

CAUSE NO. D-1-GV-10-000454

|                                  |   |                                     |
|----------------------------------|---|-------------------------------------|
| STATE OF TEXAS,                  | § | IN THE DISTRICT COURT OF            |
|                                  | § |                                     |
| <b>Plaintiff,</b>                | § |                                     |
|                                  | § |                                     |
| v.                               | § |                                     |
|                                  | § |                                     |
| RETIREMENT VALUE, LLC,           | § |                                     |
| RICHARD H. "DICK" GRAY, HILL     | § |                                     |
| COUNTRY FUNDING, LLC, a          | § |                                     |
| Texas Limited Liability Company, | § |                                     |
| HILL COUNTRY FUNDING, a Nevada   | § | TRAVIS COUNTY, TEXAS                |
| Limited Liability Company, and   | § |                                     |
| WENDY ROGERS,                    | § |                                     |
|                                  | § |                                     |
| <b>Defendants,</b>               | § |                                     |
|                                  | § |                                     |
| AND                              | § |                                     |
|                                  | § |                                     |
| KIESLING, PORTER, KIESLING, &    | § |                                     |
| FREE, P.C.,                      | § |                                     |
|                                  | § |                                     |
| <b>Relief Defendant.</b>         | § | 126 <sup>th</sup> JUDICIAL DISTRICT |

**SIXTH APPLICATION FOR FEES  
BY THE RECEIVER AND RECEIVER'S COUNSEL**

Eduardo S. Espinosa, court-appointed temporary receiver for Retirement Value, LLC, files his second application for fees incurred by the Receiver and his counsel, K&L Gates, LLP.

**BACKGROUND**

On May 5, 2010, the State of Texas filed this suit against Retirement Value, Richard H. Gray and Bruce Collins alleging that they had perpetrated a \$77 million securities fraud and seeking temporary and permanent injunctive relief, restitution for the losses suffered by investors, penalties and other monetary relief. On that date, the Court entered an order appointing Eduardo S. Espinosa of K&L Gates, LLP as Receiver. The State subsequently amended its suit to include Wendy Rogers as a defendant, and to seek a receivership over two additional entities affiliated with the defendants.

On May 28, 2010, the Court entered a temporary injunction (the “Agreed TI”) against Gray and Retirement Value and continued the Receiver’s appointment. In the Agreed TI, the Court directed and authorized the Receiver to, among other things:

- (a) to take possession of and preserve all books, records and assets of Retirement Value and all assets derived from the operations of Retirement Value;
- (b) to attempt to effect fair restitution to the investor-victims; and
- (c) to assist the State in its investigation of the Defendants and others.

The temporary injunction and the receivership will remain in place until the end of the trial of this matter, which is currently scheduled for August 22, 2011.

To assist the Receiver in the performance of these duties, the Agreed TI authorizes the Receiver to “to hire employees, contractors, consultants, accountants, attorneys, legal assistants, or other assistants under terms to be determined by the Receiver, whose services in the sole discretion of the Receiver, are necessary for an efficient and accurate administration of the receivership estate.” Agreed TI at 14, ¶8. To that end, the Receiver has retained the law firm of K&L Gates, LLP to represent him in connection with this case, to assist him in the performance of his duties and to prosecute or defend litigation on behalf of Retirement Value.<sup>1</sup>

By its Order Regarding the First Application for Fees by the Receiver and Receiver’s Counsel entered on October 26, 2010 (the “Fees Order”), the Court modified the basis by which the Receiver and his counsel are paid. Pursuant to the Fees Order, the Receiver shall charge an hourly rate of \$320 per hour and the Receiver’s counsel shall discount its rates by 9.5% from its then current hourly rates in effect as of the time services are rendered beginning on August 1, 2010. Fees Order at 2. Moreover, the Receiver and his counsel are to submit to the Court and to

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<sup>1</sup> The Receiver has also retained other professionals to assist him. An application to pay the fees of those professionals is the subject of a separate application.

the parties of record their request for payment of fees. If no party of record files an objection to the request for payment within ten days from the filing of the request for payment, then the Receiver shall pay the amount of the request from funds he holds in the receivership estate. Any objection must state with specificity the particular items of the Receiver's request to which the objection is made. If an objection is made, the Receiver shall not pay the contested portion of the invoice until a hearing has been held on the objection, but the Receiver may pay the portions of the request to which no objection is made. *Id.*

#### **APPLICATION FOR PROFESSIONAL FEES**

By this Application, the Receiver seeks approval from the Court to pay from the assets of the Receivership the fees incurred by the Receiver and his counsel, K&L Gates, LLP, for the month of March 2011. The Receiver has incurred fees of \$18,720 during the period covered by this Application. He has retained the legal services of K&L Gates, which has incurred fees of \$61,197 for the month covered by this Application. Affidavit of Eduardo S. Espinosa (“Espinosa Affid.”) at ¶11 (attached as Exhibit 1). While substantial, these fees were both reasonable and necessary.

The fees charged by the Receiver and his counsel represent a discount of 17.5% from the usual and customary fees charged by K&L Gates. As a general matter, the charge for the services provided by K&L Gates is determined by multiplying the total number of hours worked by each timekeeper by that timekeeper’s billing rate. *Id.* at ¶6. In this case, the billing rate of each timekeeper was discounted from the usual and customary rates charged by K&L Gates. The Receiver is charging \$320/hour, which represents a 30% discount from his usual and customary rate of \$455/hour. In addition, K&L Gates has discounted its rates by 9.5% and further discounted its bills by approximately \$2,635. In the aggregate the discounts and write-

offs associated with this Fee Application amount to \$16,956. Espinosa Affid at ¶6. The chart below summarizes the fees charged and the discounts applied.

| <b>Invoice Summary</b> |          |                      |
|------------------------|----------|----------------------|
| Services Rendered in:  |          | Mar 2011             |
| Fees Requested         |          |                      |
| Matter .00001          |          | \$79,574.56          |
| Matter .00003          |          | \$ 342.09            |
| Total                  |          | \$79,916.65          |
|                        |          | <i>Rate</i>          |
| Receiver Incurred      |          | \$26,617.50          |
| Receiver Billed        | \$320.00 | \$18,720.00          |
| Receiver adj           |          | (\$7,897.50)         |
| KLG Incurred           | various  | \$70,255.27          |
| KLG Billed             | various  | \$61,196.65          |
| KLG adj.               | (9.5%)   | (\$6,423.96)         |
| Write-offs             |          | (\$2,634.66)         |
| <b>Total Adj</b>       |          | <b>(\$16,956.12)</b> |

The reasonableness of the fees incurred by the Receiver and his counsel should be examined in light of the challenges faced by the estate, the work necessary to administer the estate and the accomplishments of the Receiver to date. The estate is large, with significant money, assets and claims against it. It is also complicated to administer. As a result, the Receiver has been required to expend significant time and resources to identify, collect and preserve assets and to determine who is owed money by the estate and against whom the estate may have significant and valuable claims. These efforts have born significant fruit, with substantial recoveries already received by the estate.

In March, the Receiver and his counsel devoted substantial attention to the resolution of claims by and against the estate. The significant tasks during this time period include

- Completion of the updated life expectancy analyses on the insureds in the portfolio and review of the initial analysis of the portfolio by the actuaries.
- Incorporation of the updated life expectancies into the actuarial analysis and substantial progress on modeling the portfolio's projected cash flows.

