys have a
14 conflict, as you know. You can't represent owners and
15 creditors at that same time.

16 If we are all owners, which I believe we are,
17 whether it's a security or not, then we in fact are not
18 creditors. The only way we get to be creditors is
19 making a fraud claim, and so from that standpoint, I
20 think some of your folks who got you involved in this
21 are probably making that claim. We are not at this
22 point.

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1 MR. WILLERDINSKI: And you've raised -- your
2 counsel raised that issue at the court, and the Court
3 turned it down, but --

4 UNIDENTIFIED MALE: The Court didn't decide
5 that issue. And we also showed up very late in the
6 process, so for us to say that -- I wouldn't argue that
7 basically we showed up very late in the process.

8 MR. WILLERDINSKI: That's fair enough.

9 MS. ZIEGLER: Before I have anybody else ask
10 any questions, there are quite a few people who are
11 sitting outside who haven't had a chance, so I've done
12 - and asked if they have some additional questions, so
13 I'm going to ask some questions on behalf of investors
14 who are not able to be in this room right now. Several
15 policies have cash value to them.

16 MR. MORAN: Yes.

17 MS. ZIEGLER: Have you thought about getting
18 - selling those policies to maximize the cash value
19 that's already -- or the reserve cash that's in those
20 policies?

21 MR. MORAN: Well, sure. Um, we've thought
22 about selling them, but obviously we can't sell them

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1 without permission. We've thought about if we can't
2 premiums, raising money -- to borrow money to pay
3 premiums.

4 But, again, these policies have been in
5 effect, sometimes for a long time. As you well put,
6 they're well past their life expectancy.

7 People, please understand, there is a
8 mortality curve involved. The mortality curve kind of
9 goes like this, okay? It's getting more like --
10 of the drugs you were talking about, it's getting more
11 like this, and I understand that. The answer to that
12 question is, is the policy worth more to sell or to
13 hold?

14 Let me explain the market to you, if I can.
15 think this is important for everyone to understand. We
16 -- our company works for private equity groups, hedge
17 funds, investment banks, banks, private people just
18 yourselves. We know what the market is for policies.
19 We know how much they sell for. We know how much
20 portfolios sell for on the marketplace because we --
21 that's our job. That's what we monitor.

22 Policies on seniors -- policies on seniors,

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1 which a lot of people here own seniors -- we'll talk
2 about (inaudible) in a minute. You will rarely see a
3 policy on a senior go for more than 20% of the face
4 value. It's typically somewhere between 10% to 12%,
5 maybe 15%.

6 So, with that in mind, I believe -- and
7 the reason. Here's the reason. It's important for you
8 to understand. The reason is, the people in the
9 institutions that buy policies, buy them with the
10 of making a return, just like you did.

11 They are a little bit more sophisticated.
12 They've got people in the back room running these
13 numbers, and they know by the end of the day that when
14 they buy this policy that they're expecting a 16% rate
15 of return. If you're selling a policy, someone is
16 making 16% on the amount that they paid you.

17 So -- one time I was asked to go to another
18 country and I was talking to a bunch of bankers, and I
19 asked them, I said, "How much do you borrow money for?"
20 because they wanted to sell their policies. And they
21 said, "About 25," -- or "About a quarter of one
22 percent."

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1 So I said, "So what you want to do is you
2 somebody else to make 16% off of you that you can go
3 money at a quarter of a percent?" They said, "No, we
4 don't think we want to do that. We think we'll just
5 hold on to the policies."

6 So that is going to be an option. This is
7 going to be something, and I'm going to tell the Court
8 on your behalf, but I do know -- I know me -- I know I
9 have money in a savings account that I think I get like
10 .4 or .6%, something stupid, and I know that there have
11 been times in my life where I needed the money, I
12 care how much. So I have been there. I understand.

13 It's a Court of equity. I'm going to try and
14 reach an equitable solution that is going to be to the
15 maximum for you all. Okay. Sorry that's so long.

16 MS. ZIEGLER: No. These are questions.

17 MR. MORAN: Okay.

18 MS. ZIEGLER: If we've got more questions
19 after this meeting, or just going forward, who should
20 contact?

21 MR. MORAN: Well, one of the things -- okay,
22 understand again, we have 106,000 positions, but let's

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1 just say 22,000 investors. I received an email
2 yesterday from a licensee who used several profanities
3 on why no one would get back to him, and I mean, I'd
4 love to get back to everybody. I'm really more
5 concerned about you as an investor, than I am some of
6 the other folks.

7 MS. ZIEGLER: This is also -- this is also in
8 the framework of if you've got questions, do you talk
9 your licensee or do you talk to you directly?

10 MR. MORAN: Deal with LPI at lphitrustee.com,
11 because what we're doing is we have frequently asked
12 questions on there, and we are going to update those on
13 a continual basis, and I ask that we finally get that
14 website so that when you go to it you can, at some
15 point, click something that you're interested in and it
16 takes you right there. With 22,000 people, we just
17 don't have the staff to talk to everybody.

18 MS. ZIEGLER: So the way that we're building
19 those FAQ's is from the emails that are going to be
20 coming in --

21 MR. MORAN: Right.

22 UNIDENTIFIED FEMALE: -- to -- there's an

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1 email address that's on the website that you can use.
2 There's also -- the committee is taking questions, so
3 there's lots of opportunity to ask questions, it's just
4 that based on the volume it is going to take patience.
5 And if you want an individual response, you're more
6 likely going to see a global response as we get a
7 similar question over and over again.

8 MS. ZIEGLER: Okay. What procedure do you
9 have in place to track maturities?

10 MR. MORAN: We --

11 UNIDENTIFIED FEMALE: Can you repeat that?

12 MS. ZIEGLER: What procedure do you have to
13 track maturities?

14 MR. MORAN: We have -- LPI has several
15 procedures in place. When we came in we instituted
16 of our companies procedures and we immediately found
17 four maturities. One was in 2006, one was in 2011, one
18 was in 2012, and one was in 2013. So we are doing the
19 tracking -- we are instituting the tracking procedures.

20 UNIDENTIFIED FEMALE: Okay. Did you get the
21 money?

22 MR. MORAN: Not yet.

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1 MS. ZIEGLER: I just have a couple of more
2 questions and then I'll open the floor back up. In the
3 past there has been -- when a policy has matured, and
4 let's say somebody has foregone paying their premiums
5 and the other policy holders have lost some of their
6 investment to cover the cost of those premiums for the
7 people who didn't pay the premiums. Is there any way
8 that they are going to be compensated for those losses?

9 UNIDENTIFIED FEMALE: You mean from in the
10 past? Is it in the past they're talking about?

11 MS. ZIEGLER: I think it's in the past, and
12 then on an ongoing basis.

13 MR. MORAN: This is something actually that
14 just found out about. I mean, just this week we've
15 able to find out and start looking into that. That is
16 something that will have to be addressed.

17 UNIDENTIFIED FEMALE: Looking into what?

18 MR. MORAN: Into the fact that some people
19 have put money into policies and some others haven't.
20 And so there are a lot of different legal issues
21 associated with that other than just the payout, so
22 something that will have to be addressed legally.

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1 UNIDENTIFIED MALE: What happens to those
2 policies when someone didn't pay?

3 UNIDENTIFIED MALE: Because the 90% of them
4 paid, and the other 10% didn't.

5 UNIDENTIFIED FEMALE: Well, the short answer
6 is, different things happen with different policies.
7 That's our preliminary result, and so we are looking at
8 that. Across the portfolio itself I can say that there
9 aren't -- there hadn't been in the past solid
10 procedures, handbooks on how they handled policies, so
11 that's why there seems to be a difference in what
12 happened over time. So --

13 UNIDENTIFIED MALE: We'd be potentially
14 into dead policies?

15 UNIDENTIFIED FEMALE: All I'm saying is that
16 there's no hard and fast rules that existed at the
17 company for the policies.

18 UNIDENTIFIED FEMALE: But if we pay a premium
19 due now, could we possibly be paying a premium a due
20 for a policy that no longer is --

21 MR. MORAN: We have not found anything like
22 that yet.

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1 UNIDENTIFIED MALE: You guys received some
2 assets from Mr. Pardoe (ph) and you know, Slick Willies
3 over there, what -- was there any equity in that that
4 will fund the operations?

