

OPA, the ABC Investors are entitled to receive \$4 million of the maturities for these Policies and Acheron is to receive approximately \$2 million from the maturities.¹ If Acheron is allowed to take title to these Policies through its proposed payoff of the remaining Purchase Price, Acheron would gain an immediate \$3 million in NCSV for these Policies. Conversely, the ABC Investors would receive \$972,000 for their interest in the Policies.²

2. Release of PRA Funds

The Conservator has determined that an additional \$500,000 can be distributed from the PRA to the ABC Investors in the mid-year distributions for 2011. This determination is based on three factors. First, the current projected annual premiums are approximately \$1.2 million. Distribution of \$500,000 from the PRA to the ABC Investors will leave a balance of \$1.3 million in the PRA to provide for the payment of premiums in the event that Acheron should fail to pay the premiums for any reason. Secondly, as Roger Annin testified at the October 28th evidentiary hearing, projected maturities currently exceed and will continue to exceed premium costs. Thus, the necessity of maintaining the PRA has become less significant than when the Conservator first established the PRA.

Third, the recent audit of the Portfolio shows that one of the Policies currently has a NCSV of \$1.3 million and death benefit of \$2 million. This Policy had an original death benefit of \$1,000,000, which has increased over the years through paid-up additions. In the event the Conservator should need to supplement the PRA funds, he would have the option of surrendering

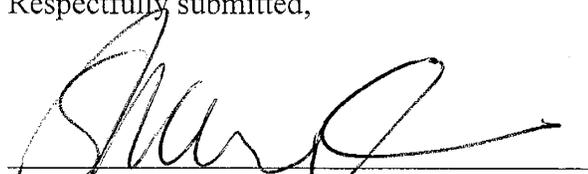
¹ These Policies include a Policy with an original face value of \$1 million. Under the terms of the OPA, the ABC Investors are entitled to receive 75% of the proceeds for this Policy. *See*, OPA at § 3.3. Also, the 46 Policies have death benefits that increased after the Cut-off Date. The OPA entitles the ABC Investors to 75% of proceeds that result from increases in coverage following the Cut-Off Date. *See*, OPA at § 3.3.

² The current face value of the 46 Policies constitutes 6% of the total face value of the Portfolio, which is currently \$98,614,373. Applying the same 6% to the proposed payoff of \$16.2 million to the 46 Policies, the amount of the payoff that is apportionable to the 46 Policies is \$972,000.

up to \$729,962.72 with no penalties. This would reduce the net death benefit for the Policy to its original level of \$1,000,000.

Based on the foregoing considerations, it is the opinion of the Conservator that retention of \$1.3 million in the PRA is sufficient at this time and that \$500,000 of the funds currently in the PRA should be included in the mid-year distributions to the ABC Investors.

Respectfully submitted,



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CERTIFICATE OF SERVICE

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