- Preparation of the Receiver's Report which includes a proposal for making restitution to the investors. Based on the work performed by our actuaries, we expect to be able to pay \$77.9 million to the investors, which is just slightly more than 100% of their investment. The likely outcomes range from \$62.5 million (80%) to \$92.5 million (120%). While full payment will take some time, we anticipate being able to pay \$7.7 million (10%) this year and to make interim distributions along the way.
- Investigation, assertion and negotiation of claims against Kiesling Porter. These negotiations have recently led to a \$710,000 settlement with Kiesling Porter on behalf of the Receiver, the State and a class of investors lead by the Intervenors. In the coming weeks, we will request court approval of the settlement.
- Preparation of claims against Dick Gray and Wendy Rogers to recover the funds they received from Retirement Value. We have reached a settlement with Dick Gray resulting in the return of cash and property worth about \$650,000. In the coming weeks, we will request court approval of this settlement. We have also engaged in substantive negotiations with Wendy Rogers but have been unable to reach an agreement.
- Collection of a claim for death benefits under policy PLI140-111109-DM in the amount of \$10 million. After receiving the Receiver's claim for benefits, Pacific Life Insurance Company raised a number of questions about the propriety of the transfer of the policy from the original owners to James Settlement Services. We have investigated the transfer from the original owner to James Settlement and have worked with Pacific Life's counsel as well as counsel for the insured's family to resolve these questions. This matter has been resolved, and Pacific Life has remitted the policies face value plus interest from the insured's date of death to the Receiver.
- Analyzed the fiscal and tax implications associated with Retirement Value's organizational structure and preparation of tax returns for 2009 and 2010

The work by the Receiver and his counsel has entered into a new phase. Initially, the Receiver undertook to investigate the business of Retirement Value, to collect the assets readily available to it and to put in place interim measures to protect the value of those assets. That work is largely complete. The Receiver is currently working on two major initiatives. The first is to develop and execute upon a long-term plan for the portfolio of insurance policies that maximizes the value of those policies. That long term plan is substantially detailed in the

receiver's report that was filed on May 7, 2011. The second is to resolve and collect upon the substantial claims that the estate has against various parties. Both initiatives are under way.

The key variable to the success of the estate and ultimately the restitution paid to the investors is the performance of portfolio of insurance policies owned by Retirement Value. Maximization of the value of the portfolio depends upon the expected cash flow to and from the policies (premiums paid and benefits received) as well as on the structure of the portfolio itself.

To determine the expected cash flow from the portfolio, the Receiver, with the assistance of the estate's portfolio servicer, ASG, has obtained updated life expectancy calculations for each of the insureds. In order to have the best possible life expectancy calculations, we have requested that each of the insureds consent to the doctors releasing medical information to us. Although each insured is contractually obligated to provide updated medical information and to execute the consents necessary for their doctors to release that information to us, a number of insureds have delayed returning the consents to us and, in a few cases, outright refused to return the consents. This lack of cooperation hampered our efforts to obtain new life expectancy calculations and required additional effort by ASG, the Receiver and his counsel. We have now obtained new life expectancy calculations for all of the remaining 43 insureds.<sup>2</sup> The new life expectancy calculations were forwarded to Lewis & Ellis, the estate's actuarial consultants, to prepare cash flow projections for each policy and the portfolio as a whole. The Receiver recently issued a report discussing the actuarial results and some of the related issues in greater detail.

The Receiver and his counsel have also been working to determine the best way to structure of the portfolio so that the Receiver can maximize the assets available for distribution

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<sup>2</sup> In a few instances, the decision was made to secure updated life expectancy certificates, even though updated medical records were not provided or available.

and distribute them in a legally appropriate and equitable manner. Based on his research and the results of the new life expectancy certificates available so far, the Receiver believes that the best course of action is to consolidate the portfolio so that all claimants share in all of the assets of the estate. The Receiver previously sought permission from the Court to do so, but agreed to postpone resolution of the matter until the actuarial analysis was completed. The Receiver anticipates that he will re-urge the Court for permission to consolidate the portfolio within the next few months. The Receiver's proposal is not without controversy and additional litigation before the Court will be necessary to determine the appropriate structure of the portfolio and the most equitable method of distributing assets to the claimants. The Receiver is engaged in ongoing discussions with various groups of investors regarding this issue.

The Receiver and his counsel are also working to collect on claims owed to the estate. The Receiver has filed suit against David and Elizabeth Gray (former owners of Retirement Value) to recover the substantial sums of money paid to them by Retirement Value. This application includes approximately \$342.09 in fees that were incurred by the Receiver and Receiver's counsel in that matter. In addition, the Receiver has been engaged in negotiations with various other parties, including some licensees, towards the settlement of the estate's claims against them. Further, the Receiver has begun to make demand upon the various licensees who sold investments in the Resale Life Insurance Policy Program.<sup>3</sup> If the various negotiations currently in progress are not concluded in the near future, the Receiver will file additional suits to collect amounts owed to the estate.

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<sup>3</sup> The Receiver has recently retained the law firm of George & Brothers, LLP to prosecute claims against the licensees. George & Brothers will be paid a contingency fee based on the amount that recovered from the licensees. The Receiver will pay reimbursable expenses up to \$50,000 out of pocket and any additional expenses will be paid out of any recovery from the licensees.

Because of the expense and risk inherent in litigation, the Receiver is taking a deliberate approach towards the claims of the estate. As a general matter, the Receiver is engaging in negotiations with those against whom the estate has claims rather than immediately filing suit. Moreover, the Receiver is concentrating his initial efforts on claims that are either the most likely to succeed or which provide for the largest potential recovery, including engaging in mediation with certain parties. After consultation with the State and the Intervenors, we have decided to retain contingency fee counsel to prosecute claims against the licensees.

In addition to the work on the two initiatives discussed above, the Receiver and his counsel have been engaged in various other matters for the estate.

#### ARGUMENT

The Receiver's administrative costs, including his fee and that of his counsel, are to be paid out of the funds and other assets of the estate.<sup>4</sup> These costs are considered costs of court and have priority over all other claims against the estate. *Jordan v. Burbach*, 330 S.W.2d 249 (Tex. Civ. App. – El Paso 1959, writ ref'd n.r.e.); *also* TEX. CIV. PRAC. & REM. CODE §64.051. The Court should consider the reasonableness of the fees requested by both the Receiver and counsel.<sup>5</sup>

In evaluating the reasonableness of the fees, the Court should consider the following factors: (1) the time and labor involved, the novelty and difficulty of the questions involved, and the skill required to perform the legal services properly; (2) the likelihood that the acceptance of the particular employment will preclude other employment by the lawyer; (3) the fee customarily

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<sup>4</sup> The Receiver will pay the fees requested in this application from the Estate's operating accounts which do not include accounts denominated in the names of the individual defendants or HCF.

<sup>5</sup> The Receiver has not acted as his own counsel; therefore all of his time is billed at his "Receiver" rate as opposed to a higher rate for his services as an attorney. *Espinosa Affid.* at ¶4.



charged in the locality for similar legal services; (4) the amount involved and the results obtained; (5) the time limitations imposed by the client or the circumstances; (6) the nature and length of the professional relationship with the client; (7) the experience, reputation, and ability of the lawyer or lawyers performing the services; and (8) whether the fee is fixed or contingent on results obtained or uncertainty of collection before the legal services have been rendered. *Arthur Andersen & Co. v. Perry Equip. Corp.*, 945 S.W.2d 812, 818 (Tex.1997).<sup>6</sup> These factors support the award of the requested fees.

*Time, labor, skill & complexity.* By its nature, a receivership proceeding is unique and complicated. As discussed above, this receivership is particularly complicated due to its size, the assets involved, the poor record keeping of Retirement Value and the sheer number of people involved (900 investors, 1,000 licensees, 18 insurance companies and several banks). To properly administer the estate requires a high degree of skill and diligence. Moreover, the Receiver and his counsel have had to devote significant time to this matter. The exact time expended and work performed by the Receiver and his counsel are shown on the invoices attached to the Espinosa Affidavit. In addition, the Receiver's Initial Report previously filed with the Court summarizes the work of the Receiver and his counsel.

*Preclusion of other employment.* K&L Gates has not had to decline any representation solely because of its services in this case. However, because of the magnitude of the effort required, the Receiver and certain individual K&L Gates professionals working on this matter have been largely precluded from working on other matters.