5 UNIDENTIFIED MALE: We didn't seize --

6 UNIDENTIFIED MALE: As far as the \$11 million
7 or \$12 million dollars in special dividends over the
8 last two years. So they lined their pockets and said,
9 "Oops, we've got no money." Or a disclosure says we're
10 not going to charge a fee -- charge you a fee from last
11 year -- it's all just total crap. Do you get any money
12 out of these assets you took from these guys?

13 MR. MORAN: We didn't seize those assets.
14 SEC did.

15 UNIDENTIFIED MALE: But those will come to
16 company, any equity in any of those sales?

17 MR. ROPER: Those will go to -- the SEC has a
18 separate fund set up that they'll do it, but the money
19 is not going to go just into the treasury.

20 UNIDENTIFIED MALE: Well, I meant -- not --
21 well, I meant as far as the --

22 MR. ROPER: It won't go through the -- it

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1 probably won't go through the estate of the -- the
2 bankruptcy estate unless there's an agreement.

3 UNIDENTIFIED MALE: Well, what about the \$46
4 million dollar judgment? Any of that money coming back
5 to pay for these? Because we were told they're never
6 going to have any of these fees, now they're hitting it
7 us with those fees, and you're going to, too, I

8 MR. MORAN: Um --

9 MR. ROPER: The judgment -- Judge Nallan (ph)
10 has a provision in there to set up a payment fund to
11 for --

12 UNIDENTIFIED MALE: Where does the money come
13 from?

14 MR. ROPER: If there is money, the funds
15 be a judgment.

16 UNIDENTIFIED MALE: Okay. Not fees.

17 MR. TUCKER: My name is Larry Tucker (ph.) I
18 live in (inaudible) Texas. January the 8th I received
19 letter from Life Partners stating that one of my
20 policies had a -- had passed away and gave me the
21 approximate of the assets that would be coming to me.

22 I have yet to receive any payment on that

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1 policy and I've called three times and I've written one
2 letter, but I haven't received any information as to
3 when I'm going to receive my money.

4 I've called the insurance company to verify
5 they have paid Life Partners for the policy. I found
6 out through my own initiative where the fellow was and
7 when his -- when he died -- and I expect to get my
8 out of that policy.

9 MR. MORAN: What did the insurance company
10 tell you?

11 MR. TUCKER: They said that they had paid off
12 the policy.

13 MR. MORAN: They have paid off the policy?

14 MR. TUCKER: Yes.

15 MR. MORAN: I'll look -- after the meeting
16 give me your card and I'll look into it.

17 MR. TUCKER: Okay.

18 UNIDENTIFIED MALE: I don't have a question,
19 have an observation.

20 MR. MORAN: Yes.

21 MS. ZIEGLER: Sir, can you state your name,
22 sir?

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1 MR. REYNOLDS: Homer Reynolds (ph.) I think
2 if we allowed it, we would sit here all afternoon. I
3 would like to thank Mr. Monroe --

4 UNIDENTIFIED MALE: Moran.

5 MR. MORAN: Moran.

6 MR. REYNOLDS: Moran. Sorry, sir.

7 UNIDENTIFIED MALE: Close enough.

8 (Applause.)

9 MR. REYNOLDS: I would like to thank you very
10 much for all that you have done and what you are doing.

11 MR. MORAN: Thank you.

12 MR. REYNOLDS: Appreciate it.

13 MR. MORAN: I appreciate that.

14 MS. ZIEGLER: So, just as sort of a
15 it's ten after 12:00, so we'll go until about 12:30 and
16 then see how many more questions we've got at that
17 point.

18 MS. DOBBINS: My name is Judy Dobbins and
19 we've been paying on several policies, paying the
20 premiums for several years now. This one particular
21 premium that we got a bill is due tomorrow, but in the
22 past two years it's been due August 1st. I don't

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1 understand why a premium that's been due August 1st now
2 is due May the 2nd.

3 MR. MORAN: Oh. I can tell you why. They
4 billing the premiums 75 days in advance in order to
5 people time to get the money in, so that's probably
6 that is.

7 MS. DOBBINS: Well, but they're not giving us
8 the 75 days to get the money in.

9 MR. MORAN: I understand. What they do --
10 what they've been doing, and understand this is what we
11 walked into -- they bill at 75 days in advance. If
12 don't get the money, then they will send you another
13 bill in 30 days, and if they don't get the money,
14 they'll send another bill in 30 days.

15 MS. DOBBINS: But we should still keep paying
16 the policies? That's what you're advising?

17 MR. MORAN: I'm -- what I'm saying is this.
18 you don't pay the policies, the policies are in
19 jeopardy.

20 MS. ANGELINA: Angelina (inaudible.)

21 MR. MORAN: Yes.

22 MS. ANGELINA: I'm an investor as well as a

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1 medical doctor.

2 MR. MORAN: Uh-huh?

3 MS. ANGELINA: I'd like to ask two questions.

4 The first is regarding Dr. Cassidy's evaluation of
5 policies and the life expectancy.

6 How does anyone decide how long a person has
7 to live? I'm very curious. When I look -- when I
8 bought these policies, I looked at the medical history
9 because I have some background to evaluate these --

10 MR. MORAN: Yes.

11 MS. ANGELINA: -- patient's histories, and I
12 found there were a lot of medical conditions listed and
13 their pharmacology -- whatever they were taking.
14 However, these policies belong to patients who are
15 people who value their lives, at least \$5 million.
16 policies are very big.

17 MR. MORAN: Yes.

18 MS. ANGELINA: Now, I think these people are
19 in the 1%. They are -- they have access to very good
20 healthcare, including all the best drugs. These people
21 are going to live much longer than the average 80 year
22 old.

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1 So, um -- and I chose these policies based on
2 the histories, and of course the life expectancy. Three
3 to five years. I have not had a maturity in five

4 Recently, I've had two policies mature, which
5 I didn't know about until I called in. I knew of one.
6 They reported -- they sent me a letter, but it has not
7 been paid. And the second policy I found by way of --
8 "Well, which policy are you calling about?" So I'm
9 concerned that we are not told whether the policies
10 matured and when I'm going to get paid.

11 So by looking -- going back to the life
12 expectancy, most of all the policies have, as you all
13 have commented, more than twice -- you were saying --
14 someone was saying it was four years and 50% will live
15 longer than four years. So it's now eight years and
16 going, and all of them have not matured.

17 MR. MORAN: Let me explain that again. I
18 probably wasn't clear, and I'm not the best
19 communicator. Dr. Cassidy's life expectancies listed -
20 - let's use four years, for example. If you took that
21 same life expectancy out to a third party --
22 Dr. Cassidy was on retainer with Life Partners, okay?

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1 If you take that same life expectancy out to
2 third party we're finding by and large that the life
3 expectancies by that third party are at least double
4 what Dr. Cassidy's are.

5 So if you had a four year life expectancy,
6 you go to another provider, it could be anywhere from
7 eight to ten years, okay? Okay. An eight to ten year
8 life expectancy, in actuarial data, approximately 50%
9 are going to die within that eight to ten years. The
10 other 50% are going to die in the next eight to ten
11 years with a tail after that. So, that is why.

12 Now, the other thing I'll tell you -- and I'm
13 not an actuary but this is important because you
14 up a good point -- people with large policies, we're
15 finding, live much longer, and it's because they have
16 the money to have the access to the health, and we --
17 and anybody independently in this industry, any actuary
18 that's in this industry, or L.E. provider, life
19 expectancy provider, are now building that into their
20 mortality schedule because they know that there's --
21 they have a longer life expectancy.

22 MS. BECKHAM: I'm Barbara Beckham (ph.)

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1 you, Tom. I really do appreciate what you're doing.

2 MR. MORAN: Thank you.

3 MS. BECKHAM: I have several things. Number
4 one, I'll be 70 1/2 and I will have -- I have money in
5 the IRA, but it's going to delete paying me premiums.

6 MR. MORAN: Yes.

7 MS. BECKHAM: And I'm not going to be able to
8 pay any of the premiums out of that IRA because I can't
9 get anything out of that IRA to pay the premiums, or
10 in to -- I should say, put any money into that IRA to
11 pay the premiums. What am I going to do?

