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## Texas State Securities Board

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E. WALLY KINNEY  
MEMBER

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IN THE MATTER OF §  
RETIREMENT VALUE, LLC, §  
BRUCE COLLINS §  
AND RICHARD "DICK" GRAY §

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Order No. **ENF-10-CDO-1686**

TO: Retirement Value, LLC  
707 N. Walnut, New Braunfels, Texas 78130, and  
457 Landa Street, Suite B, New Braunfels, Texas 78130, and  
P.O. Box 310635, New Braunfels, Texas 78131, and  
c/o Richard Gray, Registered Agent, 707 N. Walnut, New Braunfels, Texas 78130

Bruce Collins  
707 N. Walnut, New Braunfels, Texas 78130, and  
1510 Legendary Ct, Grand Prairie, TX 75050, and  
457 Landa Street, Suite B, New Braunfels, Texas 78130, and  
P.O. Box 310635, New Braunfels, Texas 78131

Richard "Dick" Gray  
707 N. Walnut, New Braunfels, Texas 78130, and  
1945 Round Table, New Braunfels, Texas 78130, and  
457 Landa Street, Suite B, New Braunfels, Texas 78130, and  
P.O. Box 310635, New Braunfels, Texas 78131

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2009) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board (the "Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

### FINDINGS OF FACT

1. Retirement Value, LLC (hereinafter referred to as "Respondent Retirement Value") maintains last known addresses at 707 N. Walnut, New Braunfels, Texas 78130,

457 Landa Street, Suite B, New Braunfels, Texas 78130 and P.O. Box 310635, New Braunfels, Texas 78131. Respondent Retirement Value may also be served through Richard Gray, Registered Agent, at 707 N. Walnut, New Braunfels, Texas 78130.

2. Bruce Collins (hereinafter referred to as "Respondent Collins") maintains last known addresses at 707 N. Walnut, New Braunfels, Texas 78130, 1510 Legendary Ct, Grand Prairie, TX 75050, 457 Landa Street, Suite B, New Braunfels, Texas 78130 and P.O. Box 310635, New Braunfels, Texas 78131. Respondent Collins is the Chief Operating Officer of Respondent Retirement Value.
3. Richard "Dick" Gray (hereinafter referred to as "Respondent Gray") maintains last known addresses at 707 N. Walnut, New Braunfels, Texas 78130, 1945 Round Table, New Braunfels, Texas 78130, 457 Landa Street, Suite B, New Braunfels, Texas 78130, and P.O. Box 310635, New Braunfels, Texas 78131. Respondent Gray is the Founder, President and Chief Executive Officer of Respondent Retirement Value.
4. Respondent Gray is currently licensed as a General Lines Agent with the Texas Department of Insurance, and he holds qualifications in life, accident, health and HMO.
5. Respondent Gray previously served as an agent of Secure Investment Services, Inc. (hereinafter referred to as "Secured Investment Services"). On or about August 24, 2007, the United States District Court, the Honorable Judge Ronald S.W. Lew presiding, entered an Order Appointing Receiver, Temporary Restraining Order, and Order to Show Cause and appointed Michael J. Quilling as Temporary Receiver in SEC v. Secure Investment Services, Inc. et al, Case No. 2:07-cv-01724-LEW-CMK, in the Eastern District of California, Sacramento Division. This action was based upon a complaint that alleged that:
  - A. The defendants fraudulently sold bonded life settlement contracts in a ponzi scheme, using bonds issued by Provident Capital Indemnity, Ltd., and
  - B. The bonded life settlement contracts were predicated on life expectancy estimates provided by firms that include Midwest Medical Review LLC and George Kindness, and the life expectancy estimates were falsely certified and unreliable.
6. On or about June 25, 2009, the Texas Department of Insurance filed a Notice of Hearing seeking to revoke the licenses issued to Respondent Gray based in part upon his conduct as an agent of Secure Investment Services. The Texas Department of Insurance alleged therein that:
  - A. Beginning as early as 2005 and continuing through at least 2007, Respondent Gray sold approximately ninety-two investments in bonded life settlement contracts as an agent of Secure Investment Services,