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<sup>6</sup> Certain older cases have described the factors used to consider the reasonableness of a receiver's fee using slightly different terminology. See *Taylor v. Taylor*, 91 S.W.2d 394, 397-98 (Tex. Civ. App. – Amarillo 1936, no writ). However, the factors used by these cases incorporate all of the same considerations set out in the *Arthur Anderson* factors. In order to simplify this application, the Receiver has used the *Arthur Anderson* framework to discuss the reasonableness of his fees and those of his counsel.

*Customary fees.* An attorney's usual and customary fees are presumed to be reasonable. TEX. CIV. PRAC. & REM. CODE § 38.003. The fees charged by K&L in this case are the usual and customary fees that it charges to and collects from its clients for the services of the attorneys and other professionals working on this matter, except that the Receiver is charging 30% less than his usual and customary rate and K&L Gates is charging 9.5% less than its usual and customary rates on all other timekeepers. Espinosa Affid. at ¶6. Further, the court may take judicial notice of customary fees and of the contents of the case file without further evidence. TEX. CIV. PRAC. & REM. CODE § 38.004.

Every year, K&L Gates undertakes an analysis of the markets in which it operates in order to determine the appropriate fees to charge for its professionals based on the fees charged by its competitors and peer firms. The goal of this analysis is to set rates for each professional at the median rate for professionals at peer firms in similar practices areas and similar experience. Accordingly, the rates charged by K&L Gates in this matter are well within the norm for firms of its type in Texas. Espinosa Affid. at ¶8.

*Amount involved and results obtained.* The amount involved in this matter, measured either by the \$77 million invested by the investors or the over \$35 million of estate assets administered by the Receiver, is very large. Although involved for only six months, the Receiver has already obtained significant results. He recovered the \$1.2 million that the Defendants attempted to secret; settled with Collins for approximately \$320,000; resolved the outstanding purchase of policies from James Settlement in a manner favorable to the estate under adverse circumstances; and successfully mediated with the Relief Defendant and Richard H. Gray, recovering additional assets in excess of \$1.2 million for the estate. The Receiver also recovered \$10 million on a policy of insurance after satisfying the insurer's objections.

*Time limitations.* Time is of the essence in a receivership. This is particularly true in the initial stages. The efforts undertaken in this case to recover assets, investigate the facts and preserve the portfolio of policies were conducted on an expedited basis.

*The nature and length of the professional relationship.* This factor cuts no particular way. However, neither the Receiver nor his counsel has any particular relationship with any of the parties involved in this matter. Nor is there any possibility of a future relationship with the estate. By their nature, receiverships are a one-time event. As a result, no discount would normally be appropriate. Nevertheless, K&L Gates has provided a discount of 17.5% off of the fees it would normally charge for the work performed during this time period.

*Experience, reputation, and ability of the professionals.* K&L Gates is one of the world's premier law firms. It comprises nearly 2,000 lawyers who practice in 37 offices located on three continents. K&L Gates represents leading global corporations, growth and middle-market companies, capital markets participants and entrepreneurs in every major industry group as well as public sector entities, educational institutions, philanthropic organizations and individuals.

*Whether the fee is fixed or contingent.* The fees of the Receiver and his counsel are based on upon their hourly rates with a substantial discount. However, the payment of fees depends upon the approval of the court and the availability of assets in the estate – something which could not be known at the time the engagement was accepted and which remain uncertain.

Additionally, the Receiver is tasked with preserving Retirement Value's assets for the benefit of the investors, which requires, among other things, that the Receiver perpetuate certain aspects of Retirement Value's operations. By April 2010, Retirement Value was subject to the TSSB's cease-and-desist order which curtailed the sell side of its operations, effectively providing a benchmark for its administration expenses. By comparison, the Receiver's fees are

significantly less than Retirement Value’s April 2010 benchmark. The table below reflects the efficiencies recognized by the Receiver in administering the estate’s assets, as compared to Retirement Value.

|                       | Retirement<br>Value<br>April 2010 | Receiver<br>March 2011 | Efficiencies<br>Recognized |
|-----------------------|-----------------------------------|------------------------|----------------------------|
| <i>Expenses</i>       |                                   |                        |                            |
| Payroll               | 161,598.27                        |                        |                            |
| Other Expenses        | <u>107,384.87</u>                 |                        |                            |
| <i>Total Expenses</i> | <u>\$268,983.14</u>               | \$ 79,916.65           | \$189,066.49               |

The fees requested for services rendered in March 2011 are approximately \$190,000 less than Retirement Value’s expenses in April 2010. Moreover, the fees requested in this application are (i) 33% less than average monthly fees in the period covered by the immediately preceding fee application; and (ii) 50% less than the average monthly fees in all preceding fee applications.

The Receiver anticipates that his fees and the fees of his counsel will fluctuate over the coming months but continue to trend downward. The amount of fees incurred will depend primarily on the Receiver’s success in convincing licensees and others who owe money to the estate to pay without requiring recourse to the courts. It will also depend upon other circumstances beyond the control of the Receiver such as the filing of claims against Retirement Value by investors or non-investor claimants as well as the cooperation of the Defendants. The more the Defendants and others cooperate with the Receiver, the lower the fees incurred by the Receiver and his counsel will be. The converse is also true.

Based on the size and complexity of the estate, the difficulties of administering it, the efforts expended and the results obtained, the fees requested by the Receiver and his counsel are reasonable and necessary.

ACCORDINGLY, the Receiver requests that this Application be granted in its entirety and that he be authorized to pay the fees requested by him and his counsel from the funds available to the estate.

Respectfully submitted,



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ATTORNEYS FOR THE COURT-APPOINTED  
RECEIVER OF RETIREMENT VALUE, LLC

# **Exhibit 1**

CAUSE NO. D-1-GV-10-000454

|                                  |   |                                     |
|----------------------------------|---|-------------------------------------|
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|                                  | § |                                     |
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| RETIREMENT VALUE, LLC,           | § |                                     |
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| WENDY ROGERS,                    | § |                                     |
|                                  | § |                                     |
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| <b>Relief Defendant.</b>         | § | 126 <sup>th</sup> JUDICIAL DISTRICT |

**AFFIDAVIT OF EDUARDO S. ESPINOSA**

BEFORE ME, the undersigned authority, on this day personally appeared Eduardo S. Espinosa, who is personally known to me, and after being duly sworn according to law, upon his/her oath duly deposed and said:

1. My name is Eduardo S. Espinosa. I am over the age of twenty-one (21) years, of sound mind, and fully competent to testify in this cause. I have personal knowledge of the facts stated herein, all of which are true and correct.

2. I am a partner in the law firm of K&L Gates, LLP. I was admitted to practice law in the State of Louisiana in 1996 and in the State of Texas in 1999. Prior to entering private practice, I was an Enforcement Attorney with the United States Securities and Exchange Commission, where I investigated violations of and enforced the antifraud provisions of the

federal securities laws. Since entering private practice in 1998, I have been counsel to multiple defendants in similar proceedings. I am familiar with the reasonable and customary fees charged by attorneys in this type of matter.

3. I am making this Affidavit in support of the Fourth Application for Fees by the Receiver and Receiver's Counsel (the "Application").

4. Pursuant to the Court's Order of May 5, 2010 and the Agreed Temporary Injunction Order of May 28, 2010 (the "Agreed TI"), I have employed professionals necessary "for an efficient and accurate administration of the receivership estate." To this goal, I have retained the law firm of K&L Gates to represent me in connection with my duties and responsibilities as Receiver and have utilized a number of K&L Gates lawyers and paralegals to assist me therewith. I have not acted as my own counsel.