12 MR. MORAN: Barbara, I'll be 69 next month,
13 I'm only a year and a half away from where you are. So,
14 believe me, I understand.

15 What we did in another case in Ohio is we
16 asked the Judge to make a ruling that helped people in
17 your situation. This is a bankruptcy court that was a
18 receivership court. We are working towards solutions
19 resolutions for you.

20 I don't know what we can do, but I'm going to
21 do my dead level best to try and come up with some type
22 of a solution for you, and -- because it's like I said,

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1 60% of the money in this company came from IRA's. So
2 it's just a matter of time before everybody reaches
3 situation, and it's not fair to you, it's burdensome,
4 it's stressful.

5 I know a lot of people that can't sleep at
6 night. I take that to heart. We will work for you.
7 That's all I can tell you.

8 MS. BECKHAM: Another question.

9 MR. MORAN: Yes.

10 MS. BECKHAM: The other question is, I had
11 three policies come due at the same time that I was hit
12 with a thousand dollar fee that I had to pay LPI.

13 MR. MORAN: Yeah.

14 MS. BECKHAM: That's \$4,000.00 out of my
15 income that I didn't have, so I went to -- I went to
16 Legal Aid, and I said -- Legal Aid -- and I got two of
17 the letters because I didn't respond to the first
18 letter. But I got two letters. I went to Legal Aid
19 I said, "What can I do? I cannot come up with that
20 money. I've paid all these premiums and paid the
21 administrative fee." "Well, we know that. We have
22 written quite a few letters for people just like you

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1 that are also part of the legal field" -- that's what
2 is. "So we'll send a letter out to LPI for you and
3 represent you, and say that you're not going to pay
4 that."

5 Now you're telling me that I'm going to be
6 penalized because I didn't pay the money that I really
7 couldn't afford, and now I'm going to be penalized
8 again. And the Legal Services said, "It's okay. You
9 don't owe it. You don't need to pay it because that's
10 illegal."

11 MR. MORAN: That's a great statement and a
12 great question. Let me explain. In the past, if
13 someone didn't pay that policy was considered

14 MS. BECKHAM: No, I'm talking about the
15 administration fee.

16 UNIDENTIFIED MALE: The service fee.

17 MR. MORAN: Okay. No, all I'm saying -- all
18 I'm saying is this. The people that do have the
19 to pay, they should be receiving some interest on that
20 money because they're actually helping you.

21 Because, I mean, not all of us have the money
22 to do these things, so if they can get a little bonus

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1 what they pay because it actually helped you, that's
2 what we're going to try and do.

3 MS. BECKHAM: Then you have on that sample
4 that you all sent out --

5 MR. MORAN: Uh-huh.

6 MS. BECKHAM: Incidentally, I didn't receive
7 lot of the correspondences that, Joe, that you were on.
8 I didn't receive any of that.

9 JOE: Okay. Please talk to me after and I'll
10 make sure you do.

11 MS. BECKHAM: Okay. But basically what
12 trying to tell me is that these people that did pay,
13 I was trying to keep my policies in force --

14 MR. MORAN: I understand.

15 MS. BECKHAM: I'm going to be penalized
16 because I couldn't -- because I told them -- that
17 doesn't make any sense to me.

18 MR. MORAN: Okay.

19 MS. BECKHAM: It really doesn't. I couldn't
20 pay.

21 UNIDENTIFIED MALE: You're just going to give
22 interest on their money, right? Pay like 5%?

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1 MR. MORAN: Basically what that will be is
2 just --

3 UNIDENTIFIED MALE: You're trying to find an
4 equitable solution.

5 MS. BECKHAM: But that's the other thing. On
6 your sample --

7 UNIDENTIFIED MALE: It's a matter of --

8 MS. BECKHAM: -- I would still have to pay
9 that past due fee. It shows -- and it was \$1,000.00 on
10 eight of my positions. (Inaudible) -- \$1,000.00.

11 MR. MORAN: Um, I'm happy to take your phone
12 call and I will talk to you outside. Yeah.

13 UNIDENTIFIED FEMALE: (Inaudible.) When do
14 you expect to go back to the Court? And number two --
15 so I have five positions, three of which I am
16 to pay policy premiums on, two that are escrowed out to
17 2018. Are the policies out to 2018, is that money in
18 escrow safe? You're not going to be coming back and
19 asking me to start paying on those again now?

20 MS. ZIEGLER: And you're name?

21 DORIS: Doris (inaudible.)

22 MR. MORAN: From what we can tell, that money

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1 is in escrow.

2 DORIS: And when do you expect to go back to
3 the Court this summer?

4 MR. MORAN: I believe that we're going to the
5 Court as early as next week.

6 UNIDENTIFIED MALE: That's good.

7 UNIDENTIFIED MALE: Just a simple question.

8 MR. MORAN: Yes, sir.

9 UNIDENTIFIED MALE: How would LPI or you even
10 know when someone dies? There are cases when someone
11 dies and nobody even knows. How is that -- just the
12 basic mechanics of it?

13 MR. MORAN: That is an interesting process.
14 There are -- someone just --

15 UNIDENTIFIED FEMALE: We can't hear the
16 question over here.

17 MR. MORAN: How do you find out if somebody's
18 died?

19 MS. ZIEGLER: Your name?

20 MR. MOORE: Brian Moore.

21 MS. ZIEGLER: Brain Moore?

22 MR. MOORE: Moore.

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1 MS. ZIEGLER: Okay.

2 MR. MORAN: How do you find out if someone
3 died? There are different databases. We also have
4 people that are on the application that we know that
5 friends, and we research those databases and reach out
6 to the people themselves.

7 We also look on social networks. You know,
8 they have Facebook accounts and things like that.
9 There's a lot of different ways, and one -- for
10 LPI had hired a company to do the tracking, to find out
11 about the mortalities.

12 When we came in, we started running some of
13 our and that's when we found these four people that had
14 died. You know, one of them in 2006.

15 So, it's just -- it's just a matter of doing
16 the work and doing it properly, and we know how to do
17 that. And we're teaching the LPI people how to do

18 UNIDENTIFIED MALE: Yes --

19 MS. ZIEGLER: Your name?

20 MR. DOMINGUEZ: My name is Oscar Dominguez
21 (ph.) I'm an insurance agent, a life insurance agent
22 for 30 years and a licensed life settlement broker.

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1 I think -- and as well as an investor -- I
2 think one of the things that keeps resonating is what -
3 - the asset class in the industry as a whole is
4 relatively new, so what used to be ten years ago has
5 changed tremendously to what is done today.

6 MR. MORAN: Yes.

7 MR. DOMINGUEZ: The way calculations are --
8 LE's are -- so we can't necessarily blame everything on
9 Life Partners, saying, hey, paint it with the same
10 brush, because things have changed in the industry as
11 have gone on. So, yes, today we have more tools
12 available that maybe in their defense they didn't have
13 back then.

14 Now, my question --

15 MR. MORAN: If that's a question, I'll answer
16 it.

17 MR. DOMINGUEZ: Well, I guess that would be
18 more of a statement. I think you may have failed to
19 mention that it's an industry that's constantly
20 evolving.

21 MR. MORAN: Then in that case, let me expand
22 on it a little bit. A policy is purchased with one

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1 expectancy and sold with another. There is nothing --
2 nothing has to do with the industry improving itself,
3 getting more sophisticated with that, but keep going.

4 MR. DOMINGUEZ: No, no. But the CDC has --
5 I've observed that they have made statements that life
6 expectancy has gone three to four years beyond what any
7 provider has anticipated.

8 Now, I guess my question is, if it's a
9 security, why don't you allow people to sell it to
10 providers that do have a securities license so they can
11 relieve that burden?

12 MR. MORAN: I'm told that this could have
13 a fraudulent transaction. So you want -- from what I
14 hear you saying, you'd like for me to sell what can be
15 considered a fraudulent transaction to someone else and
16 let that person own a fraudulent transaction?

17 MR. DOMINGUEZ: No, no. And I understand
18 you're saying.

19 MR. MORAN: Okay.

20 MR. DOMINGUEZ: That you're -- it could be a
21 fraudulent transaction and that you can't sell a
22 fraudulent transaction, but providers are pretty

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1 sophisticated, hedge funds are pretty sophisticated.
2 They could run their own L.E.'s. They have the staff.
3 They have the manpower. They could determine if it's
4 fraud, and they would probably offer some kind of a
5 discount, but at least we could sell and put it into
6 investors that need the liquidity.