- B. Investors tendered approximately \$3 million to Secure Investment Services for the purchase of these investments in bonded life settlements,
  - C. Respondent Gray received in excess of \$400,000.00 in commissions for his sale of these bonded life settlement contracts, and
  - D. Respondent Gray committed fraudulent or dishonest acts or practices as contemplated by TEX. INS. CODE ANN. § 4005.101(b)(5) and issued bonds without holding a General Property and Casualty License as required by TEX. INS. CODE ANN. Chapter 4051.
7. During and about 2008, Respondent Gray also served as the Managing Member of Hill Country Funding, LLC. Respondent Gray and Hill Country Funding, LLC, offered for sale and sold a re-sale life insurance investment program that permitted investors to become “co-beneficiaries” of life insurance policies. The maturity of these investments was purportedly secured by a bond issued by Provident Capital Indemnity, Ltd.
8. At the time that Respondent Gray and Hill Country Funding, LLC, offered for sale and sold the aforementioned re-sale life insurance investment program that was secured by a bond issued by Providential Capital Indemnity, Ltd., the Texas Department of Insurance and the Texas State Securities Board had already taken an action against the bonding company, to-wit:
- A. On or around November 6, 2006, the Insurance Commissioner of Texas entered Emergency Cease and Desist Order No. 06-1154. The Insurance Commissioner found therein that Provident Capital Indemnity, Ltd., was engaging in the unauthorized business of insurance in Texas, the conduct was fraudulent, illegal, hazardous, and created an immediate danger to public safety, and that such conduct was designed to evade the insurance laws of the State of Texas.
  - B. On or about January 17, 2008, the Securities Commissioner entered Emergency Cease and Desist Order, Order No. ENF-08-CDO-1647, styled In the Matter of Provident Capital Indimnity, LTD, et al. (hereinafter referred to as “Order No. 1647”). The Securities Commissioner found, inter alia, that:
    - i. The bonded life settlement contracts and bonds were "securities" as that term is defined in the Securities Act,
    - ii. Provident Capital Indemnity, Ltd., made offers containing statements that were materially misleading or otherwise likely to deceive the public and engaged in securities fraud, and
    - iii. Harold Maridon, a control person of Defendant Provident Capital Indemnity, Ltd., was previously convicted of Conspiracy to Commit Mail and Wire Fraud in United States of America v. Harold Maridon,

Cause No. 8:97CR-149-1, in the United States District Court, District of Nebraska.

9. On or about September 8, 2008, Respondent Gray, both individually and in his capacity as Managing Member of Hill Country Funding, LLC, filed an Undertaking with the Securities Commissioner wherein he represented that:
  - A. They agreed to notify all persons who made loans or any form of investment with Hill County Funding, LLC, that related to any form of bond or reinsurance to be procured from Provident Capital Indemnity, Ltd. and advise them of the existence of Emergency Cease and Desist Orders entered by the Texas Department of Insurance and the Texas State Securities Board,
  - B. They agreed to offer to rescind any transactions with persons who made loans or any form of investment with Hill County Funding, LLC, that related to any form of bond or reinsurance to be procured from Provident Capital Indemnity, Ltd., and
  - C. They agreed to comply with all provisions of the Texas Securities Act and to cooperate with any future inquiries by the Texas State Securities Board.
10. Respondents Retirement Value, Collins and Gray (collectively hereinafter referred to as "Respondents") are now offering for sale and selling investments in a Re-Sale Life Insurance Policy Program.
11. Respondents Retirement Value and Gray purport to have sold investments in the Re-Sale Life Insurance Policy Program to as many as 800 investors. Respondents Retirement Value and Gray also anticipate receiving as much as \$100 million in investor funds by the end of April 2010.
12. Respondents are telling investors that their purchase of an investment in the Re-Sale Life Insurance Policy Program will entitle them to "base-line expected interest" at an annual rate of 16.5% that will be payable upon maturity of the investment. Individuals who invest \$100,000.00 in the Re-Sale Life Insurance Policy Program will therefore expect to receive "base-line expected interest" in the amount of approximately \$74,800.00 upon maturity. Investors should therefore expect to receive \$174,800.00, representing the "base line expected interest" and the original principal contribution, upon the maturity of the investment.
13. Respondents are telling investors that they can realize the "base-line expected interest" by using investor funds to purchase interests in re-sale life insurance policies. They are describing the structure of the transactions as follows:
  - A. Investors are provided with a "portfolio" of re-sale life insurance policies selected by Retirement Value.