5. Attached to this Affidavit as Exhibits A and B are redacted copies of K&L Gates' invoices 2368605 and 2368606 respectively (the "Invoices"). The Invoices detail the services performed, from March 1, 2011 through March 31, 2011, by: (a) myself as Receiver; and (b) K&L Gates as Receiver's counsel. At the end of each Invoice is a Timekeeper Summary that lists the professional staff that billed time to this matter during the relevant time period, the number of hours billed and their respective rates.

6. As a general matter, the charge for the services provided by K&L Gates is determined by multiplying the total number of hours worked by each timekeeper by that timekeeper's billing rate.

The fees charged by the Receiver and his counsel represent a discount of approximately 17.5% from the usual and customary fees charged by K&L Gates. In this case, the billing rate of each timekeeper was discounted from the usual and customary rates charged by K&L Gates.



The Receiver is charging \$320/hour, which represents a 30% discount from his usual and customary rate of \$455/hour. In addition, K&L Gates has discounted its rates by 9.5% and further discounted its bills by approximately \$2,635. In the aggregate the discounts and write-offs associated with this Fee Application amount to \$16,956. The chart below summarizes the fees charged and the discounts applied.

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| Receiver adj           |          | (\$7,897.50)         |
| KLG Incurred           | various  | \$70,255.27          |
| KLG Billed             | various  | \$61,196.65          |
| KLG adj.               | (9.5%)   | (\$6,423.96)         |
| Write-offs             |          | (\$2,634.66)         |
| <b>Total Adj</b>       |          | <b>(\$16,956.12)</b> |

7. I have personal experience working with every person billing time to this matter, they are each of high quality and their have skills and expertise that are invaluable to assist me in performing my duties and responsibilities in this matter.

8. The hourly rates set forth in the Invoices are set at a level designed to compensate the firm fairly for the work of its staff and to cover fixed and routine overhead expenses. Such rates are normal and customary in this market for legal professionals with the same level of experience and expertise at comparable legal firms in Texas. Each year, K&L Gates undertakes an analysis of the markets in which it operates in order to determine the appropriate fees to charge for its professionals based on the fees charged by its competitors and peer firms. The goal of this analysis is to set rates for each professional at the median rate for professionals at

peer firms in similar practices areas and similar experience. Accordingly, the rates charged by K&L Gates in this matter are well within the norm for firms of its type in Texas.

9. The hourly rates charged are reasonable rates for this case, given: (1) the time and labor involved, the novelty and difficulty of the questions involved, and the skill required to perform the legal services properly; (2) the likelihood that the acceptance of the particular employment will preclude other employment by the K&L Gates professionals; (3) the fee customarily charged in the locality for similar services; (4) the amount involved and the results obtained; (5) the time limitations imposed by the client or the circumstances; (6) the nature and length of the professional relationship with the client; and (7) the experience, reputation, and ability of the professionals performing the services.

10. The amount billed for my services during the period covered by this application is \$18,720.00. The amount billed for my counsel's professional services during the period covered by this application is \$61,196.65. These amounts were calculated by taking the time billed for each task performed in connection with this case multiplied by the discounted hourly rate for the professional or staff member who performed the task. Based on my experience and knowledge of this matter, the fees charged by myself and my team for work from March 1, 2011 through March 31, 2011 are reasonable.

11. I have reviewed K&L Gates' invoices for services rendered from March 1, 2011 through March 31, 2011. Based on my experience and knowledge of this matter, the work performed by my staff from March 1, 2011 through March 31, 2011 was reasonable and necessary to properly allow me to fulfill my duties and responsibilities in this case.

12. In addition, the Receiver is tasked with preserving Retirement Value's assets for the benefit of the investors, which requires, among other things, that the Receiver perpetuate

certain aspects of Retirement Value’s operations. The Receiver’s fees are substantially less than Retirement Value’s operating expenses in April 2010. April 2010 is significant because Retirement Value was already subject to the TSSB’s cease-and-desist order that curtailed the sell side of its operations, effectively providing a benchmark for its administrative expenses. The table below reflects the efficiencies recognized by the Receiver in administering the estate’s assets, as compared to Retirement Value.

|                       | Retirement Value<br>April 2010 | Receiver<br>March 2011 | Efficiencies<br>Recognized |
|-----------------------|--------------------------------|------------------------|----------------------------|
| <i>Expenses</i>       |                                |                        |                            |
| Payroll               | 161,598.27                     |                        |                            |
| Other Expenses        | <u>107,384.87</u>              |                        |                            |
| <i>Total Expenses</i> | <u>\$268,983.14</u>            | \$ 79,916.65           | \$189,066.49               |

The fees requested for services rendered in March 2011 are approximately \$190,000 less than Retirement Value’s expenses in April 2010. Moreover, the fees requested in this application are (i) 33% less than average monthly fees in the period covered by the immediately preceding fee application; and (ii) 50% less than the average monthly fees in all preceding fee applications.

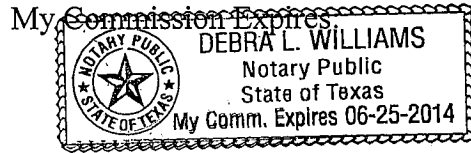
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FURTHER AFFIANT SAYETH NOT.

*Eduardo S. Espinosa*  
\_\_\_\_\_  
Eduardo S. Espinosa

SUBSCRIBED AND SWORN TO BEFORE ME this 11<sup>th</sup> day of May 2011. .

*Debra L. Williams*  
\_\_\_\_\_  
Notary Public



**Exhibit A**  
**Invoice 2368605**

**PRIVILEGED AND CONFIDENTIAL  
DO NOT DISCLOSE**

The Estate of Retirement Value, LLC  
c/o Eduardo S. Espinosa, Receiver  
1717 Main Street, Suite 2800  
Dallas, TX 75201

April 19, 2011  
Invoice: 2368605  
Matter Desc.: State of Texas vs.  
Retirement Value LLC, et. al.  
Client/Matter #: 1203981.00001

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This statement covers fees for legal services rendered for your account during the period ending 03/31/2011. Detailed information regarding these fees is attached.

**Current Charges:**

Fees 79,574.56

**Total Current Charges**

**\$79,574.56**

PAYMENT FOR "CURRENT AMOUNT" IS DUE IN FULL ON OR BEFORE MAY 19, 2011

*Please Return a Copy of This Page With Your Payment to K&L Gates, RCAC, 925 Fourth Avenue, Suite 2900, Seattle, Washington 98104-1158, Reference Invoice: 2368605*

*Payment Can Also be Made by wire to: US Bank, Private Financial Services, 1420 5<sup>th</sup> Ave. Suite 2100, Seattle, WA 98101, ABA Routing Number: 125000105, Account # 153557906580, Reference Invoice 2368605*

**PRIVILEGED AND CONFIDENTIAL  
DO NOT DISCLOSE**

The Estate of Retirement Value, LLC  
c/o Eduardo S. Espinosa, Receiver  
1717 Main Street, Suite 2800  
Dallas, TX 75201

April 19, 2011  
Invoice: 2368605

**FOR PROFESSIONAL SERVICES RECORDED AS OF 03/31/11:**

Matter: 1203981.00001

Matter Description: State of Texas vs. Retirement Value LLC, et. al.