7 UNIDENTIFIED MALE: Highlight "discount."

8 MR. MORAN: Yeah. And that's the key. A
9 discount. You know, I mean --

10 UNIDENTIFIED FEMALE: Even --

11 UNIDENTIFIED MALE: (Inaudible.)

12 MR. MORAN: Look, I'm --

13 UNIDENTIFIED FEMALE: Even if you assume that
14 we -- first of all, we are looking at this issue and
15 have been, because Tom brought this to his counsel from
16 the very beginning, because we know that that's what
17 people want to do.

18 So we hear what you're saying, but -- and we
19 have looked at it. There's expense in that, there's
20 question marks also around that, and that's just part
21 the ongoing process that we're looking at. But right
22 now, today, we do -- re-sales have been suspended, and

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1 that's where it is.

2 MR. MORAN: And, again, remember, there's
3 3,800 policies, three hours each. I mean, it's -- this
4 is massive. This is massive.

5 MR. DOMINGUEZ: I understand.

6 UNIDENTIFIED FEMALE: Yeah. That was the
7 second point, Tom, was that even if we want to do the
8 re-sales, getting to a place where we could do them,
9 it's going to take time no matter what. So --

10 UNIDENTIFIED FEMALE: Then how can you do
11 premium financing if it's a fraudulent --

12 UNIDENTIFIED MALE: Exactly.

13 MR. MORAN: If someone's willing to do it,
14 then they're willing to do it.

15 UNIDENTIFIED MALE: Well, if somebody wanted
16 to buy them --

17 MS. ZIEGLER: Okay, sir?

18 MR. GREEN: My name is Troy Green (ph.) And
19 Mr. Moran, I appreciate, too, what you're doing, but a
20 lot of what y'all have said -- I'm an old high school
21 principal and so, you know, this is -- whoop -- like a
22 lot of other --

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1 But, I do understand something. Number one,
2 how do you get paid? Who pays you?

3 MR. MORAN: The estate.

4 MR. GREEN: Okay. So -- and some other
5 questions that you brought up. You said some things
6 that I wasn't worried about before but I am now, and I
7 don't mean that ugly, I mean --

8 MR. MORAN: No, I understand.

9 MR. GREEN: Number one, I always wondered,
10 do I know these people are still alive? Do they -- now
11 you're -- do they exist? But you've said they more
12 likely do. But the age may not be right that they were
13 given, and we know the mortality rates, that's the only
14 question -- you've explained that very well.

15 So, when can I get some assurances that, you
16 know, maybe I am holding a policy on someone that -- I
17 track their ages. Mine have eight years with no pay,
18 except just recently, and it just flew through quickly.
19 It's amazing what bankruptcy will do. It's moving
20 things quickly. Mine was done within about six weeks
21 and I got the money and everything.

22 So, I don't know how that happened but, how

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1 when can we get some peace about -- after the
2 is declared that these do exist and that I am holding
3 something that not more than --

4 MR. MORAN: Once we file this bankruptcy
5 will be a lot of disclosure -- a lot more disclosure
6 everyone, so everyone will have a very good idea of
7 exactly what's going on because once we file
8 there will be more motions, more motions, it'll all
9 become public knowledge, you'll have a -- not just me,
10 you'll have a Judge looking at it, you'll have the
11 creditors committee, other people that are pointing at
12 me going, "Hey, let's watch this guy." So, yeah.

13 MS. ZIEGLER: Here's --

14 MS. HOSTETLER: Kathy Hostetler (ph.) We're
15 investors, we're licensees, we're on the stock. We're
16 up to our eyeballs in Life Partners, Inc.

17 So, with all our investors that we have, the
18 next question is going to be if they feel that the
19 platform fee was not legitimate to begin with, and in
20 fact in February there was a lot of discussion about
21 platform fees and how there wasn't any room in the
22 contract for that.

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1 My question to you is, how can you keep on
2 doing the platform fee when it really -- there were
3 things in the contract that said there would be no more
4 fees? We have to go back and tell all our clients, you
5 know, all of this, so how come you're keeping up the
6 platform fee?

7 UNIDENTIFIED MALE: Pardoe (ph) stole \$12
8 million bucks (inaudible) over the last two years in
9 special dividends, that's why. Twelve million bucks.

10 MS. HOSTETLER: Well, I would like Mr. Moran
11 -

12 MR. MORAN: No, that's a good question. The
13 - we have to have the platform fee to continue, and, uh
14 -- but it is my intention some way, somehow, that this
15 will be the last platform fee.

16 Now, everybody's going to walk out of this
17 room and they're going to say, "Tom said there's not
18 going to be anymore platform fees." I know how that
19 works because I'm -- my biggest problem is I am wide
20 open and I try and tell people what I'm thinking. And
21 I'm just like you all, we're all humans, we hear what
22 like to hear, and --

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1 But it's my intention to not have any more
2 platform fees after this, but please remember, if it
3 ever comes about again, that that was my intention.

4 UNIDENTIFIED FEMALE: Is there any
5 that, when all is said and done, you would refund --
6 would consider the platform fee as a mini loan to the
7 company, and then refund that?

8 MR. MORAN: That is something that we would
9 we could consider. Absolutely. Yes?

10 UNIDENTIFIED MALE: You were talking about
11 estate not getting of the \$46 million --

12 MS. ZIEGLER: Just your name?

13 MR. SAMBURSKI: Steve Samburski (ph) --
14 getting any of that \$46 million dollars. According to
15 Letha Sparks (ph,) I believe that's you right there --
16 she said they paid out nearly \$12 million dollars in
17 special dividends to the majority of the shareholders -
18 - Scott Heath (ph) and Brian Pardoe (ph) were --

19 That \$12 million bucks came straight out of
20 this company. Why do you think you get a service fee?
21 Because they sucked all the money out of the damn thing
22 and then they said, "What the hell? We're out of

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1 money." So they started charging more.

2 Do you get -- are you going to get that money
3 back? Shouldn't it come back into this company to pay
4 for your services? It's \$12 million bucks. That's the
5 reason.

6 MR. MORAN: Well, and I think -- I think
7 Letha, it was actually more than that, but --

8 MR. SAMBURSKI: Well, the figure she gave me
9 was just short of \$12 million bucks.

10 MS. SPARKS: That was -- excuse me -- that
11 the last two, two and half years.

12 MR. MORAN: That's right.

13 MS. SPARKS: We filed for -- the State of
14 Texas tried to put this company into receivership in
15 August of 2012, and if we had --

16 UNIDENTIFIED MALE: And we finally got --

17 UNIDENTIFIED FEMALE: Oh, my gosh.

18 MS. SPARKS: Yeah, we finally got a Trustee
19 who is going to run this company responsibly.

20 MR. SAMBURSKI: But I was asking -- you got
21 so you know that this \$12 million bucks in special
22 dividends had no reason --

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1 MS. SPARKS: That \$12 million dollars --

2 UNIDENTIFIED MALE: Mr. Samburski --

3 MS. ZIEGLER: I'm going to make one

4 We are recording all of this, so I really need to

5 reinforce, if you're going to make a statement, please

6 state your name for the record. We are going to get

7 this transcribed, so the clearer the record we have --

8 again, this is Elizabeth Ziegler -- that it's just

9 to go better for everybody in the long run.

10 So, just please make sure before you say

11 something, state your name.

12 MR. SAMBURSKI: Can you just answer that

13 question? I'll just ask if that money is recovered, it

14 should come back to this particular entity.

15 MR. WILIBINSKI: I agree with you, and this

16 Joe Wilibinski (ph.) And I am telling you that there

17 are a number of claims that we're thinking about, that

18 have been identified, that are out there.

19 We are trying to just see if we can get this

20 company stabilized and going forward. Get LPI filed --

21 but those claims aren't going away. I give you my

22 assurance on that. The Trustee is going to look at

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1 them. The creditors committee's counsel is going to
2 look at them, and I think you were over there before
3 you asked the question about the jets and the vehicles
4 -

5 MR. SAMBURSKI: The planes, yeah.

6 MR. WILIBINSKI: If there's any way possible,
7 we're going to go to the SEC and see if we can get the
8 money for the creditor group.

