

# Frequently Asked Questions

## Litigation Regarding Policy Ownership

July 23, 2015

**1. What is the Notice of Hearing and Motion to Establish Process for Consideration of Issues Relating to Ownership of Life Insurance Policies and Proceeds and For Certain Related Relief that I received?**

The Trustee, on behalf of the Debtors, is *asking the Court to establish a schedule* for the litigation of any and all Ownership Disputes related to the life insurance policies. The request is to set a deadline and schedule for any Investor, and/or other party-in-interest with standing, to assert an ownership interest in any policy owned by LPI.

The Trustee's Motion was filed following a June 19, 2015, filing, whereby the Court was asked to determine certain investor's ownership claims in life insurance policies. [KLI Investments, LP, Penumbra LLC, Penumbra Capital Life Settlement Fund – MMXA LLC, Penumbra Capital Fund - 2012 LLC, and Penumbra Fund III LLC (collectively "KLI") Adversary Proceeding No. 15-0405 (the "Lawsuit")].

**2. Why did I receive the Notice of Hearing and Motion on Proposed Procedures to Determine Ownership of Life Insurance Policies and Proceeds?**

Notice was sent to all known fractional interest holders / investors. Please review the Notice Motion and all Exhibits carefully.

**3. This proposed deadline is the same as the Proof of Claim deadline. Are these the same thing?**

No. The proposed deadline for taking action related to ownership claims is a separate issue and requires a separate filing.

The Proof of Claim deadline is the same date as the proposed deadline to intervene. However, the proof of claim is a separate filing than the filing requested in connection with the Lawsuit. If you have any questions regarding the filing of a Proof of Claim please refer to the Frequently Asked Questions related to Bar Date, Proofs of Claim and Investor Questionnaire.

**4. What is the background of the "Ownership Dispute"?**

The Texas Supreme Court recently ruled that with respect to Life Partners and its business of selling interests in life insurance contracts that those sales were sales of "investment contracts" from a "collective enterprise" and therefore "securities" under Texas State Law. As a result of this ruling and the Trustee's investigation into the manner in which the Life Partners sales and re-sales business was operated, the Trustee asserts that Life Partners owns the life insurance contracts.

Notwithstanding the Trustee's position, parties such as KLI assert that they *own* what they describe as fractional interests in various policies.

**5. What are the key dates for the litigation of the ownership issue?**

The proposed timeline is detailed in Exhibit A to the Motion (attached to document #647 on the docket). The Bankruptcy Court set a hearing on the Motion to *adopt the timeline* on July 28, 2015 at 1:00 p.m. in Judge Nelms' courtroom.

**6. Do I need to hire a lawyer?**

The proposed timeline will establish deadlines that may affect your rights. The Trustee, his professionals and the employees of the Debtors cannot offer legal advice or assist you in determining how, or if, your rights may be affected and what, if any, action you should take.

If you have any questions as to your rights or action you should take with respect to the request to set the deadline or the impact it may have on you, the Trustee encourages you to seek your own counsel in order to understand the request and the proposed deadlines as they relate to you.

Since the timeline requires that a legal pleading be filed in the Lawsuit (the pending adversary proceeding referenced above), you should consult with counsel as soon as possible.

**7. What happens if I do not take any action in response to these filings?**

As stated in the Notice, if you do not object to the proposed timeline, the Bankruptcy Court may consider the matter unopposed and set the deadlines requested by the Trustee. Even if the timeline is opposed, after consideration, the Bankruptcy Court may approve the proposed timeline and deadlines.

***If the timeline is approved, deadlines will be established that if not followed will not allow contesting the Trustee's claim that Life Partners owns the life insurance policies.***