- B. The "portfolio" of re-sale life insurance policies identifies certain aspects of each individual policy, including the anticipated life expectancy of the person insured by each policy.
- C. Investors chose to participate in one or more of the re-sale life insurance policies identified within this portfolio.
- D. Principal tendered by investors will be deposited into escrow accounts at Wells Fargo Bank, NA.
- E. These funds are managed by Kiesling, Porter, Kiesling & Free, P.C. (hereinafter referred to as "Kiesling Porter") in its capacity as the Escrow Agent. Respondents are telling investors that the use of Kiesling Porter "assures the total safeguarding and preserving of [the] basis and targeted income." These are described as "essential components" of the Re-Sale Life Insurance Policy Program.
- F. These funds are used to purchase the re-sale life insurance policies identified on the aforesaid portfolio from a "policy aggregator."
- G. Respondent Retirement Value becomes the owner of the re-sale life insurance policies.
- H. Kiesling Porter becomes the beneficiary of the re-sale life insurance policies. As the beneficiary, Kiesling Porter will receive the death benefits of the re-sale life insurance policies upon the death of the insured.
- I. Investors become "irrevocable co-beneficiaries." Even though they are identified as "irrevocable co-beneficiaries," investors apparently are not entitled to receive the death benefits of the re-sale life insurance policies from the issuing insurance carrier when the insured dies. Instead, Kiesling Porter is required to pay investors, as "irrevocable co-beneficiaries," a pro-rata distribution of the death benefit of selected policies upon the maturity of the policy due to the death of the insured.
- J. Funds are maintained in escrow to cover all premium payments for the life insurance policies that will come due and owing on the life insurance policies for a term equal to the life expectancy of the insured plus twenty-four months. Investors are entitled to a pro-rata return of all unused premiums that remain in escrow upon the death of the insured. Kiesling Porter, in its capacity as escrow agent, is responsible for processing all premium payments.
- K. Investors will be required to advance additional funds to cover a pro-rata portion of future premiums if the insured lives past his or her projected date of death plus a term of twenty-four months. Investors who are unable to advance these funds under these circumstances will forfeit their interests and lose their expected return.

14. Respondents are touting the business repute, qualifications and experience of persons and entities affiliated with the Re-Sale Life Insurance Policy Program, to-wit:

A. Respondents are identifying Respondent Gray as the Founder, President and Chief Executive Officer of Respondent Retirement Value and explaining that he has

...held these positions since the company start-up and remains very active in guiding the public presentation of the re-sale life insurance policy model he helped pioneer. [R. Gray] has helped clients make wise money decisions in hard financial times for the past 35 years and has been a licensed insurance agent for over 18 years. Personal participation in the re-sale life insurance policies for his own retirement planning reinforces his credibility when assisting numerous clients in doing the same. After earning an A.B. degree in political science and a Master of Divinity degree - and prior to the start of his business career - [R. Gray] proudly completed four years of U.S. Army active duty as a Chaplain, which included 13 months of decorated field duty in Viet Nam.

B. Respondents are representing that the "policy aggregator" has been purchasing life insurance policies through the secondary market for over fifteen years. They are also representing that the "policy aggregator" and his staff review "\$500 million in face amount/death benefit each week" and that they only re-sell these life insurance policies to Respondent Retirement Value "after completion of...thorough due diligence."

C. Respondents are telling investors that an exclusive Policy Financing Entity provides prefunded policy warehousing without interest for the re-sale life insurance policies that are part of the Re-Sale Life Insurance Policy Program. This exclusive Policy Financing Entity purportedly selected Retirement Value "to penetrate the re-sale market for reasons of integrity, professionalism, an unyielding pursuit for compliance, and an unsurpassed focus on detail." Respondents are touting its business repute, qualifications and experience by noting that it

...has been selected to consult, underwrite, and perform the warehousing function for numerous funds involved in the management of public employee pensions and other international investment banking engagements. They never have been a target or any regulatory inquiry or litigation.

15. Respondents are telling investors that Respondent Retirement Value uses estimates provided by third parties to predict the date that insured will die. Respondents are telling investors that the "fundamental data" for these estimates is "thoroughly underwritten by and provided... by as many as three (3) independent

and totally objective ...sources." They purport to only use the longest available life expectancy for the insured.