9 UNIDENTIFIED MALE: (Inaudible.)

10 MR. WILIBINSKI: Exactly right. Exactly
11 right. So I want you to know that.

12 MR. SAMBURSKI: Thank you.

13 UNIDENTIFIED MALE: How can we be informed
14 about what appearances in the bankruptcy court will be?

15 MR. MORAN: They will all be on the website.

16 MS. ZIEGLER: And your name?

17 MR. MORTINSEN: I'm sorry, Steve Mortinsen
18 (ph.)

19 MS. CLARK: Yeah, and I did want to say --
20 this is Katie Clark for the Trustee -- that one LPI
21 into bankruptcy, we have contracted with a company that
22 specializes in just giving notice, okay? Because there

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1 are so many people involved and so the claim --
2 everything about the court proceedings will be
3 online and for free so that you can see those in real
4 time, okay?

5 So the notices so far has been a huge issue
6 the case and that's at the parent level. Right now, if
7 we're talking about the operating entities, that's a
8 much larger group of people who want information and we
9 know that. We're planning for that and I've given out
10 thousands of addresses to the company so that you guys
11 can get notice.

12 UNIDENTIFIED MALE: What is your name? What
13 is your name?

14 MS. CLARK: Katie Clark.

15 UNIDENTIFIED MALE: Katie.

16 UNIDENTIFIED FEMALE: Are we still supporting
17 Brian (inaudible) --

18 MS. ZIEGLER: Your name?

19 UNIDENTIFIED FEMALE: (Inaudible.) -- his
20 airplanes?

21 MR. MORAN: So, no.

22 UNIDENTIFIED FEMALE: May I borrow it?

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1 UNIDENTIFIED MALE: You can buy it and we'll
2 sell it.

3 MICHELLE: Michelle (inaudible.) Since a big
4 percentage of the people have all of this as qualified
5 money, will the premium financing, once they're out of
6 liquid funds and their premiums need to be paid, will
7 they be able to pay the premium financing? Since you
8 can't put more money into an IRA if you don't have any
9 income.

10 MR. MORAN: Now -- and that's -- this is --
11 that's a great question and that addresses my --

12 (Background interruption.)

13 MS. ZIEGLER: I'm sorry, you need to mute
14 phone.

15 MR. MORAN: That's a really good question
16 because that really gets to the heart of this whole
17 case, the complexity that's involved in this. You can
18 imagine the number of legal issues having to do with
19 qualified funds, the number of legal issues having to
20 with it going into a note.

21 All of these different things, we will have
22 address everything and when we try and come up with a

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1 plan it will be for the benefit of trying to address
2 of these things the best way we can. And I wish I had
3 better question -- answer for you.

4 UNIDENTIFIED MALE: I thought everybody would
5 like to know, the SEC is going to auction those planes
6 off on May the 19th.

7 (Applause.)

8 MS. ZIEGLER: We have one more question over
9 here, and then you can ask your question, sir.

10 UNIDENTIFIED MALE: (Inaudible.) -- recently
11 -- I'm curious if --

12 UNIDENTIFIED FEMALE: We can't hear you.

13 UNIDENTIFIED MALE: I just had one policy
14 mature not long ago. I was just curious going forward,
15 is that -- will they continue to be paid? Mine was
16 paid. Are we going to continue to be paid these going
17 forward?

18 MR. MORAN: There -- uh, we are probably
19 to ask the Court to hold up for -- on a temporary
20 until we get decisions on the whole asset. We may have
21 to do it just for the protection of the whole asset on
22 temporary basis.

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1 UNIDENTIFIED MALE: So if you get a maturity
2 that's not going to pay you, even though you have to
3 keep paying these premiums?

4 MR. MORAN: Temporarily. And, again, please
5 understand. This goes to a Judge. The Judge makes the
6 decision. You all are welcome -- and I haven't even
7 made the decision totally yet -- you all are welcome to
8 agree or disagree any way you --

9 MR. OSBORNE: Robert Osborne (ph.) Has Mr.
10 Pardoe's assets been frozen? Not just his planes, but
11 what about his bank accounts, Swiss bank accounts,
12 etcetera, etcetera?

13 UNIDENTIFIED FEMALE: His Egyptian room?

14 MR. OSBORNE: The Egyptian rooms?

15 MR. MORAN: Um, the --

16 MR. OSBORNE: Am I -- how many of you have
17 been in the Egyptian room? Oh, brother. You ought to
18 go down there sometime just to see the elephants and
19 mammoths and the --

20 UNIDENTIFIED FEMALE: The statutes.

21 MR. OSBORNE: What about that? Has his --

22 MR. MORAN: It's my understanding -- and

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1 again, I'm not a lawyer, but it's my understanding that
2 they have a lien against all of his real property.
3 that be a fair statement?

4 MR. ROPER: Yeah. The SEC has an attorney
5 who's charged with trying to collect on that judgment,
6 so they're doing a lot of work. I can tell you. I
7 the lawyer who is doing it. We are in contact.

8 In fact, I talked to -- Tom and I talked to
9 her this morning, in fact.

10 MS. ZIEGLER: Did you state your name?

11 MR. ROPER: Richard Roper.

12 MS. HOSTETLER: Kathy Hostetler (ph) again.
13 question is, after you have gone through and you can
14 assess what everything is -- everything else -- is your
15 goal to sell LPI to a broker? Is your goal to make LPI
16 a viable company once again, that it would just go
17 forward and at least settle all of the life settlements
18 we have now? What is your ultimate goal for this
19 situation?

20 MR. MORAN: My ultimate goal is to maximize
21 the value of the asset, and if that means someone gives
22 us a really great offer to come in and buy LPI, and the

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1 Judge thinks that's a really good offer, we will
2 consider it. We're going to consider everything that
3 comes in the door for your benefit.

4 UNIDENTIFIED MALE: I understand that you
5 personally had a meeting with Mr. Pardoe (ph) in the
6 last few years about doing some business with him or
7 him. I'd like to know what that business was and why
8 you elected not to do the business, and did you feel
9 like he was a crook at the time in total frankness?

10 MR. MORAN: I'm happy to answer that
11 It was -- I believe it was 1999.

12 UNIDENTIFIED MALE: All right.

13 MR. MORAN: Somebody in his company called
14 company because we were in the brokerage business at
15 that time, and they said, "We're buying policies. We'd
16 like to you," -- and they'd heard about us -- "We'd
17 for you to send policies to us."

18 And we told them that we did not do business
19 with companies that did fractional shares, we only did
20 business with institutional funding -- companies that
21 were institutionally funded.

22 They said, "Well, that's interesting, because

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1 we have institutional money coming in the door." And I
2 said, "If you can prove to me that it's institutional
3 money, we will send you some policies." And they said,
4 "Okay."

5 So we sent it in. We sent three policies.
6 They bid on all three. Two of the people that we sent
7 the policies said, "Hey, we're happy to sell those
8 policies." So we went back to Life Partners at that
9 time, and I said, "We have two people that want to sell
10 their policies." They said, "Okay, we'll start the
11 paperwork."

12 Weeks went by, weeks went by, weeks went by.
13 They said, "Well, our institutional money isn't here
14 yet." And I said, "Well, what's the deal? You said
15 had institutional money. It was proven up. All this
16 stuff."

17 They said, "Well, right now we should have it
18 ready to go next week." And I said, "Okay, great." And
19 they said they had \$1.2 billion dollars coming in in
20 institutional money. There's a lot of billions in this
21 industry.

22 Anyway, so I said, "Well, why can't you do it

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1 this week?" And they said, "Well, our underwriter is
2 the hospital with a broken leg in New York." And I
3 said, "Is that Michael so and so?" And they said, "How
4 did you know?" And I said, "Because Michael so and so
5 is in the hospital in New York with a broken leg."

6 They said, "Well, how did you know that?"
7 I said, "Because I know that." And they said, "Well,
8 that's him." And I said, "Well, Michael so and so
9 doesn't have a billion two, so we're done."

10 I got a letter the next day from Mr. Pardoe
11 (ph) saying, "I never want to do business with you
12 again." And we -- I don't drink, but we opened a
13 of champagne.

