FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

OCT 25 2002

PATRICIA PRESLEY, COURT CLERK
by__________ Deputy

Oklahoma Department of Securities,)
ex rel. Irving L. Faught, Administrator,)
)
Plaintiff,)
vs.)
)
Accelerated Benefits Corporation, a Florida)
corporation, et al.,)
)
Defendants.)

Case No. CJ-99-2500-66

MOTION FOR ORDER APPROVING SALE OF CONSERVATORSHIP ASSETS AND BRIEF IN SUPPORT

Conservator Tom Moran hereby respectfully moves the Court for entry of an Order approving the sale of Conservatorship assets. In support thereof Conservator would show the Court as follows:

INTRODUCTION

This proceeding began as a fraud action commenced by the Oklahoma Department of Securities against Accelerated Benefits Corporation ("ABC") and its Oklahoma agents, who offered and sold viaticals to numerous investors on ABC's behalf. The viaticals are interests in life insurance policies (the "Policies") in which the insured ("Viator") sold his interest in the death benefit proceeds to ABC for a cash payment during his/her life. ABC funded the purchase of the viaticals by entering into Purchase Request Agreements with investors (the "ABC Investors"), wherein the ABC Investors paid money to ABC in exchange for a right to a pro rata share of death benefit proceeds upon the death of the Viator to which they were subsequently matched.

On December 17, 1999, the District Court entered an agreed order and judgment finding that the Oklahoma agents of ABC, acting as unregistered broker-dealers or agents, had sold unregistered

204.

securities in and from Oklahoma. Thereafter, the District Court held a non-jury trial of ABC and adopted Findings of Fact and Conclusions of Law, which among other things: (i) enumerated the misstatements and omissions of material facts ABC made to ABC Investors in connection with the offer and sale of the viaticals; and (ii) stated that ABC committed fraud in the sale of such securities.

The facts misrepresented in the Purchase Request Agreements included, without limitation, those relating to the "guaranteed payment of premiums" on the life insurance policies underlying the viaticals. In fact, ABC purported to set aside funds for the payment of such premiums according to a formula based on ABC's estimates of the Viator's life expectancies, which proved very inaccurate resulting in premium shortfalls.

At the conclusion of the trial, the District Court entered an Order of Permanent Injunction against ABC. After extensive negotiations the parties agreed that it was in the ABC Investors' best interests to appoint a conservator to take over administration of the Policies. Accordingly, on February 6, 2002, the Court entered its Order Appointing Conservator and Transferring Assets (the "Conservatorship Order"). The Conservatorship Order was signed and agreed to in form and substance by ABC; its president, Keith LaMonda; ABC's escrow agent, American Title Company of Orlando ("ATCO"); and ATCO's president, David Piercefield.

The Conservatorship Order defines the Conservatorship assets (the "Conservatorship Assets") as certain assets of ABC and its agents, including ATCO and David Piercefield, including:

> *a. All life insurance policies owned or held beneficially, directly or indirectly, by or for the benefit of ABC and/or ABC Investors, that were purchased prior to October 1, 2000 (the "Policies");*

* * *

> c. *All premium reserve accounts and bank accounts into which ABC Investor funds or proceeds from the Policies have been deposited . . .*

Under the Conservatorship Order, the Conservator is authorized, among other things, to:

* * *

> *2. to manage all Conservatorship Assets pending further action by the Court including, but not limited to, the evaluation of the Policies, and to take necessary steps to protect the ABC Investors' interests including, but not limited to, **<u>the liquidation or sale of the Policies to institutional buyers</u>** and the assessment to ABC Investors of the future premium payments;*

* * *

The viatical portfolio consists of life insurance policies with a face value of approximately One Hundred and Forty-one Million Dollars ($141,000,000). The ABC Investors paid an aggregate One Hundred Seven Million Five Hundred Fourteen Thousand Seven Hundred and Forty-two Dollars ($107,514,742) for their collective right to receive a percentage of the maturities payable from the viatical portfolio.

Current annual premiums on the Policies are approximately Two Million Two Hundred Thousand Dollars ($2,200,000). In addition to the amounts initially invested, the investors are currently being billed for the annual premiums even though ABC initially represented to the investors that they would never have to pay premiums on the policies. However, because some of the ABC Investors are unable or unwilling to pay their pro rata share of premiums, there is an ongoing shortfall of approximately forty percent (40%) of the premiums due.

Although this Court previously approved an Order authorizing the Conservator to retain six percent (6%) of Policy maturities to cover premium shortfalls and expenses, that Order was declared void by the Oklahoma Supreme Court. Accordingly, the Conservator estimates that based on its existing cash and the rate of premium receipts historically provided by ABC Investors, it will not have sufficient assets with which to continue to pay premium shortfalls for more than approximately six (6) months. Unmatured Policies will begin to lapse and the ABC investors may receive nothing if the Conservator cannot pay the premium shortfalls.