| <u>Date</u> | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u> | <u>Description</u>  |
|-------------|-----------------|--------------|---------------|---|
| 3/1/11      | Brown, A. G.    | 0.70         | 129.87        | Conduct and respond to telephone inquiry from [REDACTED] (.3); conduct research regarding deposit discrepancy (.4)  |
| 3/1/11      | Espinosa, E. S. | 2.50         | 800.00        | Telephone conference with Hohengarten and M. Napoli regarding Gray settlement (.6); review 3/9/10 deposit, consult with P. Dennis and A. Brown regarding same (.7); correspond with P. Dennis regarding A/P (mediation and NBU) (.4); consult with M. Napoli regarding [REDACTED], Insurance coverage (.8)  |
| 3/1/11      | Napoli, M. D.   | 2.60         | 1,270.62      | Work on application for property coverage (1.5); e-mail correspondence regarding illustrations for [REDACTED] (.2); telephone conference with J. Hohengarter regarding settlement strategy and discovery (.6); e-mail correspondence and telephone conference with S. Lankford regarding property insurance for 707 Walnut (.3)   |
| 3/2/11      | Brown, A. G.    | 0.50         | 92.77         | Conduct and respond to telephone inquiries from [REDACTED] r and [REDACTED] (.5)  |
| 3/2/11      | Espinosa, E. S. | 2.50         | 800.00        | Review J. Lee's revised analysis (.3); consult with M. Napoli and IT regarding XLSX files (.4); review D. Gray's prepared settlement (.8); correspond with J. Wiennbrenner regarding Roger's March expenses (.2); correspond with P. Dennis booking of March expenses (.1); execution and transmittal of A/P checks (.2); correspond with B. Boarnet regarding 707 N. Walnut (.2); correspond with K. Henderson regarding maturity report (.1); review correspondence with S. Hankford (.2) |
| 3/2/11      | Napoli, M. D.   | 2.00         | 977.40        | Review actuary report (1.5); telephone conference with J. Lee regarding report (.5)   |

| <u>Date</u> | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u> | <u>Description</u>   |
|-------------|-----------------|--------------|---------------|--|
| 3/3/11      | Brown, A. G.    | 1.20         | 222.64        | Review incoming email from ██████████, ██████████ and ██████████ and draft responses regarding same (.5); conduct and respond to telephone inquiries from ██████████ and ██████████ (.4); review and load tax documentation to ringtail database (.3)  |
| 3/3/11      | Espinosa, E. S. | 8.80         | 2,816.00      | Correspond with P. Quigley regarding dismissing request for TDI hearing (.2); correspond with W. Giles regarding A. Gray disbursement (.1); consult with A. Brown regarding ██████████ (Investor) (.4); correspond with ██████████ (investor) (.2); correspond with P. Dennis regarding A/P batch (.1); analyze K&L invoices for Jan & Feb 2011 (1.6); draft Fee Application #5 (.8); draft Affidavit in support of Fee Application #5 (.7); draft motion for payment of profession (non-KLG) expenses (1.2); consult with M. Napoli regarding L&E Analysis; release of TDI hearing and other matters (2.0); telephone conference with ██████████ at AXA Equitable (.1); review correspondence regarding Pac-Life material (.2); review and execute letter withdrawing request for TDI hearing (.2); review insurance proposal and compare with B. Donagan's (.3); correspond with R. Evans regarding Office Depot (.3); research and respond to R. Therborn regarding 1099 (.4) |
| 3/3/11      | Napoli, M. D.   | 2.00         | 977.40        | Review proposal for insurance on 707 Walnut (.2); confer with E. Espinosa regarding same (.2); e-mail correspondence with counsel regarding settlement agreement (.1); review and confer with E. Espinosa regarding actuarial analysis (1.5)   |
| 3/4/11      | Brown, A. G.    | 0.70         | 129.87        | Conduct and respond to telephone inquiries from ██████████ i and ██████████ (.4); review incoming documentation and update files (.3)  |
| 3/4/11      | Napoli, M. D.   | 6.90         | 3,372.03      | Telephone conference with J. Lee and S. Gibson (.6); review insurance offer, prepare memo and complete insurance application (2.0); e-mail correspondence with J. Pavolvcak regarding PL1140 (.1); telephone conference with J. Pavolvcak regarding PL1140 (.2); telephone conference with S Lankford regarding 707 Walnut (.2); e-mail correspondence with L Edwards regarding 707 Walnut (.1); telephone conference with A Brown regarding investor call regarding Vertical Capital offer (.1); revise draft settlement agreement for Gray (.3); correspondence with W. Timby regarding PL1140 claim (.2); correspondence with P. Keel regarding mediation for KPKF (.4); prepare for mediation (2.2); work on application for non-KLG professional fees (.5)  |
| 3/4/11      | Sanchez, J. R.  | 0.40         | 56.11         | Prepare and load RV tax documents to Ringtail for review   |



| <u>Date</u> | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u>    | <u>Description</u>  |
|-------------|-----------------|--------------|------------------|---|
| 3/7/11      | Brown, A. G.    | 0.40         | 74.21            | Conduct and respond to telephone inquiries from [REDACTED] and [REDACTED] (.4)  |
| 3/7/11      | Espinosa, E. S. | 0.20         | 64.00            | Telephone conference with M. Napoli regarding mediation with Rogers   |
| 3/7/11      | Napoli, M. D.   | 4.50         | <b>No Charge</b> | Travel to/from Austin   |
| 3/7/11      | Napoli, M. D.   | 9.50         | 4,642.65         | Attend mediation for KPKF and Rogers (9.5)  |
| 3/8/11      | Brown, A. G.    | 1.30         | 241.19           | Review and organize motion in preparation for filing with court and file Fourth Motion to Pay Professional Fees (.4); conduct and respond to telephone inquiries from [REDACTED] (.2); review incoming documentation and update client files and index (.7)   |
| 3/8/11      | Espinosa, E. S. | 1.00         | 320.00           | Telephone conference with M. Napoli regarding results of KPK&F mediation; W. Rogers 2nd mediation and Lewis & Ellis analysis  |
| 3/8/11      | Napoli, M. D.   | 7.40         | 3,616.38         | Correspondence with J. Hohengarten and P. Quigley regarding mediation (.3): research regarding John Hodge licensee (.2); e-mail correspondence to A. Goldate regarding Hodge (.1); finalize application to pay professionals (.2); prepare receiver's fee app (3.5); confer with E. Espinosa regarding mediation, Rogers settlement offer, plan of distribution, tax and actuarial issues (1.1); respond to investor correspondence (2.0)   |
| 3/9/11      | Napoli, M. D.   | 7.10         | 3,469.77         | E-mail correspondence with J. Lee regarding actuarial analysis (.1); telephone conference with S. Gibson and J. Lee regarding actuarial analysis (.5); review latest report from Gibson (.4); research regarding approval of sale of property by receiver (.5); correspondence with J. Pavolvack regarding PL1140 claim (.2); work on fee application (4.2); e-mail correspondence with G. Weisbart and P. Keel regarding settlement (.2); telephone conference with J. Hohengarten regarding Rogers and KPKF settlements (.5); review W. Rogers financial information and research value of real property (.5) |
| 3/10/11     | Brown, A. G.    | 0.30         | 55.66            | Conduct and respond to telephone inquiry from [REDACTED] (.3)   |
| 3/10/11     | Espinosa, E. S. | 1.00         | 320.00           | Telephone conference with M. Napoli, J. Hohengarten, A. Goldate and P. Quigley regarding W. Roger's offer and counter offer   |
| 3/10/11     | Napoli, M. D.   | 8.40         | 4,105.08         | Work on fee application (2.0); telephone conference with J. Hohengarten, A. Goldate, P. Quigley and E. Espinosa regarding Rogers settlement (1.0); telephone conference with J. Hohengarten regarding Rogers settlement (.2); telephone conference with investor [REDACTED] (.8); work on plan of distribution and motion to approve (4.4)  |