14 MR. NICHOLS: Kevin Nichols (ph.) We manage
15 private equity funds. We have 1,600 policies. We've
16 had 150 maturities in the last few years.

17 There is a foundational issue here that has
18 not been addressed that I need to hear from you. Are
19 these fractions property of these individual investors
20 or are they property of LTI, and will they be
21 assets of the company?

22 MR. ROPER: That's a legal issue. We're not

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1 going to get into that today. We need to decide that
2 it's an ultimate question for Judge Nealms (ph) and
3 we're just not going to answer it.

4 MS. MOORE: Yes. My name is Cheri Moore (ph)
5 -- yes, I'm Cheri Moore from Longview and I have a
6 question.

7 UNIDENTIFIED FEMALE: We can't hear you.

8 MS. MOORE: I'm sorry. I'll try to talk a
9 little louder. Our policies we've been paying premiums
10 on, just like you guys, for several years -- I got a
11 statement this week for my premium -- there's one due
12 this year, 2015 -- and that premium doubled, more than
13 doubled from what it has always been for that
14 policy.

15 I called Life Partners yesterday and talked
16 with them and they told me, "Yes, it is a Universal
17 policy and they're allowed to do that, so you're just
18 going to pay a double premium."

19 And I'm thinking, okay, besides all of the
20 platform fees and everything else, if the premiums are
21 going to double, then that's really going to put a

22 MR. MORAN: That's a really good question and

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1 that's a question I want to answer for everyone here.

2 This is really, really important.

3 We had an example one time of a man that had
4 \$5 million dollar policy and he was aged 93. Life
5 agents here understand what an annual renewable term
6 an annual renewable term premium. The premium was 19%
7 of the face amount of the policy, so it was almost \$1
8 million dollars a year on a \$5 million dollar policy.

9 The people that owned that policy already had
10 \$3.5 million dollars in that policy, so now they're at
11 \$4.5 million. If they keep it and the man lives, next
12 year they're going to be at \$5.5 or closer to \$6
13 dollars.

14 This is what's going on inside this company
15 that people say, "Well, if we just keep paying the
16 premiums it's all going to pay out." Let me tell you
17 something. That's not necessarily the case.

18 In some cases it is, but in a lot of cases
19 where you get to the point where someone's 95 and
20 paying 25% to 30% of the premium every year, and if --
21 and in many cases, once they reach 100, the policy just
22 goes away and all of a sudden you have a \$5 million

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1 dollar policy that you've got \$10 million dollars in,
2 and the policy just goes away.

3 There are so many moving parts to this thing
4 cannot begin to tell you, but there is not a single
5 answer that's going to fit everything, so please
6 understand. So that's -- the answer to your question
7 probably correct, that it did double. Yes?

8 UNIDENTIFIED FEMALE: As an investor in that
9 policy, can she can and say, "I want to see a copy of
10 that policy so that I know what to expect in the
11 future?"

12 MS. ZIEGLER: Your name?

13 MS. COKER: I'm sorry, Kelly Coker (ph) with
14 the Phillips University Legacy Foundation. We're a
15 profit that invested in this wonderful, safe,
16 opportunity about ten years ago.

17 MR. MORAN: And I am from Oklahoma, so I know
18 who you are.

19 MS. COKER: Exactly.

20 MR. MORAN: Yes. Um, again, I'm going to
21 sure the premiums are as low as possible. And I
22 understand, you need to know for planning purposes what

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1 those premiums are going to be.

2 There are 106,000 -- 110,000 positions. If
3 everybody called on a position wanting to know what
4 their premium was going to be, it would create quite a
5 nightmare, so I can't tell you that we can do that. I'm
6 sorry. I wish we could, but we just can't.

7 Yes, sir?

8 UNIDENTIFIED MALE: Are the maturities
9 published anywhere so we can easily find them and not bother
10 customer service?

11 MR. MORAN: I believe that the maturities are
12 -- you all are notified of the maturities when they --

13 UNIDENTIFIED MALE: Publish them. You don't
14 have to bother anybody. On the website, perhaps?

15 MR. MORAN: Um --

16 UNIDENTIFIED MALE: Could we do that?

17 MR. MORAN: Uh, I think I have a privacy
18 that I need -- I would have to address with the
19 attorneys. If I start -- first of all, some states
20 not even tell you if someone dies because they think
21 that they have a privacy issue. So you can --

22 UNIDENTIFIED MALE: Can you use a code

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1 MR. MORAN: Potentially. Potentially.
2 the other problem. You know, we get into legal
3 complexities. In one instance Mr. Pardoe got sideways
4 with one of the major licensees and transferred
5 everybody's information over to another licensee, and
6 the time that he did that he gave everyone's private
7 information, from one person to another person.

8 So, then if I start giving the policy number
9 on that -- and what am I violating? There are so many
10 things going on here I've got to be really careful what
11 I do. But it's a good question. It's something that
12 we'll look at.

13 UNIDENTIFIED MALE: You indicated -- the
14 policies I've seen seem to have about a 5% annual load
15 to keep them in force. Your numbers indicated that it
16 was substantially perhaps around 3% to 3 1/2%. Are
17 of these policies perhaps overfunded?

18 MR. MORAN: Some of them -- yeah, some of
19 are over funded, but that's not creating the lower
20 amount. The load on the senior policies are going to
21 high, like you're talking about, the 5% to 5 1/2%. The
22 HIV policies are going to be probably closer to 1 1/2%

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1 to 2%.

2 So it's going to average -- at 3 1/2 number
3 I'm surprised. That's kind of the number I had in my
4 head, but I hadn't analyzed it like you have, so that's
5 --

6 UNIDENTIFIED MALE: There's the history that
7 if the SEC has a judgment against an entity or an
8 individual, the funds will only roll over to the SEC or
9 are they retained for the benefit of the misled
10 investors?

11 MR. MORAN: I'll ask this -- this part U.S.
12 Attorney.

13 MR. ROPER: This is Richard Roper. I think
14 the idea is -- you know, wherever the money goes to
15 satisfy the judgment. I think the SEC's position will
16 be that they're not going to ask for the money out of
17 the estate at the expense of the defrauded investors.
18 I think they'd probably subordinate in favor of the
19 bankruptcy estate.

20 But, you know, that will be something the SEC
21 will have to formally take a position on. I don't, you
22 know, represent SEC.

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1 UNIDENTIFIED MALE: And to a previous
2 question, did Mr. Pardoe own very much of his product?
3 Are you aware of it?

4 MR. MORAN: We believe that he owned quite a
5 bit.

6 UNIDENTIFIED MALE: Thank you.

7 MR. MULLINS: Where do you project us to be
8 one year from now as far as your discovery? My name is
9 Gary Mullins (ph.) We are investors. Where do you
10 predict the situation to be about a year from now as
11 as the information that we will have obtained and be
12 able to have determinations on? How many more years do
13 we have invested?

14 MR. MORAN: It would be my objective -- well,
15 first of all, you will have about as much information
16 possible within a year. I mean that we will have gone
17 through 95% to 99% of it by that time.

18 As far as your investment and having to come
19 up with more money, I plan to have something before the
20 Court well before that to address that.

21 MS. ZIEGLER: We're just going to go about
22 more minutes, so just think of your last questions.

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1 UNIDENTIFIED MALE: If you're going to
2 to premium finance, if that's part of what you're
3 looking at now, what's the cost of money out there in
4 this market?

5 MR. MORAN: Um, I think that we can do it for
6 less than 12%.

7 UNIDENTIFIED FEMALE: (Inaudible.) I'm a
8 licensee and I'm an investor as well (inaudible.) My
9 concern, or what I'm getting out of this -- I might be
10 my naiveness -- my feel for it is that it doesn't seem
11 like it's something that is a company that you all are
12 trying to take into receivership to continue doing
13 business.

14 I'm getting the feel that it is a company
15 that's trying to get, in a sense, settled down and
16 liquidated to be sold to equity. Or am I getting the
17 wrong thing from you? Is that your position and what
18 you've done for these companies in these years that
19 you've done this?

20 MR. MORAN: I think that is an option. But
21 this -- the way I have to look at this is, here is a
22 company that's been basically founded on fraud, so how

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1 do you continue a business founded on fraud? You can't
2 continue the same business model.