Pursuant to the Conservatorship Order, the Conservator contacted numerous potential institutional buyers to determine the marketability of the viatical portfolio. Of those potential institutional buyers contacted by the Conservator, only the following elected to examine the portfolio:

1) LifeAlliance, L.L.C.
c/o Mr. Nathan Prager
1661 International Drive, Suite 400
Memphis, TN 38120

2) Infinity Capital Services, Inc.
c/o Mr. Scott Wolkammer
800 N. Old Woodward Ave., Suite 102
Birmington, MI 48009

3) ViaSource Funding Group, L.L.C.
c/o Mr. Marc Feaster
3349 Highway 138 East, Suite C1
Wall, NJ 07719

4) Portsmouth Financial Group
c/o Mr. John Collins
1724 Phoenix Parkway
Atlanta, GA 30349

5) Living Benefits
c/o Ms. Suzanne Moe
601 Carlson Parkway, Suite 900
Minnetonka, MN 55305-5218

6) Legacy Benefits
Empire State Building
350 5th Avenue, Suite 4320
New York, NY 10118

7) Stone Street Financial
c/o Mr. Bob Vona
7316 Wisconsin Avenue, Suite 500
Bethesda, MD 20814-2937

8) ALI
c/o Mr. Carter Crews
10010 San Pedro, Suite 650
San Antonio, TX 78216

9) Life Equity
c/o Mr. Brian Smith
85 Executive Parkway, Suite 100
Hudson, OH 44236

10) International Partners
c/o Mr. Victor Lansdowne
internationalpartners@sympatico.ca

To date the Conservator has received offers to purchase the Policies only from LifeAlliance, L.L.C., Infinity Capital Services, Inc. and ViaSource Funding Group, L.L.C. The offer from ViaSource Funding Group, L.L.C. was for approximately $5,000,000 and is not being presented to the Court for consideration. The summaries set forth below are qualified in their entirety by the more detailed information appearing in the letters attached as Exhibits A and B, respectively. Any offer approved by this Court would be non-binding until such time as mutually acceptable definitive documents are negotiated and signed by the Conservator and the buyer. The Conservator cannot assure the Court that any approved offer for the sale of the viaticals will be consummated or that any policies will not lapse prior to the consummation of an approved sale.

If an offer is approved by the Court and consummated by the parties, all proceeds from the sale shall be distributed pro rata to the ABC Investors. The pro rata distribution under all of the offers submitted for the Court's consideration would be determined based upon the percentage investment of each ABC Investor calculated by dividing the amount of each individual investment by the total amount invested by all ABC Investors. For example, an investor with a Fifty Thousand Dollar ($50,000) investment would have a .0004650525 interest in the viatical portfolio (i.e., $50,000 divided by $107,514,742), and would receive that percentage of any and all amounts distributed by the Conservator.

I.

THE LIFE ALLIANCE OFFERS

The offers (the "LifeAlliance Offers") from LifeAlliance, L.L.C. ("LifeAlliance"), attached hereto as Exhibit "A", provide for three alternative structures for LifeAlliances' purchase of the viatical portfolio.

A. **LifeAlliance Option I**

The first option ("Option I") presented by LifeAlliance is for a fixed cash payment of $24,750,000, which equals approximately seventeen and one half percent (17.5%) of the estimated $141,529,990 face value of the Policies. A portion of the total consideration, $5,000,000, would be placed into escrow, for 90 days, to provide for an adjustment to the purchase price for any Policies for which the Conservator cannot obtain good and marketable title. At the expiration of the 90-day escrow period LifeAlliance would be paid dollar for dollar for any viatical for which title cannot be transferred, and the remaining escrow balance would be distributed to the investors on a pro rata basis. Option I would provide an estimated return to the ABC Investors of between approximately eighteen percent (18%) and twenty-three percent (23%) of their original investment depending upon the amount of the balance of escrowed funds ultimately distributed to investors. ($24,750,000 divided by $107,514,741).

Under Option I, LifeAlliance would obtain beneficial ownership of the Policies by acquiring ownership of 100% of the membership interest in HTM Conservator, L.L.C.[1]

B. **Life Alliance Option II.**

The second option ("Option II") under the Life Alliance Offer would provide for a cash payment of $53,000,000 which would be paid to investors in annual increments at a rate of sixty percent (60%) multiplied by the dollar amount of policy maturities collected in the respective

1 HTM Conservator, L.L.C., is an Oklahoma limited liability company created, with the Court's approval, to hold title to the ABC assets transferred to the Conservatorship. Its purpose was to allow the orderly transfer of the assets, without the need to re-effect the transfer of the approximately 1500 policies, should the assets be transferred or the Conservator replaced.

year until the purchase price is paid in full. LifeAlliance would escrow one year's estimated premiums and six months estimated servicing fees at closing, and would be obligated to pay all premiums and servicing fees thereafter.

Under Option II proceeds from the sale would be directly conditioned upon collection of death benefits. Therefore, if in Year 1 LifeAlliance collects Four Million Dollars ($4,000,000) in policy maturities, LifeAlliance would pay Two Million Four Hundred Thousand Dollars ($2,400,000) to the Conservator for distribution to ABC Investors for that year. Proceeds would be paid in a like manner in each successive year until the entire purchase price had been paid. Under Option II there would be no way to determine when the ABC Investors would be paid any portion of the purchase price, since payment of the purchase price by the LifeAlliance is dependant upon the date of maturities. As in Option I, title to the policies would remain in HTM Conservator, L.L.C., and Life Alliance would acquire ownership of HTM Conservator, L.L.C. in exchange for the purchase price, and the Court would no longer have control of the assets.

C. **LifeAlliance Option III.**

The third option ("Option III") under the Life Alliance Offer differs in that the Conservator would retain beneficial ownership of the policies and LifeAlliance would advance funds to the Conservator as needed for premiums and servicing costs in consideration for the Conservator's payment of nine percent (9%) interest on the advances and payment to LifeAlliance of twenty-five percent (25%) of all policy maturities.