16. Midwest Medical Review LLC is performing the life expectancy estimates and reviews for life insurance policies sold as part of the Re-Sale Life Insurance Policy Program.
17. Respondents are touting the accuracy of these life expectancy estimates. For example, Respondents are telling investors that ninety-five percent of insureds die at or before their estimated date of death. Respondents are also telling insured that ninety-eight and a half percent of insureds die within twelve months of their estimated date of death.
18. George Kindness is the owner of Midwest Medical Review LLC. In or around November 2003, George Kindness was indicted for twenty-one counts involving conspiracy and fraud in the introduction of misbranded and adulterated drugs into commerce in United States of America v. George Kindness et al., CR. No. 03-20433BV, in the United States District Court for the Western District of Tennessee, Western Division. The indictment also alleged that George Kindness falsely represented himself to be a medical doctor.
19. In or around September 2006, George Kindness pleaded guilty to one count of the aforesaid indictment. He is a convicted felon.
20. Respondents Retirement Value and Gray know that George Kindness is the owner of Midwest Medical Review LLC. They also know that he was indicted and convicted in the aforementioned criminal proceeding. They also know that George Kindness is not a doctor.
21. Respondents are about to modify the terms of the Re-Sale Life Insurance Policy Program. New investors will own beneficial interests in a trust that holds, owns or is named as the beneficiary of the re-sale life insurance policies instead of purportedly becoming irrevocable co-beneficiaries on the policies.
22. The Re-Sale Life Insurance Policy Program has not been registered by qualification, notification or coordination and no permit has been granted for its sale in Texas.
23. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
24. In connection with the offer for sale of the Re-Sale Life Insurance Policy Program, Respondents Retirement Value and Gray are intentionally failing to disclose the following material facts:
  - A. True and accurate information about Respondent Gray's sale of bonded life settlements through Secure Investment Services, as well as true and accurate information related to SEC v. Secure Investment Services, Inc. et al., Case No. 2:07-cv-0 1724-LEW-CMK, in the Eastern District of California,

Sacramento Division, which was based upon a complaint that the named defendants:

- i. The defendants fraudulently sold bonded life settlement contracts in a ponzi scheme, using bonds issued by Provident Capital Indemnity, Ltd., and
  - ii. The bonded life settlement contracts were predicated on life expectancy estimates provided by firms that include Midwest Medical Review LLC and George Kindness, and they life expectancy estimates were falsely certified and unreliable.
- B. True and accurate information about Midwest Medical Review LLC, its officers and directors and their business repute and qualifications, including that:
- i. George Kindness, the owner of Midwest Medical Review LLC, was indicted for twenty-one counts involving conspiracy and fraud in the introduction of misbranded and adulterated drugs into commerce, and
  - ii. That George Kindness pleaded guilty to one count of the aforesaid indictment and is a convicted felon, and
  - iii. That George Kindness is not a medical doctor.
- C. That the Texas Department of Insurance filed a Notice of Hearing against Respondent Gray based in part upon his conduct as an agent of Secure Investment Services. The Texas Department of Insurance alleged therein that:
- i. Beginning as early as 2005 and continuing through at least 2007, Respondent Gray sold approximately ninety-two investment in bonded life settlement contracts as an agent of Secure Investment Services,
  - ii. Investors tendered approximately \$3 million to Secure Investment Services for the purchase of these investments in bonded life settlements,
  - iii. Respondent Gray received in excess of \$400,000.00 in commissions for his sale of these bonded life settlement contracts, and
  - iv. Respondent Gray committed fraudulent or dishonest acts or practices as contemplated by TEX. INS. CODE ANN. § 4005.101(b)(5) and issuing bonds without holding a General Property and Casualty License as required by TEX. INS. CODE ANN. Chapter 4051.