3 Would this company survive on an honorable
4 business model? That's something that we're looking

5 UNIDENTIFIED FEMALE: And when you say fraud
6 - I'm sorry -- you put that verbiage out there. I
7 what direct fraud are we seeing? Because if we have a
8 client coming to us and saying -- asking, "Was there
9 fraudulent movement within this company?" what would
10 answer be to them?

11 MR. MORAN: I would think that you would
12 answer the same answer that Judge Nolan (ph) answered.
13 Yes.

14 MR. ROPER: Well, you know, a good example.
15 This is Richard Roper. Enron had fraud and the
16 creditors in that estate got a pretty good return. So
17 just because there may be fraud doesn't mean it's all
18 hopeless, okay? I hope we don't get that --

19 MR. MORAN: No. And I don't mean to -- there
20 is a very good asset here that if we protect this
21 I believe we can get a substantial amount of money out
22 of it. And I should have said that early one. I'm

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1 very, very, sorry.

2 UNIDENTIFIED FEMALE: I just feel like we're
3 getting in position for very bad news, and I'm
4 you know, I hope this isn't trying to pace this asset
5 class into a position where it goes to an equity sale,
6 or things like that.

7 You know, and when they're saying -- I still
8 go back to the same thing when I'm saying, well, was
9 there fraud? I'm very honorable, as you are. I'm a
10 very honest, honorable person, and I want to give them
11 the best answer I possibly can.

12 MR. MORAN: Yeah. Yeah.

13 UNIDENTIFIED FEMALE: So if there was fraud
14 done, I would want to be honest with them.

15 MR. MORAN: Well, and a good example. Even
16 though someone -- let's go back to the house you buy
17 \$200,000 and there's a 30% fee. It's \$260,000, okay?
18 Just because you can't sell the house for \$260,000, it
19 still has value. So that's where we are.

20 Maybe the value isn't what you thing that is
21 projected on your screen, but there is definitely

22 UNIDENTIFIED FEMALE: One question.

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1 MR. MORAN: Yes.

2 UNIDENTIFIED FEMALE: If I get the premium --

3 MS. ZIEGLER: Could you --

4 MS. DOWNS: Barbara Downs (ph.) I get the
5 premiums, like two -- this last one that I got -- it's
6 like four months ahead of when the last premium was
7 was due the previous year.

8 Why are we being sent premiums that we owe
9 money on four months ahead of time? Three or four
10 months ahead --

11 MR. MORAN: Barbara, I'm sorry. I don't know
12 the answer to that question. I have no idea what
13 occurred, that's why I need to talk to you.

14 UNIDENTIFIED MALE: Let me ask you, when you
15 were talking about a discount on these policies -- so
16 you've got a policy that's supposed to be four years,
17 now I'm paying two or three years beyond when it's
18 supposed to be due. You pay \$10, now it's going to be
19 worth \$17.5, and you sell it that way. Why in the hell
20 would you sell it for \$.20 cents on the dollar of the
21 \$17,000?

22 I mean, the guys got to be getting close. I

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1 mean, you got four and now you've got an extra three.

2 Who's going to take \$.20 on the dollar? The guy could

3 die tomorrow and you get \$17,000 bucks.

4 MR. MORAN: I understand. I'm just saying,

5 I'm -- what I was trying to do -- and don't pick out

6 thing that I said, and I know you're not because I know

7 you're listening to everything.

8 That is only an option. There are a whole

9 of different options. That may be the worst option,

10 it's still an option.

11 MS. ZIEGLER: Sir? Your name?

12 MR. GETTY: I had the same problem -- oh,

13 Richard Getty (ph.) I had the same problem that you

14 about them changing my due dates, and I called LPI and

15 asked them, I said, "My due date was March, and now you

16 all have moved it up to January or February. How come?"

17 And they said, "Well, we were giving you two months lee

18 time, now we're not giving you but one month lee time

19 paying your premium."

20 But it still changed my due date and that's

21 all they said, was that we just shortened the time.

22 never did explain to me why the date changed.

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1 MR. MORAN: I think you just got bad
2 information. I'm sorry.

3 MR. RITTER: Um, Tom, David Ritter (ph.)

4 MR. MORAN: Yes, sir?

5 MR. RITTER: You said that you were going to
6 put a temporary hold on the payments once you put LPI
7 into bankruptcy. I was wondering, mechanically, how
8 do that. You've got an escrow to Atlas --

9 UNIDENTIFIED MALE: Now, David, you know we
10 can talk about that. I mean, that's a lawyer thing.
11 He's roaring on us to advise him how we're going to get
12 these things accomplished.

13 MR. MORAN: It's something that's been
14 considered --

15 MR. RITTER: Okay. I'll give you a call. I
16 just want to find out --

17 UNIDENTIFIED MALE: My wife had one mature
18 like --

19 MS. ZIEGLER: Your name?

20 UNIDENTIFIED MALE: (Inaudible) -- mature
21 about three weeks ago, I guess. Is that going to be
22 or not?

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1 MR. MORAN: I don't have an answer for you.

2 UNIDENTIFIED MALE: LPI said it was going to
3 be paid, you know, in four to six weeks.

4 MR. MORAN: I don't have an answer for you.

5 MS. ZIEGLER: Did you have a question?

6 UNIDENTIFIED MALE: (Inaudible.) Are we
7 to get a statement for these service fees?

8 MR. MORAN: Yes. I think it went out in the
9 mail yesterday. It may go out today. It should be
10 than 25% of the last one, from my understanding.

11 MS. BROOM: Deb Broom (ph,) licensee and
12 investor. You mentioned that we have access now to our
13 accounts online. Is that with the "lphitrustee" site?

14 MR. MORAN: No, it's with your old site.

15 MS. BROOM: And the same old password?

16 MR. MORAN: Yes.

17 MS. BROOM: And also along those lines, as
18 licensees, do we have access to our investor's
19 information as we used to?

20 MR. MORAN: I believe you do. I think one of
21 the things that we've created is you will not be able
22 edit your customer's information.

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1 MR. FITCHULOSKI: Lewis Fitchuloski (ph.)
2 an individual investor right now, I've got a premium
3 notice, I don't have the cash to pay it, what do I do?

4 MR. MORAN: Well, if you don't have the cash
5 to pay you don't have to pay, but --

6 MR. FITCHULOSKI: Right. So what -- if the
7 policy is going to lapse, I lose everything?

8 UNIDENTIFIED FEMALE: Yes.

9 MR. MORAN: All I can say is if premiums are
10 not paid, the policy has the potential of lapsing. I'm
11 looking in to trying to find financing for you to pay
12 the premium for you.

13 MR. FITCHULOSKI: Okay. Thank you. The
14 second question, the \$17.5, when at that point, no
15 IRA's except for Life Partners -- next year, if we're
16 still in limbo, they're going to want a -- to pay this
17 money -- we draw it from the IRA's. How do I handle
18 that on income taxes?

19 MR. MORAN: Well, you were out of the room
20 when I answered that, I think. We are looking into
21 on several different fronts and I'm hoping that we will
22 have it addressed before the deadline.

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1 MR. ALEXANDER: (Inaudible) -- Alexander
2 Investor. To follow up on that same question, if he
3 can't pay his fee, you've got a hundred others --
4 fractional investors on that same policy -- and they
5 does the premium get paid?

6 MR. MORAN: Every policy --

7 MR. ALEXANDER: Or does everybody lose?

8 MR. MORAN: Every policy is different. That
9 - I am charged by the Court to protect this
10 asset any way I can. The Judge acknowledged that this
11 is the primary asset of the company. He's charging me
12 to protect that. If I don't, shame on me, not on you.
13 I mean, you'd lose an investment, but shame on me. I
14 going to do everything within my power to protect that
15 asset.

MR. ALEXANDER: So is it within your
16 power -- because if you've got 99 investors who've paid
17 on a premium that's due, and one that didn't, is it
18 within your power that you'll pay the premium?