Should the Court approve any LifeAlliance Offer, the proceeds would be distributed to the ABC Investors on a pro rata basis calculated by dividing the amount of each individual investment by the total amount invested by all the ABC Investors. For example, under Option 1 of the LifeAlliance Offer, an investor with a Fifty Thousand Dollar ($50,000) investment would have a .0004650525 interest in the viatical portfolio (i.e., $50,000 divided by $107,514,742), and would receive $11,510 (.0004650525 X $24,750,000 = $11,510).

II.

THE INFINITY OFFER

Under the offer (the "Infinity Offer") from Infinity Capital Services, Inc. ("Infinity"), attached hereto as Exhibit "B", the Conservator would retain beneficial ownership of the Policies and would continue to collect policy proceeds upon the deaths of the viators. In exchange for a right to a variable percentage of maturity proceeds from the Policies, Infinity would pay all future premiums on the Policies, as well as all Conservatorship expenses. Under the Infinity Offer, Infinity would escrow two years' premium which the Conservator will use to pay policy premiums and expenses. As a result, ABC Investors would be completely relieved of paying any portion of the premiums and expenses assuming there is no breach of the agreement.

The percentage of maturity proceeds from the Policies to which Infinity would be entitled would increase and the percentage of maturity proceeds from the Policies to which the ABC Investors would be entitled would decrease during each subsequent year. Therefore, the percentage of maturity proceeds available for disbursement to the ABC Investors during any given year would depend upon the date of maturity of each policy. The Infinity Offer provides for a decreasing return for the ABC Investors for each year that passes prior to maturity of a specific viatical. Each year that Infinity funds the premiums and expenses Infinity would be entitled to a greater percentage of the proceeds from each maturity (i.e., 25% during year 1; 35% during year 2; 45% during year 3, etc.). However, the smallest amount to be paid to the ABC Investors under the Infinity Offer would be ten percent (10 %) of maturity proceeds.

Under the Infinity Offer, the ABC Investors would receive their pro rata share of all maturity proceeds collected during a given year at least semi-annually. The pro rata distribution under this offer would again be calculated based upon the percentage investment of each ABC Investor calculated by dividing the amount of each individual investment by the total amount invested by all ABC Investors. Again for example, an investor with a Fifty Thousand Dollar

($50,000) investment would have a .0004650525 interest in the viatical portfolio (i.e., $50,000 divided by $107,514,742), and would receive that percentage of any and all amounts distributed.

The potential exists under this offer for the investors to recoup a higher percentage of their original investment than under the cash price option of the LifeAlliance Offer. However, depending upon the length of time that passes prior to the occurrence of the bulk of the maturities, ABC Investors could potentially receive a smaller percentage return of their original investment than under the cash price option of the LifeAlliance Offer.

In exchange for funding the premium account, Infinity would be granted a security interest in a portion of the Policies calculated as follows: two (2) years premiums (approximately $4,400,000), times the life expectancy, as assigned by the underwriters, of the policies held for security, plus ten percent (10%), plus the cost of contingency insurance from Lloyds of London (estimated at five percent of the face value of the policies held for security). For example, assuming a four year life expectancy on the policies to which Infinity is granted a security interest, the security interest held by Infinity would be Twenty Million Three Hundred Twenty-eight Thousand Dollars ($20,328,000).

Infinity's security interest in the Policies would decrease over time as Policies mature. The amount held as security would decrease dollar for dollar with each maturity paid out (i.e., if in Year 1 maturities of Four Million Dollars ($4,000,000) are collected, Infinity's security interest in the Policies would likewise decrease Four Million Dollars (to Sixteen Million Three Hundred Twenty-eight thousand ($16,328,000)).

The policies held as security would not affect the amount of proceeds to which the ABC Investors would be entitled under the Infinity Offer and would only serve to continue Infinity's right to receive its share of maturity proceeds until the security amount equals zero. Therefore, in the event that Infinity decided to cease funding the premium account (i.e., Infinity failed or refused to place one years worth of premiums and expenses into the premium account at any time after the end of year one), then Infinity's right to share in maturity proceeds would only continue until the amount of security equaled zero. However, if for any reason Infinity should cease funding the premiums, the ABC Investors would be protected for a period of time because the premium account would still contain an amount sufficient to pay premiums and expenses for one year. This would give the Conservator time to find alternative funding, seek offers to purchase the remaining Policies, or again begin billing investors for the policy premiums.

CONCLUSION

There is no market for the sale of the Policies at or near face value. If the Policies are not sold, the Conservatorship will not have sufficient liquid assets to pay future premium shortfalls on the Policies for any extended period of time, or to continue to pay Conservatorship expenses. The Conservator is unaware of any other potential offers or sources for the sale of the Policies.

The Conservator believes that it would be in the best interest of the ABC Investors to sell the Policies under one of the attached proposals. The Conservator therefore seeks an Order from the Court approving the sale of the Policies under one of the offers attached hereto.

The Conservator will continue to seek alternative purchasers for the viatical portfolio pending the Court's ruling on this motion. Copies of this motion and a separate "Notice to Investors" are being provided to the ABC Investors. (*See* Exhibit "C", Notice to Investors attached hereto). This motion will also be posted on a website maintained by Plaintiff. The Conservator will continue to evaluate the pending offers, as well as responses from any ABC Investors.