- D. That Respondent Gray, both individually and in his capacity as Managing Member of Hill Country Funding, LLC, thereafter continued to sell investments in bonded life settlement contracts purportedly secured by Provident Capital Indemnity, Ltd, and ultimately:
- i. Notified all persons who made loans or any form of investment with Hill Country Funding, LLC, that related to any form of bond or reinsurance to be procured from Provident Capital Indemnity, Ltd. and advised them of the existence of Emergency Cease and Desist Orders entered by the Texas Department of Insurance and the Texas State Securities Board,
  - ii. Offered to rescind any transactions with persons who made loans or any form of investment with Hill Country Funding, LLC, that related to any form of bond or reinsurance to be procured from Provident Capital Indemnity, Ltd., and
  - iii. Promised to comply with all provisions of the Texas Securities Act and to cooperate with any future inquiries by the Texas State Securities Board.
- E. The underlying facts and circumstances described in SEC v. Secure Investment Services, Inc. et al, Case No. 2:07-cv-0 1724-LEW-CMK, the aforementioned Notice of Hearing filed by the Texas Department of Insurance, and the facts and circumstances that predicated the sale and subsequent rescission of bonded life settlements through Hill Country Funding, LLC.
25. In connection with the offer for sale of the Re-Sale Life Insurance Policy Program, Respondents are intentionally failing to disclose the following material facts:
- A. Information related to the legal effect and consequence of Respondent Retirement Value being named as the owner of the life insurance policies that predicate the Re-Sale Life Insurance Policy program, including but not limited to
- i. The existence and nature of any legal obligations, contracts or controls that prevent Respondent Retirement Value from selling, transferring or assigning its ownership of the life insurance policies to a third party,
  - ii. The existence and nature of any legal obligations, contracts or controls that prevent Respondent Retirement Value from changing the beneficiary of the life insurance policies to a party other than Kiesling Porter, and
  - iii. The effect of the sale, transfer or assignment of the ownership of the life insurance policies and the effect of the change of beneficiary of the life insurance policies.

- B. Information related to the legal effect and consequence of Kiesling Porter being named as the beneficiary of the life insurance policies that predicate the Re-Sale Life Insurance Policy Program, including but not limited to the legal obligation, ability and wherewithal of Kiesling Porter to litigate any contestable matters that relate to said life insurance policies or the payment of claims thereon.
- C. The assets, liabilities or capitalization of Respondent Retirement Value and Kiesling Porter, or any information that will allow a prospective investor to assess or verify that Respondent Retirement Value and Kiesling Porter will continue to operate through the maturity of investments in the Re-Sale Life Insurance Policy Program.
- D. The identity of and information about the "Policy Financing Entity," the "Policy Aggregator" and other persons and entities who perform managerial efforts in regard to the Re-Sale Life Insurance Policy Program.
- E. Information regarding the nature of the life insurance policies and the manner in which the life insurance policies are selected, including but not limited to any controls or due diligence that are used to screen said life insurance policies for "jet-issued policies," "wet-ink policies," "second-to-die policies," contestable policies or other types of life insurance policies that could impact the Re-Sale Life Insurance Policy Program.
- F. Information relating to the methodology that will be used to track the insured and determine when he or she dies.
- G. Information relating to the identities and control persons of all of the firms that are predicting the date that the insured will die, as well as the methodologies that are used to determine the dates that the insureds will die.
- H. Information relating to the consequences of the insured living past his or her estimated date of death and the utilization of a "premium call" to pay pro-rata obligations necessary to keep life insurance policies in force and effect, including without limitation the consequences of other investors refusing or being unable to satisfy their obligations under a "premium call."
- I. A true and accurate accounting of the actual or anticipated use of investor funds, including but not limited to the amount of investor funds that will be used to pay commissions to sales agents, fees or profits to Respondent Retirement Value and its agents, the salaries of management including Respondents Gray and Collins, the acquisition of the life insurance policies, the effectuation of medical reviews to predict a date of death, the use of Kiesling Porter as Escrow Agent and any other fees or charges associated with the Re-Sale Life Insurance Policy Program.

26. Respondents are making offers that contain statements that are materially misleading or otherwise likely to deceive the public, to-wit:
  - A. By representing that in 1911, the U.S. Supreme Court held in *Grigsby v. Russel* “that life insurance policies that are sold are treated as personal property” and representing that the sale of life insurance policies are legal without disclosing that the sale of investments in the Re-Sale Life Insurance Policy Program need to be made in compliance with the Texas Securities Act.
  - B. By soliciting “licensees” to act as agents to sell investments in the Re-Sale Life Insurance Policy Program without disclosing that the Texas Securities Act generally requires such individuals to first be registered to sell securities in Texas, and
  - C. By describing certain aspects of the Re-Sale Life Insurance Policy Program and failing to disclose the material facts identified in the preceding paragraphs of this Emergency Cease and Desist Order.

### **CONCLUSIONS OF LAW**

1. The investments in the Re-Sale Life Insurance Policy Program are “securities” as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondents are violating Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. Respondents are engaging in fraud in connection with the offer for sale of securities.
5. Respondents are making offers containing statements that are materially misleading or otherwise likely to deceive the public.
6. Respondents’ conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

### **ORDER**

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the

Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.

2. It is further ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

### NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 29<sup>th</sup> day of March, 2010.

  
DENISE VOIGT CRAWFORD  
Securities Commissioner