19 MR. MORAN: We are doing everything that we
20 can to make sure that happens.

21 UNIDENTIFIED FEMALE: When you are charging
22 the platform fee and you -- your client says, "Is this

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1 part of my IRA. Do I have to pay the platform fee out
2 of my IRA?" Or is this the cash that they can pay in
3 cash and how do you do that? Is it a -- is it part of
4 your qualified fund that you have to pay it, or is it a
5 --

6 MR. MORAN: Do you want to answer that?

7 UNIDENTIFIED FEMALE: -- just an outside fee?

8 UNIDENTIFIED MALE: I don't know that we have
9 an answer.

10 UNIDENTIFIED FEMALE: Yeah. I mean, that it
11 is something that has been raised to us and that the --
12 only actually very recently and so we are looking at
13 that issue. To the extent we can provide an answer.

14 Right now, as we understand it, some of that
15 information is coming from third parties in terms of
16 what they might require.

17 MR. MORAN: yeah.

18 UNIDENTIFIED FEMALE: Not to mention what --
19 how we're going to look at it. So, --

20 MR. MORAN: Hopefully -- I mean, I have our
21 folks looking at it for everyone. I mean, I'm really
22 concerned about that for everyone. Again, I'm close to

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1 the same age. I'm looking into that and hopefully we
2 will come up with some answers that will address that,
3 but we're not there yet.

4 Yes, sir? Oh, I'm sorry, I can't -- I'm not

5 -

6 MS. ZIEGLER: It's fine.

7 UNIDENTIFIED MALE: To follow up on that,
8 been told frankly --

9 MS. ZIEGLER: State your name?

10 DENNIS: -- that you guys have been told --
11 Dennis (inaudible) -- that you guys have been told that
12 perhaps those of us who used qualified plans, that that
13 was not even legal to do that. Is that -- I've just
14 heard that. Is that true? Is that possible that
15 -- doesn't even fit the IRS possibilities?

16 UNIDENTIFIED FEMALE: Yeah.

17 UNIDENTIFIED MALE: To pay the platform fees?
18 Is that what you're talking about?

19 UNIDENTIFIED FEMALE: Right. Well, so here's
20 --

21 DENNIS: No, no. Not the platform fee, the
22 investment itself.

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1 MS. CLARK: All I can say at this time is
2 they have said -- Scott Piedon (ph) said that it's
3 legal. What we're saying is --

4 DENNIS: That makes me feel good, Katie.

5 MS. CLARK: Maybe that's all I need to say.

6 DENNIS: That's all you need to say.

7 MS. CLARK: So that's a very critical issue,
8 obviously, and one that we take seriously and are
9 looking at.

10 MR. MORAN: Okay. And which I think you
11 should, but understand that that's sort of our problem,
12 not your problem.

13 MS. CLARK: Well, actually, I mean, all of
14 your problems are partly our problem, so I do
15 your position.

16 MR. MORAN: Who is Scott Peterson?

17 UNIDENTIFIED MALE: Peidon (ph) --

18 UNIDENTIFIED FEMALE: Peidon -- who is he?

19 UNIDENTIFIED MALE: Former general counsel.
20 Former general counsel.

21 MS. ZIEGLER: Last question.

22 MS. CASTELBAUM: Yes. I've kind of tried to

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1 pose him some questions here. All of us are -- Kitty
2 Castelbaum (ph.)
3 Many of us have gotten these notices earlier and
4 and earlier, and I think the question going forward,
5 that you are the Trustee, if it's due in August, do we
6 - are we in fear if we don't pay it until July like we
7 did the first year or two instead of March when they
8 for it?

9 MR. MORAN: I hear you, and truthfully I've
10 seen one of those bills, but I didn't look at it like
11 you're looking at it. I'm going to ask that that --
12 even though it goes out 75 days in advance, it's put on
13 there when it's actually due. I think that's only
14 That's part of the problem with this company. There's
15 been --

16 MS. CASTELBAUM: Are you saying we still need
17 to pay it way early?

18 MR. MORAN: No.

19 MS. CASTELBAUM: Okay. Thank you.

20 MS. ZIEGLER: Okay.

21 UNIDENTIFIED MALE: Quick question. Are you
22 going to notify -- are the licensees able to -- are

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1 going to be notified in public when maturities happen?

2 MR. MORAN: Yes. Yes.

3 UNIDENTIFIED FEMALE: There just won't be any
4 money distributed.

5 MR. MORAN: --

6 UNIDENTIFIED MALE: -- or you think you're
7 going to hold these funds?

8 MR. MORAN: We're going to ask the Court.

9 UNIDENTIFIED MALE: A summary question. Do
10 you have any confidence that these people can get at
11 least all of their money back if they don't take a
12 profit over the year? Do you think you can work this
13 thing out that they'll at least get their money back?
14 Will everybody in here get their money back?

15 MS. ZIEGLER: And what is your name?

16 UNIDENTIFIED MALE: (Inaudible.)

17 MR. MORAN: It is way, way, way early in the
18 process. You know, in looking at it I think that
19 there's definite money there. I believe that in my
20 heart, that there's money there.

21 To get all of it back, I would -- I like to
22 over promise or under promise and over deliver. I

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1 say that now. It's just way too early. Way too early.

2 UNIDENTIFIED MALE: You think it's a
3 possibility?

4 MR. MORAN: It would be a possibility, but as
5 we get into these policies -- I brought up in
6 -- I was on the witness stand -- there is a lady aged
7 that has a very large policy. At age 95 it goes away.
8 So, you know, we have a lot of moving parts here.
9 There's group policies on people that when they change
10 jobs we don't even know right now where they go. We're
11 working on getting that changed.

12 There's so many moving parts that even if
13 there was money there today to pay everybody back, I
14 don't know if it's going to be like that in five years
15 because I don't know how long these people are going to
16 live.

17 MS. CLARK: Well, and the other issue is that
18 we don't know who has a claim and how much they're
19 to claim that they're owed, and how -- you know, we
20 can't foresee that into the future, but that's the
21 purpose, part of the purpose of being in the bankruptcy
22 court, is to provide a forum for people to come forward

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1 and say that they have a claim and explain what that
2 So that's part of the issue in predicting.

3 UNIDENTIFIED MALE: What other claimants do
4 you have except for all of us?

5 MR. MORAN: I'm sorry, what?

6 UNIDENTIFIED MALE: What other claimants do
7 you have other than all of us?

8 MR. MORAN: Well, I mean, from what I'm told,
9 people have abandoned policies in the past. I mean,
10 there's --

11 UNIDENTIFIED MALE: --

12 MR. MORAN: Okay but --

13 MS. CLARK: Well, and that's just something

14 MR. MORAN: There's so many questions. We
15 answer all of the questions --

16 UNIDENTIFIED MALE: That's a class action law
17 suit, too.

18 UNIDENTIFIED MALE: Right. A class action
19 suit.

20 UNIDENTIFIED MALE: The lawsuits that have
21 been filed --

22 MS. CLARK: There's a lot of aspects to that

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1 that would really require a lot of time, I think, to
2 answer.

3 MR. MORAN: I think this company had 12
4 lawsuits going when we stepped in the door, so it's --
5 lots of moving parts.

6 MR. MCLEAN: What kind of timeline are you
7 looking at? I'm Robert McLean (ph.) What kind of
8 timeline are you looking at to wrap all of this up? I'd
9 like to know that I'm going to be alive --

10 MR. MORAN: I'd like to know that I'm going
11 be alive.

12 MS. ZIEGLER: And that's the official,
13 official, last question.

14 MR. MORAN: All right. Thank you very much.

15 MS. ZIEGLER: I do --

16 UNIDENTIFIED MALE: Yeah, I don't think we've
17 answered that, even if it's just --

18 MS. ZIEGLER: I am concluding the 341 meeting
19 of creditors.

20 (Whereupon, the 341 meeting In re:
21 Partners Holdings, Inc. was adjourned.)

22

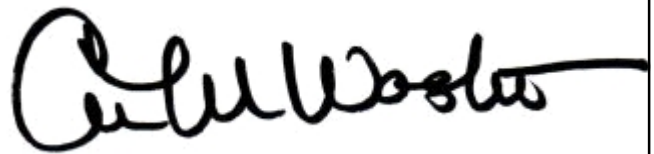
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CERTIFICATE OF TRANSCRIPTION

I, ANNMARIE WASKO, hereby certify that I am not Court Reporter who reported the following proceeding that I have typed the transcript of this proceeding using the Court Reporter's notes and recordings. The foregoing/attached transcript is a true, correct, and complete transcription of said proceeding.



Date

ANNMARIE WASKO

Transcriptionist

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