The Conservator anticipates making a recommendation to the Court regarding his opinion of which is the best offer of the competing offers at the hearing on this motion. The Conservator is, however, requesting that the Court approve these offers so that if the best offer, as determined by the Court, is not consummated, the Conservator can then pursue the next best offer, as determined by the Conservator. Should the Court enter an Order approving the sale of the

Policies, all necessary definitive documents including without limitation a purchase agreement, escrow agreement and security agreement, as applicable, would be drafted and executed by the buyer and the Conservator setting forth the full terms of the sale and filed of record with the Court.

Based on the foregoing, the Conservator, Tom Moran, respectfully requests this Court approve the offers presented herein and enter an Order authorizing Conservator to sell the Policies and disburse the proceeds to the investors all in accordance with such approval, and for such other and further relief as this Court deems just and equitable.

Respectfully submitted,

Mel McVay

Melvin R. McVay, Jr., OBA No. 6096
Thomas P. Manning, OBA No. 16117
Kay Smith, OBA No. 13252
PHILLIPS McFALL McCAFFREY
McVAY & MURRAH, P.C.
Twelfth Floor, One Leadership Square
211 North Robinson
Oklahoma City, Oklahoma 73102
Telephone: (405) 235-4100
Facsimile: (405) 235-4562

ATTORNEYS FOR CONSERVATOR,
TOM MORAN

ANY OBJECTION BY YOU TO THIS MOTION MUST BE FILED WITH THE COURT WITHIN 20 DAYS FROM THE FILING DATE OF THIS APPLICATION. YOUR FAILURE TO TIMELY RAISE AN OBJECTION TO THIS APPLICATION MAY RESULT IN THE COURT ENTERING AN ORDER FOR THE RELIEF SOUGHT WITHOUT FURTHER NOTICE OR HEARING TO YOU.

NOTICE OF HEARING

You should be advised that a hearing on the above application has been set for the 17th day of December, 2002, at 9:00 o'clock, A.m. before the Honorable Judge Daniel Owens.

CERTIFICATE OF MAILING

The undersigned certifies that on the 25th day of October, 2002, a true and correct copy of the foregoing Application was sent postage prepaid by first-class mail, to:

Patricia A. Labarthe
Oklahoma Department of Securities
First National Center, Suite 860
120 North Robinson
Oklahoma City, OK 73102
Attorney for Plaintiff

Eric Eissenstat, Esq.
Dino Viera, Esq.
Fellers, Snider, Blankenship,
Bailey & Tippens, P.C.
100 North Broadway Avenue, Suite 1700
Oklahoma City, OK 73102-8820
Attorneys for Defendants, C. Keith LaMonda, David S. Piercefield, Accelerated Benefits Corporation and American Title Company of Orlando

-and-

The undersigned further certifies that between October 25, 2002 and October 31, 2002, a true and correct copy of the foregoing Application was sent by Certified Mail, Return Receipt Requested, to all investors listed on the separate investor mailing matrix filed separately herein on the 25th day of October, 2002.

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LIFEALLIANCE
"Living Solutions"

August 15, 2002

Mr. H. Thomas Moran, Conservator
3240 West Britton Road
Suite 105
Oklahoma City, OK 73120

VIA: Federal Express

RE: ABC Portfolio

Dear Mr. Moran:

We have been authorized by LifeBridge Interest Limited (LBI) to make the following offer for the purchase of the of ABC Portfolio that is the subject of a conservation order obtained through the actions taken by the Oklahoma Securities Department. We have received confirmation from Standard Bank London (SBL) that they have authorized the use of funds by LBI for their purchase of this portfolio under the following terms and conditions.

PURCHASE PRICE: $24,250,000.00

ASSETS BEING PURCHASED: HTM Conservator, LLC (LLC) and any policies and additions included in the accompanying printout that have not been transferred to the LLC. Assets of the LLC to consist only of the policies and additions contained on the attached printout totaling $141,529,990.80.

TITLE and ENCUMBRANCES: Assets are to be transferred free and clear of any and all liens and encumbrances, except for the payment of future premiums.

PURCHASE and SALE CONTRACT: Upon acceptance of this offer and approval by the court of competent jurisdiction (if required) the parties will enter into a Purchase and Sale Agreement that will provide for the appropriate legal opinions and representations and warranties regarding the title to the assets being sold as may reasonably be required by SBL.

PAYMENT and ADJUSTMENT OF PURCHASE PRICE: The purchase price of $24,250,000.00 is based upon the portfolio of $141,529,990 in face amount of policies. The purchase price shall be adjusted pro-rata for any increase or decrease in face amounts of policies prior to closing. The purchase price shall be paid in cash at closing, however $5 million dollars of this purchase price shall be placed in escrow, under terms acceptable to the Seller and SBL, for the adjustment of the purchase price for any policies for which good and marketable title cannot be transferred to LBI. The escrow shall provide that there will be a pro-rata refund to LBI of the purchase price paid for any policy for which good title cannot be transferred for any reason. This escrow shall be maintained for a period of 90 days, after which time the balance shall be paid over to the Seller and the right of LBI to make claims for refund shall cease.