| <u>Date</u> | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u> | <u>Description</u>   |
|-------------|-----------------|--------------|---------------|--|
| 3/10/11     | Sanchez, J. R.  | 0.30         | 42.08         | Prepare "Wendy Rogers" documents from Ringtail to send to AG.  |
| 3/11/11     | Morenoff, D.    | 0.40         | 152.04        | Confer with M. Napoli on structure of potential liquidation pleading   |
| 3/11/11     | Napoli, M. D.   | 5.80         | 2,834.46      | E-mail correspondence with C. Bradford regarding Gray settlement agreement (.1); telephone conference with R. Kipp and J. Lee regarding actuarial and tax analysis (1.5); prepare motion to approve plan of distribution (3.8); conference with D. Morenoff regarding plan (.4)  |
| 3/11/11     | Riggs, M. L.    | 2.10         | 465.63        | Conference with M. Napoli regarding wire transfer spreadsheets (.2); review and revise regarding same (1.9)  |
| 3/11/11     | Sanchez, J. R.  | 0.30         | 42.08         | Prepare "Wendy Rogers" documents from Ringtail to send to AG.  |
| 3/14/11     | Brown, A. G.    | 0.60         | 111.32        | Conduct and respond to telephone inquiry from [REDACTED] (2); retrieve and review incoming case filings and forward to attorneys for review (.3); update case calendar (.1)  |
| 3/14/11     | Espinosa, E. S. | 1.40         | 448.00        | Consult with M. Napoli and S. Elrod regarding deed for 707 (.2); prepare and transmit replacement check for Lipscomb & Cathy (.4); review series of Motions from C. Bradford (.5); review L&E invoice (.1); correspond with G. Quinones regarding website being down (.2)  |
| 3/14/11     | Morenoff, D.    | 0.20         | 76.02         | Email team concerning strategy   |
| 3/14/11     | Napoli, M. D.   | 2.10         | 1,026.27      | E-mail correspondence with S. Elrod regarding deed for 3606 Comal Springs (.1); conference with E. Espinosa (.5); e-mail correspondence with J. Pavlovcak regarding PL1140 claim (.2); work on motion in support of plan (1.5)   |
| 3/15/11     | Brown, A. G.    | 1.20         | 222.64        | Conduct and respond to telephone inquiries from [REDACTED] and [REDACTED] (.4); review incoming documentation and update client files and index (.3); review pleading files and prepare index of recent filings for attorney review (.5)   |
| 3/15/11     | Espinosa, E. S. | 5.10         | 1,632.00      | Transfer funds from subaccounts to Wells Fargo main account for February and March premium (1.8); correspond with G. Quinones regarding website status and modification and update to same (.5); consult with M. Hadaway regarding January and February invoice (.2); consult with D. Morenoff and M. Napoli regarding proof of claim (.5); prepare deposit of PLI140 proceeds, Hartford's refund and miscellaneous funds (.7); correspond with P. Dennis regarding \$1,000,000 payment to JSS/PNW and accounting for above deposits LFG735 (.7); telephone conference with [REDACTED] (investor) (.3); correspond with ASG regarding PL1140 (.2); consult with A. Brown and M. Napoli regarding |

| <u>Date</u> | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u> | <u>Description</u>   |
|-------------|-----------------|--------------|---------------|--|
|             |                 |              |               | court filing (.2)  |
| 3/15/11     | Morenoff, D.    | 0.50         | 190.05        | Confer with M. Napoli and E. Espinosa on strategy  |
| 3/15/11     | Napoli, M. D.   | 5.50         | 2,687.85      | Review filings and discovery requests by W Rogers (.4); e-mail correspondence with J Pavolveck regarding PL1140 claim (.1); confer with E Espinosa and D Morenoff regarding plan of distribution (.5); e-mail correspondence to counsel regarding PL1140 claim (.1); prepare motion to approve plan (4.4)  |
| 3/15/11     | Riggs, M. L.    | 0.60         | 133.04        | Review wire transfer activity for the Laub account (.5); meet with M. Napoli regarding same (.1)   |
| 3/16/11     | Brown, A. G.    | 0.50         | 92.77         | Review and organize documents to be posted to the website and draft email to web coordinator regarding posting (.5)  |
| 3/16/11     | Espinosa, E. S. | 1.70         | 544.00        | Correspond with M. Feller regarding insurance (.2); telephone conference with K. Hinkle at ASG regarding [REDACTED], [REDACTED] and "Settlement Services" (1.0); consult with A. Brown and G. Quineris regarding website postings (.2); review [REDACTED] "complaint" to regulators (.3)   |
| 3/16/11     | Napoli, M. D.   | 4.80         | 2,345.76      | Work on motion to approve plan (4.5); confer with E. Espinosa regarding plan (.2); e-mail correspondence with R. Kipp regarding PL1140 payment (.1)  |
| 3/16/11     | Riggs, M. L.    | 2.00         | 443.46        | Review wire transfer activity for the Laub account (1.0); create spreadsheet regarding same (1.0)  |
| 3/17/11     | Brown, A. G.    | 0.50         | 92.77         | Conduct and respond to telephone inquiries from [REDACTED] and [REDACTED] (.3); review and respond to incoming email (.2)  |
| 3/17/11     | Dietz, M.S.     | 0.80         | 427.16        | Conference call with M. Napoli regarding facts and strategy.   |
| 3/17/11     | Espinosa, E. S. | 3.00         | 960.00        | Consult with M. Napoli regarding withdrawal of C. Bradford and W. Rogers Motion for Continuance (.7); consult with M. Napoli regarding flow of funds, collapsing the portfolio; issues surrounding the plan of distribution; contingency counsel; order releasing W. Rogers funds, etc. (2.1); telephone conference with [REDACTED] investor) (.2) |
| 3/17/11     | Napoli, M. D.   | 4.50         | 2,199.15      | Work on motion to approve plan of distribution (3.5); confer with E. Espinosa regarding Bradford withdrawal and motion for continuance (.3); confer with M. Dietz regarding continuance (.3); e-mail correspondence with C. Bradford regarding continuance and Rogers release of funds (.2); review agreed order regarding release of funds (.2)   |
| 3/18/11     | Espinosa, E. S. | 4.00         | 1,280.00      | Review appraisal of 707 N. Walnut (.3); correspond with R. Kipp, M. Napoli regarding 2009/2010 1120S (.4); consult with M. Napoli regarding response to investor inquiries regarding PLI140 proceeds (.4);   |

| <u>Date</u> | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u> | <u>Description</u>   |
|-------------|-----------------|--------------|---------------|--|
| 3/18/11     | Napoli, M. D.   | 1.80         | 879.66        | review and revise fee app #5 invoices (2.3); correspond with G. Quinones regarding updates and website (.2); correspond with P. Dennis regarding Chase and ICB statements (.2); review Chase on-line alerts (.2) Review and respond to investor inquiry (.5); prepare FAQ addressing plans for funds (.5); e-mail correspondence with G. Weisbart regarding PLI140, continuance and Rogers release of funds (.2); e-mail correspondence with R. Kipp regarding Collins settlement and 2010 K-1 (.2); research regarding payment of interest on death benefit for PL1140 (.4) |
| 3/21/11     | Espinosa, E. S. | 2.00         | 640.00        | Consult with M. Napoli regarding Motion to Withdraw/Continuance (1.2); telephone conference with T. Moran regarding [REDACTED] proposal; Moran's availability (.6); various emails regarding continuance and parties position (.2)   |
| 3/21/11     | Napoli, M. D.   | 4.70         | 2,296.89      | Review appraisal on 707 Walnut (.3); respond to investor inquiry (.5); review George & Brothers engagement agreement (.3); review and consider Gray revisions and comments to settlement agreement and PI (.5); prepare response to inquiry from J Parsons regarding motion for continuance (.3); review additional information from actuaries (.3); prepare interim report (1.5); confer with E. Espinosa regarding actuaries, taxes, Gray comments to settlement agreement, and plan of distributions (1.0)  |
| 3/22/11     | Brown, A. G.    | 0.80         | 148.42        | Conduct and respond to telephone inquiry from [REDACTED] r (.3); review and respond to emails from [REDACTED], [REDACTED] and [REDACTED] (.5)  |
| 3/22/11     | Dietz, M.S.     | 0.50         | 266.98        | Review emails regarding motion to withdraw, continuance, and hearings.   |
| 3/22/11     | Espinosa, E. S. | 3.80         | 1,216.00      | Telephone conference with R. Kipp P. Dennis, M. Napoli regarding 2009/2010 1120S, State of RV's books and discuss capitalization of expenses (3.1); telephone conference with [REDACTED] (Licensee/Investor) regarding status update (.5); correspond with S. Lankford regarding insurance binder on 707 N. Walnut (.2)  |
| 3/22/11     | Napoli, M. D.   | 5.70         | 2,785.59      | Telephone conference with R. Kipp, P. Dennis and E. Espinosa regarding tax and accounting issues (3.1); telephone conference with C. Bradford regarding Rogers (.5); work on interim report (2.0); review correspondence from J. Parsons regarding withdrawal and continuance (.1);  |
| 3/23/11     | Espinosa, E. S. | 3.90         | 1,248.00      | Telephone conference with [REDACTED] and [REDACTED] at [REDACTED] regarding proposed for capital infusion (.9); consult with M. Napoli regarding Lewis & Ellis's   |