LifeAlliance LLC

Nathan I. Prager
Chief Manager

EXHIBIT
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A

LifeBridge Interest Limited

Nathan I. Prager
Director

LIFEALLIANCE
"Living Solutions"

September 27, 2002

RECEIVED
SEP 30 2002

Mr. H. Thomas Moran, Conservator
3240 West Britton Road
Suite 105
Oklahoma City, OK 73120

VIA: US Mail and Fax

RE: ABC Portfolio

Dear Mr. Moran:

We have been authorized by LifeBridge Interest Limited (LBI) to revise our previous offer for the purchase of the of ABC Portfolio that is the subject of a conservation order obtained through the actions taken by the Oklahoma Securities Department. Without modifying any other terms and conditions of our offer date August 15, 2002 we are raising our fixed bid price to $ 24,750,000.00.

Now that we have been informed that the department is willing to accept bids that pay out the investors over time, in addition to this revision we are making the following 2 alternative offers for the consideration of the conservatorship.

1) We offer to the sum of $ 53,000,000.00 for the purchase of the portfolio. This sum to be paid as the policies mature at the rate of 60% of maturities as they occur and the death benefits are collected until such time as purchase price is paid in full. We will escrow an amount equal to one year's premium and six months servicing fees at the closing and will use a company approved by the conservatorship to service and track the portfolio. The full details of this offer to be committed to contract after acceptance.

2) LifeAlliance or one of its affiliated will advance funds to the conservatorship as needed for premiums and servicing cost. Life Alliance will receive interest at 9% per annum on these advances and a participation fee of 25% of the funds received from maturities and sales of policies. The full details of this offer to be committed to contract after acceptance.

Please keep us informed as to the progress being made with the courts regarding the acceptance of the various offers as our funding commitments from Standard Bank London are reserving monies from our lines of credit that could be used for other acquisitions.

LifeAlliance LLC

Nathan I. Prager
Chief Manager

1661 International Drive Suite 400 Memphis, TN 38120 901-818-3101 Fax:901-818-3102

Infinity Capital Services inc.

"A VIATICAL SETTLEMENT COMPANY"

August 23, 2002

Mr. Tom Moran
Conservator

Subject: **Offer To Purchase – Proposal Number 2**
Oklahoma Department of Securities, ex rel. Irving L. Faught v. Accelerated Benefits Corporation, a Florida Corporation, et al. Federal District Court Case No. CJ-99-2500-66 in Oklahoma County, Oklahoma

Mr. Moran;

This document will serve as a formal Offer to Purchase a portfolio of life insurance policies with an approximate face value of $140,000,000 held in the matter of Oklahoma Department of Securities, ex rel. Irving L. Faught v. Accelerated Benefits Corporation, a Florida Corporation, et al. bearing Federal Court Case No. CJ-99-2500-66 in Oklahoma County, Oklahoma.

The intention of this Proposal Number 2 is in light of the recent portfolio review. While Proposal Number 1 is a valid and capable proposal, our initial due diligence made us aware of the majority of the diagnosis being HIV/AIDS. While we are not discriminating against these unfortunate people, we realize the major Life Expectancy Companies whom are approved by Lloyds of London, are much more conservative on their overall views of length of life expectancy. With that being said, we feel, while Proposal Number 1 is very capable of allowing investors to recoup a portion of their investment, but we also feel it may be very difficult to accumulate the proposed $40 million plus in policies with Life Expectancy of 5 years or less to be covered with Lloyds of London Contingency Insurance.

In Proposal Number 2, the investors will participate immediately in any death benefits received from the consummation of the transaction, the court and investors will cease in payment of premiums easing the minds of the both the court and the investors as to where those funds would come in the future, eliminating any possibility of policy lapse or cancellations. Premiums will be funded (2) years in advance. Proposal Number 2 has the capability of funding the premium account within 30 days of the approval of the transaction.

A premium account will be established to pay premiums for (2) years in advance or approximately $4,400,000.00 plus the expenses of tracking the policies, applying for

800 N. Old Woodward Ave. • Suite 102 • Birmingham, MI 48009
T | 248-203-7714 • F | 248-203-6907
E | icsviatical@aol.com

EXHIBIT
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death certificates, and application of death benefits with insurance companies. This amount will be secured by policies residing within the portfolio in the amount equal to (2) years premiums (X) times Life Expectancy (X) times 10% (+) plus cost of contingency insurance from Lloyds of London.(5% of Face Value of Policies). Upon any demise in the portfolio, the face value amount of the policies being held as collateral against premiums will be reduced by the amount received from the demise.

The court will hold title to the policies during the entire length of this transaction, as well as, the court will handle the distribution of death benefits received in the following manner upon the demise of an insured:

	Court / Investor	
• Year 1	75% / 25%	
• Year 2	65% / 35%	
• Year 3	55% / 45%	
• Year 4	45% / 55%	
• DPW	40% / 60%	(at the start of year 5)
• Year 5	35% / 65%	
• Year 6	25% / 75%	
• Year 7	20% / 80%	
• Year 8	15% / 85%	
• Year 9	10% / 90%	

In subsequent years beyond year 9, 10% will be the floor.

*There is approximately 11.2 million dollars in policies which are currently on Disability Premium Waiver ("DPW"). Currently there are no requirements to pay premiums on these policies provided the insured remains in a state of disability which must be provided to the insurance company(ies) by the physician, and requires the insured to have periodic checkups to maintain this status. If any of the insureds demise who are under DPW in the first (4) years of the program, the court will receive the standard percentage applicable in the above stated chart. Starting in year 5, and continuing until the last insured under DPW has demised, the court will receive 40% of the face value. If the insured at some point is removed from DPW status and premiums are reinstated, the insured will then be removed from this special structure and will be subject to the standard declining chart above.

In the event of no maturities after 7 years of premium payments, which will total approximately $15 -$17 million, and the investors decide to continue to pay the premiums, the courts will be entitled to receive 10% on death benefits. In the event the investors decide to cease funding on the premium account, the remaining policies of the portfolio would be retained by the court. See Attached Spreadsheet "Best, Most Likely, Worst Case Scenario."

Sincerely,

Scott E. Wolkhamer
President

Proposal Number 2
Best, Most Likely, Worst Case Scenario

Best Case Scenario

Year	Percentage	Maturity Amount	Court Receives
1	75.00%	$140,000,000.00	$105,000,000.00
2	65.00%	$0.00	$0.00
3	55.00%	$0.00	$0.00
4	45.00%	$0.00	$0.00
5	35.00%	$0.00	$0.00
6	25.00%	$0.00	$0.00
7	20.00%	$0.00	$0.00
8	15.00%	$0.00	$0.00
9	10.00%	$0.00	$0.00
10	10.00%	$0.00	$0.00
			$105,000,000.00

Most Likely Scenario

Year	Percentage	Maturity Amount	Court Receives
1	75.00%	$7,250,000.00	$5,437,500.00
2	65.00%	$13,200,000.00	$8,580,000.00
3	55.00%	$23,700,000.00	$13,035,000.00
4	45.00%	$17,200,000.00	$7,740,000.00
5	35.00%	$12,700,000.00	$4,445,000.00
6	25.00%	$10,450,000.00	$2,612,500.00
7	20.00%	$8,950,000.00	$1,790,000.00
8	15.00%	$7,450,000.00	$1,117,500.00
9	10.00%	$6,250,000.00	$625,000.00
10	10.00%	$5,985,000.00	$598,500.00
11	10.00%	$5,450,000.00	$545,000.00
12	10.00%	$5,150,000.00	$515,000.00
13	10.00%	$4,750,000.00	$475,000.00
DPW	40.00%	$11,500,000.00	$4,600,000.00
			$52,116,000.00

Worst Case Scenario

Year	Percentage	Maturity Amount	Court Receives
1	75.00%	$0.00	$0.00
2	65.00%	$0.00	$0.00
3	55.00%	$0.00	$0.00
4	45.00%	$0.00	$0.00
5	35.00%	$0.00	$0.00
6	25.00%	$0.00	$0.00
7	20.00%	$0.00	$0.00
8	15.00%	$0.00	$0.00
9	10.00%	$0.00	$0.00
10	10.00%	$140,000,000.00	$14,000,000.00
			$14,000,000.00

Most Likely Scenario
Explanation

The figures were derived using the following breakdown of Policies:

Non Aids	45 million
Aids	
AIDS	85 million
HIV+	11 million
Approx Total	141 million

Non-Aids Policies: Most of these policies were underwritten by a reputable firm such as AVS or 21st Services. Using their previous underwriting along with our knowledge of the industry and the percentages of probability, we feel that these policies will mature in the first 5 years of this transaction and this breakdown will be considered conservative rather than aggressive.

Aids Policies: Insureds with AIDS: This is the largest portion of the entire portfolio. We looked at the most recent demises in the portfolio to find out they were AIDS policies with a varying array of Life Expectancies, so we felt comfortable with an average amount of policy maturities for the next 10 years and a few less from 11-13, plus allowing for a few to run by even further.

Aids Policies: Insureds with HIV: We did not want to combine the HIV+ category with the AIDS category. Over the past couple of years, HIV+ has historically been the hardest area for underwriters to predict Life Expectancies, so for this transaction we decided to average and amount of these policies over years 10-13, and again allowed for some policies to exceed that timeframe.

Summary: We feel more than ½ of the entire portfolio will mature before 5 years have expired, which will give back to the investors approximately 40 million dollars based on our proposed percentages.

NOTICE TO INVESTORS

*** **Please Read** ***

On October __, 2002, Tom Moran, the court-appointed Conservator of certain assets of Accelerated Benefits Corporation ("ABC"), filed a Motion for Order Approving Sale of Conservatorship Assets and Brief in Support (the "Motion"). A copy of that Motion is enclosed.

Included herein is an explanation of the proposed offers and what you might expect to receive under each offer should the Court approve a sale. Because you invested funds with ABC and have an interest in the disposition of the Conservatorship Assets, the Conservator urges you to: (i) review the proposed offers to purchase the Conservatorship Assets; and, (ii) complete and return to the Court the enclosed claim form expressing your preference regarding the proposed sale of the Conservatorship Assets.

IN ADDITION, YOU HAVE THE RIGHT TO FILE A WRITTEN OBJECTION TO THE MOTION ON OR BEFORE ____________, 2002, OR TO APPEAR BEFORE THE COURT IN PERSON OR THROUGH LEGAL COUNSEL AT THE HEARING SET FOR ______________, 2002. ANY WRITTEN OBJECTION SHOULD BE ADDRESSED AS FOLLOWS:

Oklahoma County Court Clerk
320 Robert S. Kerr Avenue
Oklahoma County, Oklahoma 73102

Re: Oklahoma Department of Securities, ex rel. Irving L. Faught, Administrator, v. Accelerated Benefits Corporation, Case No.: CJ-99-2500

EXHIBIT
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GENERAL INFORMATION TO INVESTORS

Background. You are one of approximately 5,400 persons (the "Investors") who signed Purchase Agreements pursuant to which ABC promised to pay you a specified amount upon maturity of one or more life insurance policies (the "Viaticals").