| <u>Date</u> | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u> | <u>Description</u>  |
|-------------|-----------------|--------------|---------------|---|
| 3/23/11     | Lee, T.         | 1.00         | 199.10        | analysis, tax implications, cash management (██████) ██████ Capital, settlement language (2.1); telephone conference with ██████ regarding ██████ (.3); correspond with M. Doss at Chase regarding "add-on" rate (.2); consult with S. Elrod regarding title policy on Comal Springs (.2); correspond with K. Hinkle at ASG regarding ██████ Capital (.2)   |
| 3/23/11     | Napoli, M. D.   | 2.30         | 1,124.01      | Conference with S. Elrod regarding preparation of draft deed from R. and C. Gray to E. Espinosa, as receiver; review e-mail correspondence from M. Napoli regarding appraisal report and title insurance to be obtained; review appraisal report; draft deed conveying title to 3606 Comal Springs Drive to receivership; conference with S. Elrod regarding title commitment ordered   |
| 3/24/11     | Brown, A. G.    | 0.40         | 74.21         | Confer with S. Elrod regarding deed to Comal Springs house (.2); review insurance policy for 707 N. Walnut (.2); work on plan of distribution and attendant tax and actuarial issues (1.9)  |
| 3/24/11     | Dietz, M.S.     | 0.30         | 160.19        | Conduct and respond to telephone inquires from ██████ and ██████  |
| 3/24/11     | Espinosa, E. S. | 1.50         | 480.00        | Emails regarding resetting trial and motions to withdraw/continuance.   |
| 3/24/11     | Lee, T.         | 0.30         | 59.73         | Telephone conference with T. Platsky at Austin American Statesman (.6); correspond with C. Bradford and C. Cervantes regarding HCF Premium payment (.2); telephone conference with P. Lynch regarding 707 N. Walnut (.2); consult with M. Napoli regarding C. Bradford's points on settlement language (.4); telephone conference with P. Dennis regarding 1099's (.1)  |
| 3/24/11     | Napoli, M. D.   | 3.60         | 1,759.32      | Review and revise draft deed; conference with S. Elrod regarding draft deed   |
| 3/25/11     | Dietz, M.S.     | 0.10         | No Charge     | Revise Gray settlement agreement (2.5); work on Gray PI regarding Retirement Value (.7); confer with E. Espinosa regarding Gray settlement and David Gray (.4);   |
| 3/25/11     | Espinosa, E. S. | 1.70         | 544.00        | Review various emails regarding continuance/setting. Telephone conference with P. Dennis regarding the 1099 to ██████ (licensee); Investigate amount paid in 2010, review canceled checks and correspond with P. Dennis regarding same (.5); correspond with P. Dennis regarding data file regarding Receiver's books and records; (.3); review draft update for R. Kipp (.2) review 707 N. Walnut appraisal from B. Boarnet (.3); review correspondence from ██████ regarding transfer of IRA custodial services and reply via A. Brown. |

| <u>Date</u> | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u>    | <u>Description</u>  |
|-------------|-----------------|--------------|------------------|---|
| 3/25/11     | Napoli, M. D.   | 2.70         | 1,319.49         | Prepare memo regarding tax issues (.5); prepare draft PI for Gray (1.0); review and comment on PI for HCF (.4); review State's revisions to Gray settlement agreement (.3); work on interim report (.5)   |
| 3/28/11     | Brown, A. G.    | 0.30         | 55.66            | Conduct and respond to telephone inquiries from [REDACTED] and [REDACTED]   |
| 3/28/11     | Espinosa, E. S. | 2.80         | 896.00           | Telephone conference with [REDACTED] (investor) (.5); review and release January and February invoices for printing (.3); correspond with P. Dennis at BKD regarding Fee App/or Prof Services (.3); address premium with ASG and LE (.2); consult with B. Rose regarding HCF policies (.5); review draft Gray Settlement (.6); address funds management with M. Ross at Chase (.4)  |
| 3/28/11     | Napoli, M. D.   | 5.20         | 2,541.24         | Revise settlement agreement (1.5); revise PI regarding Retirement Value (.5); prepare comments to settlement agreement (.3); prepare report (2.8); prepare certificate of no objections (.1);   |
| 3/29/11     | Brown, A. G.    | 0.70         | 129.87           | Review and organize documents in preparation for filing and file same with court (.3); review and respond to email from [REDACTED] and [REDACTED] (.4)  |
| 3/29/11     | Dotson, J. R.   | 0.30         | <b>No Charge</b> | Search Austin files regarding HCF policies; r-mail to M. Napoli and E. Espinosa regarding HCF policies; e-mail from E. Espinosa regarding same  |
| 3/29/11     | Espinosa, E. S. | 2.70         | 864.00           | Correspond with P. Dennis, A. Brown and M. Napoli regarding next A/P run and payment of professional services pursuant to Fee App (.7); review proposed transmittal to C. Bradford regarding settlement language (.3); transfer April premium amounts among Wells Fargo accounts and wire funds to ASG (1.2); correspond with [REDACTED] and K. Hinkle regarding [REDACTED] proposal (.3); consult with J. Dotson regarding HCF policies.(.2)               |
| 3/29/11     | Lee, T.         | 0.70         | 139.37           | Review e-mail correspondence from S. Elrod regarding title commitment received; brief review of title commitment; e-mail correspondence with title company requesting copies of vesting deed and exception documents; review e-mail correspondence from the title company regarding copies of exception documents; review exception documents received against title commitment; e-mail correspondence with the title company regarding copy of plat needed |
| 3/29/11     | Napoli, M. D.   | 5.70         | 2,785.59         | E-mail correspondence with counsel regarding Gray settlement agreement (.2); revise settlement agreement (.3); prepare report (2.5); work on fee app (2.7)  |
| 3/30/11     | Brown, A. G.    | 0.80         | 148.42           | Conduct and respond to email inquiry from [REDACTED] (.3); review incoming documentation and update client  |