As you may be aware, in marketing the viaticals ABC made certain representations regarding the life expectancies of the viators which have in many cases been exceeded. As a result, you have been asked to pay additional premiums to prevent the Viaticals from lapsing. This has created a hardship for many investors and has further reduced the expected return from your investment. As a result, many investors have been unwilling or unable to make their share of premium payments, leaving a shortfall in premiums. The resources from which these shortfalls are being paid are quickly being exhausted and the danger exists that the Viaticals may begin to lapse in the future, which could result in the total loss of your investment.

The Conservatorship. On February 7, 2002, the District Court of Oklahoma County, Oklahoma (the "District Court") entered an Order Appointing Conservator and Transferring Assets (the "Conservatorship Order") in Case No. CJ-99-2500-66, which directed ABC to transfer beneficial ownership of the Viaticals to a limited liability company (HTM Conservator, L.L.C.) formed by the Conservator. A copy of the Conservatorship Order was mailed to you on or about March 6, 2002, and is posted on the Oklahoma Department of Securities' website which can be found at:

www.securities.state.ok.us/Enforcement/ABC/ABC_Conservator.htm

The Conservatorship Order directs the Conservator to take all steps necessary to protect the interests of the Investors by, among other things, seeking offers from institutional investors for the sale of the Viaticals. The terms and conditions of any sale are subject to approval by the Court. The Conservator has determined that there are insufficient funds available to continue to pay premium shortfalls on the Viaticals for more than approximately six (6) months.

Reasons for the Proposed Sale. Although the Court previously entered an Order authorizing the Conservator to retain 6% of the death benefits payable upon maturity of the policies to pay premiums and costs of the Conservatorship, that Order was challenged by ABC and subsequently declared void by the Oklahoma Supreme Court. Consequently, the Conservator will not have sufficient funds available to pay future premium shortfalls and all or part of the policies underlying the Viaticals may lapse resulting in the total loss of the Investors' investments.

Based on the foregoing, the Conservator believes it is in the Investors' best interests to sell the Viaticals to avoid a possible total loss of their investments. Although the Conservator solicited offers from numerous institutions, only ten (10) potential buyers reviewed the ABC Viatical portfolio and only three (3) potential buyers submitted offers. One of the offers was summarily rejected by the Conservator because it was unreasonable and for considerably less than other offers received. The offers which the Conservator has asked the Court to consider are attached to the enclosed Motion for approval by the Court. A summary of those offers is set forth below. The Motion is also posted on the website listed above.

Pro Rata Distribution of Proceeds. In the event the sale of the Conservatorship Assets is approved by the District Court and ultimately consummated, the proceeds would be distributed to Investors on a pro rata basis. You may calculate your proportionate part of the purchase price by multiplying the total cash purchase price by you percentage interest in the viatical portfoilio. Your percentage interest is computed by dividing the dollar amount you invested by the total amount invested by all Investors ($107,514,742). For example, under Option I of the LifeAlliance Offer assuming no part of the escrowed $5,000,000.00 is returned to investors, an individual who invested $50,000 with ABC would receive approximately $9,185 (i.e. $19,750,000 x ($50,000 ÷ $107,514,742).

No Assurance the Policies Will Not Lapse. The Conservator is taking this action in an attempt to protect the interest of the Investors by obtaining funds to return a portion of your investment to you before any lapse in policies occurs. However, the Conservator cannot assure you that the Court will approve a sale of the Viaticals, that any such sale approved by the District Court will not subsequently be declared void by the Oklahoma Supreme Court, or that any approved sale will be consummated before all or any part of the policies underlying the Viaticals lapse.

Effect of the Sale. The sale of the Conservatorship Assets is not an adjudication of any legal claim you might have against ABC or its affiliates in connection with the sale of the Viaticals and will not prevent you from taking any legal action against ABC or its affiliates.

Investor Claim Form. Although Investor approval is not a prerequisite to the District Court's approval of the sale of the Conservatorship Assets, the District Court may consider the Investors' preferences in weighing its decision regarding the proposed sale. Accordingly, the Conservator encourages you to review the Motion and the proposed offers with your personal legal counsel and your tax advisor, and to complete and return the enclosed *Investor Claim Form* on or before ___________, 2002. For your convenience, a self-addressed, stamped envelope is also enclosed.

*** *Important Please Note**** **Regardless of whether or not you return the Investor Claim Form, file an objection or appear at the hearing, if the sale is approved by the Court you will receive a pro rata portion of the proceeds upon consummation of any such sale.**

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SUMMARY OF THE OFFERS

The following is a summary of the Four (4) offers to purchase the Viaticals presented by the Conservator for the Court's consideration. All statements in the following summary are qualified by and made subject to the more detailed information set forth in the Motion and the exhibits thereto which accompany this Notice. Any offer approved by the Court would be subject to the further negotiation and execution of definitive documents between the Conservator and the buyer.

1. LIFEALLIANCE, L.L.C. - OPTION I

Purchaser Information: LifeAlliance, L.L.C. is a limited liability company formed under the laws of the State of ______________ for the purpose of __________________.

Consideration: Total $24,750,000.00.

$19,750,000 cash payable at closing.

$5,000,000 of the total consideration would be placed in a 90-day escrow subject to a pro rata refund to LifeAlliance of the purchase price of any Viatical which cannot be transferred by the Conservator.

Title to the Policies: LifeAlliance would acquire 100% beneficial ownership of the policies.

90-Day Escrow: At the end of the 90-day escrow period any amounts not previously refunded to Life Alliance would be distributed to Investors on a pro rata basis.

Return to Investors: Investors would receive between approximately eighteen percent (18%) and twenty-three percent (23%) of their original investment, depending upon whether all or any part of the escrowed funds are ultimately distributed to investors. Cash paid at closing will be disbursed to Investors on a pro rata basis promptly following closing, with remaining escrow proceeds to be disbursed to Investors promptly following expiration of the 90-day escrow period.

Conservatorship Status: Conservatorship is terminated and all Conservatorship Assets liquidated immediately following closing.

2. LIFEALLIANCE, L.L.C. - OPTION II

Consideration: $53,000,000 payable in annual increments equal to 60% multiplied by the dollar amount of policy maturities collected for the respective year.

Premium Escrow: LifeAlliance would escrow one year's premiums and six months' servicing fees at closing. LifeAlliance would be responsible for payment of all future premiums.

Title to the Policies: Transferred to LifeAlliance at closing.

Return to Investors: Approximately fifty percent (50%) of the Investors' original investment of $107,514,742, payable over the life of the remaining Viaticals.

Conservatorship Status: Conservatorship remains in place until all policies have paid out and all proceeds are distributed.

3. LIFEALLIANCE, L.L.C. OPTION III

Consideration: LifeAlliance advances funds to the Conservator sufficient to pay all premiums and servicing costs in exchange for the right to receive twenty-five percent (25%) of all policy maturities and the Conservators' payment of nine percent (9%) interest on all premiums and servicing costs.

Title to Policies: Retained by the Conservator.

Return to Investors: Investors would receive a pro rata distribution of seventy-five percent (75%) any maturities minus an amount equal to nine percent (9%) interest on all premiums and servicing costs.

Conservatorship Status: Conservatorship remains in existence for the purpose of monitoring policies and collecting death benefits until all policies mature and all funds are disbursed to Investors.

4. INFINITY CAPITAL SERVICES, INC. OFFER

Purchaser Information: Infinity Capital Services, Inc., is a corporation organized under the laws of the State of ____________________ for the purpose of ________________.

Consideration: Infinity contractually assumes liability for the payment of all premiums and expenses of tracking and obtaining death benefits from insurance carriers in exchange for the right to receive a variable percentage of death benefits payable under the policies based on the following schedule:

Year	Percent of Maturities Payable to Infinity for the Year	Percent of Maturities Payable to Investors for the Year
1	25%	75%
2	35%	65%
3	45%	55%
4	55%	45%
5	65%	35%
6	75%	25%
7	80%	20%
8	85%	15%
9	90%	10%
10+	90%	10%

Premium Escrow: Infinity escrows two years' estimated premiums and expenses, including costs of the Conservatorship to monitor policies and collect death benefits.

Title to the Policies: Retained by the Conservator.

Return to Investors: Between approximately ten percent (10%) and seventy-five percent (75%) of original investment depending upon dates of maturities. Payment of Investors' pro rata share of all maturity proceeds distributed at least semi-annually.

Security Interest: Infinity would be granted a security interest in a portion of the Policies calculated as follows: two (2) years premiums (approximately $4,400,000), times the life expectancy, as assigned by the underwriters, of the policies held for security, plus ten percent (10%), plus the cost of contingency insurance from Lloyds of London (estimated at five percent (5%) of the face value of the policies held for security). The amount held as security would decrease dollar for dollar with each maturity.

Conservatorship Status: Conservatorship remains in existence for the purpose of monitoring policies and collecting death benefits until all policies mature and all funds are disbursed to Investors.

INVESTOR CLAIM FORM

PLEASE PLACE AN "X" IN THE BOX INDICATING YOUR PREFERENCE

☐ I wish to express my preference to have the Court accept the **LifeAlliance Option I.**

☐ I wish to express my preference to have the Court accept the **LifeAlliance Option II.**

☐ I wish to express my preference to have the Court accept the **LifeAlliance Option III.**

☐ I wish to express my preference to have the Court accept the **Infinity Capital Services, L.P. Offer.**

☐ I wish to express my preference to have the Court **reject** all of the offers to purchase the viaticals which have been submitted to the Court for consideration. I have read the Motion and Notice to Investors and understand that should the Court decide against approving the sale of the viaticals that a possibility exists that my entire investment may be lost.

I understand that the purpose of this form is to inform the Court and the Conservator of my individual preferences. I understand that the Court's decision may be based upon the preferences received from all investors and that the option I have indicated may not be the one approved by the Court. I have been advised of my right to seek individual counsel in this matter. I have also been informed of my right to file a formal objection to the Conservator's Motion for Order Approving Sale of Conservatorship Assets and appear at the hearing scheduled for ____________________, 2002.

Date: ________________

____
Signature of Investor

____
Printed name

After completing, please place this form in the pre-addressed, stamped envelope provided and mail as soon as possible. Inquiries or comments may also be addressed to the following:

Tom Moran, Conservator of Certain Assets of Accelerated Benefits Corporation,
c/o Phillips McFall McCaffrey McVay & Murrah, P.C.,
attn: Tom Manning,
211 North Robinson, Twelfth Floor,
Oklahoma City, Oklahoma 73102