| <u>Date</u> | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u>             | <u>Description</u>   |
|-------------|-----------------|--------------|---------------------------|--|
|             |                 |              |                           | index (.2); conduct and respond to telephone inquiry from [REDACTED] (.3)  |
| 3/30/11     | Dietz, M.S.     | 0.10         | No Charge                 | Emails regarding status.   |
| 3/30/11     | Espinosa, E. S. | 3.50         | 1,120.00                  | Consult with M. Napoli regarding Bradford's withdrawal and D. Gray (.4); consult with M. Napoli and [REDACTED] regarding [REDACTED] (2.0); review correspondence with R. Kipp (.2); correspond with P. Dennis at BKD regarding NBU invoices (.2); consult with C. Budner [REDACTED] [REDACTED] (.4); consult with M. Napoli regarding cash verses accrual basis accounting (.3)  |
| 3/30/11     | Lee, T.         | 0.30         | 59.73                     | E-mail correspondence with title company regarding copy of plat; review e-mail correspondence from title company regarding copy of plat ordered  |
| 3/30/11     | Napoli, M. D.   | 4.10         | 2,003.67                  | Prepare motion to approve Gray settlement (1.0); e-mail to J George re fee agreement (.1); telephone conference with J George re fee agreement (.2); prepare report (2.0); prepare response to e-mail from C Bradford re tax issues (.6); correspondence with R Kipp and J Lee (.2)  |
| 3/30/11     | Napoli, M. D.   | 2.00         | 977.40                    | Meet with [REDACTED] and E. Espinosa regarding cash management strategies  |
| 3/31/11     | Brown, A. G.    | 0.30         | 55.66                     | Conduct and respond to email inquires  |
| 3/31/11     | Espinosa, E. S. | 5.40         | 1,728.00                  | Consult with M. Napoli, R. Kerridge regarding tax issues (2.0); meet with M. Napoli, [REDACTED] and [REDACTED] regarding cash management (1.5); respond to [REDACTED] inquiry regarding PLI140 (.7) correspond with R. Kipp regarding Tax issues (.1); review invoice for February fees (.7) Review correspondence from C. Bradford (.3); consult with M. Napoli regarding engagement of contingency fees counsel (.1) |
| 3/31/11     | Kerridge, R.    | 3.30         | 1,851.63                  | Work sessions with M. Napoli and E. Espinosa; research and analyze tax issues.   |
| 3/31/11     | Lee, T.         | 0.30         | 59.73                     | Review e-mail correspondence from title company regarding delay in obtaining copy of plat; e-mail correspondence with title company regarding same   |
| 3/31/11     | Napoli, M. D.   | 4.00         | 1,954.80                  | Confer with E. Espinosa and R. Kerridge regarding tax issues (2.0); review draft settlement agreement for KPKF (.3); e-mail correspondence with counsel regarding KPKF settlement (.1); meet with [REDACTED] and [REDACTED] regarding cash management (1.5); correspondence with C. Bradford regarding tax issues (.1)   |
|             |                 |              | <b>TOTAL HOURS</b>        | 199.40   |
|             |                 |              | <b>TOTAL FOR SERVICES</b> | \$79,574.56  |

Matter: State of Texas vs. Retirement Value LLC, et. al.  
 Client/Matter #: 1203981.00001

Page: 10  
 April 19, 2011  
 Invoice: 2368605

**TIMEKEEPER SUMMARY**

| <u>Timekeeper</u>             | <u>Hours</u> | <u>Rate</u>  | <u>Amount</u>   |
|-------------------------------|--------------|--------------|-----------------|
| Kerridge, R.                  | 3.30         | 561.10       | 1,851.63        |
| Dietz, M.S.                   | 1.60         | 533.95       | 854.33          |
| Napoli, M. D.                 | 110.40       | 488.70       | 53,952.48       |
| Morenoff, D.                  | 1.10         | 380.10       | 418.11          |
| Espinosa, E. S.               | 58.50        | 320.00       | 18,720.00       |
| Riggs, M. L.                  | 4.70         | 221.73       | 1,042.13        |
| Lee, T.                       | 2.60         | 199.10       | 517.66          |
| Brown, A. G.                  | 11.20        | 185.53       | 2,077.95        |
| Sanchez, J. R.                | 1.00         | 140.28       | 140.27          |
| <br>Total for All Timekeepers | <br>199.40   | <br>\$399.07 | <br>\$79,574.56 |

**INVOICE TOTAL**

|                                       | <u>Fees</u> | <u>Expenses</u> | <u>Total</u>       |
|---------------------------------------|-------------|-----------------|--------------------|
| Current Charges                       | 79,574.56   | 0.00            | 79,574.56          |
| <b>TOTAL BALANCE DUE THIS INVOICE</b> |             |                 | <b>\$79,574.56</b> |

PAYMENT DUE IN FULL ON OR BEFORE MAY 19, 2011



**Exhibit B**  
**Invoice 2368606**

**PRIVILEGED AND CONFIDENTIAL  
DO NOT DISCLOSE**

The Estate of Retirement Value, LLC  
c/o Eddy Espinosa  
K&L Gates, LLP  
1717 Main Street, Suite 2800  
Dallas, TX 75201

April 19, 2011  
Invoice: 2368606  
Matter Desc.: David & Elizabeth Gray  
Client/Matter #: 1203981.00003

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This statement covers fees for legal services rendered for your account during the period ending 03/31/2011. Detailed information regarding these fees is attached.

**Current Charges:**

|      |        |
|------|--------|
| Fees | 342.09 |
|------|--------|

|                              |                 |
|------------------------------|-----------------|
| <b>Total Current Charges</b> | <b>\$342.09</b> |
|------------------------------|-----------------|

PAYMENT FOR "CURRENT AMOUNT" IS DUE IN FULL ON OR BEFORE MAY 19, 2011

*Please Return a Copy of This Page With Your Payment to K&L Gates, RCAC, 925 Fourth Avenue, Suite 2900, Seattle, Washington 98104-1158, Reference Invoice: 2368606*

*Payment Can Also be Made by wire to: US Bank, Private Financial Services, 1420 5<sup>th</sup> Ave. Suite 2100, Seattle, WA 98101, ABA Routing Number: 125000105, Account # 153557906580, Reference Invoice 2368606*

**PRIVILEGED AND CONFIDENTIAL  
 DO NOT DISCLOSE**

The Estate of Retirement Value, LLC  
 c/o Eddy Espinosa  
 K&L Gates, LLP  
 1717 Main Street, Suite 2800  
 Dallas, TX 75201

April 19, 2011  
 Invoice: 2368606

**FOR PROFESSIONAL SERVICES RECORDED AS OF 03/31/11:**

Matter: 1203981.00003

Matter Description: David & Elizabeth Gray

| <u>Date</u>        | <u>Attorney</u> | <u>Hours</u> | <u>Amount</u> | <u>Description</u>   |
|--------------------|-----------------|--------------|---------------|--|
| 3/4/11             | Napoli, M. D.   | 0.50         | 244.35        | Review settlement offer from D. Gray (.4); e-mail correspondence with L. York (.1) |
| 3/22/11            | Napoli, M. D.   | 0.20         | 97.74         | Telephone conference with L. York regarding settlement                             |
| TOTAL HOURS        |                 |              |               | 0.70   |
| TOTAL FOR SERVICES |                 |              |               | \$342.09   |

**TIMEKEEPER SUMMARY**

| <u>Timekeeper</u>         | <u>Hours</u> | <u>Rate</u> | <u>Amount</u> |
|---------------------------|--------------|-------------|---------------|
| Napoli, M. D.             | 0.70         | 488.70      | 342.09        |
| Total for All Timekeepers | 0.70         | \$488.70    | \$342.09      |

**INVOICE TOTAL**

|                                       | <u>Fees</u> | <u>Expenses</u> | <u>Total</u>    |
|---------------------------------------|-------------|-----------------|-----------------|
| Current Charges                       | 342.09      | 0.00            | 342.09          |
| <b>TOTAL BALANCE DUE THIS INVOICE</b> |             |                 | <b>\$342.09</b> |

PAYMENT DUE IN FULL ON OR BEFORE MAY 19, 2011

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above pleading has been served on the following, via certified mail, return receipt requested and e-mail on this the 11<sup>th</sup> day of May 2011:

Jack Hohengarten  
Office of the Attorney General  
Financial Litigation Division  
300 W. 15<sup>th</sup> Street, Sixth Floor  
PO Box 12548  
Austin, Texas 78711-2548

Christopher B. Bradford  
Clark, Thomas & Winters, P.C.  
P. O. Box 1148  
Austin, Texas 78767

Spencer C. Barasch  
Matthew G. Nielsen  
Andrews Kurth, LLP  
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Taylor Dunham, L.L.P.  
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Michael D. Napoli