

D-1-GV-09-000228

STATE OF TEXAS, Plaintiff	§	IN THE DISTRICT COURT OF
	§	
VS.	§	
	§	
NATIONAL LIFE SETTLEMENTS, LLC, a Texas Limited Liability Company,	§	
NATIONAL LIFE SETTLEMENTS, LLC, a Colorado Limited Liability Company,	§	
NATT, LLC, a Texas Limited Liability Company, HOWARD GLENN JUDAH, JR., and GREGORY F. JABLONSKI	§	
aka Gregory F. Joblonski, Defendants	§	TRAVIS COUNTY, TEXAS
	§	
AND	§	
	§	
STERLING BANCSHARES, INC. aka STERLING BANK,	§	
CAPITAL ONE BANK (USA), N.A., and, SLSF ESCROW SERVICES, LLC,	§	
Relief Defendants	§	250 th JUDICIAL DISTRICT

RECEIVER'S APPLICATION FOR ORDER APPROVING CLAIMS PROCESS AND SETTING CLAIM FILING DEADLINE

TO THE HONORABLE STEPHEN YELENOSKY:

COMES NOW Janet Mortenson, the Permanent Receiver (hereinafter "Receiver") for National Life Settlements, L.L.C., a Texas Limited Liability Company; National Life Settlements, L.L.C., a Colorado Limited Liability Company; and NATT, L.L.C. (hereinafter collectively the "Receivership Entities") and files her Application for Order Approving Claims Process and Setting Claim Filing Deadline and would respectfully show the Court the following:

I.

On February 13, 2009, the State of Texas brought suit against the Defendants pursuant to the Texas Securities Act, article 581-1 *et seq.* of the Texas Civil Statutes. The State's lawsuit alleged that the Defendants had sold and were selling unregistered securities through unregistered

salespeople and had committed fraud in the offer and sale of securities. The State sought the appointment of a receiver for the Receivership Entities. On February 13, 2009, the 201st District Court of Travis County entered its Temporary Restraining Order and Order Appointing Receiver in the instant suit. Then, on February 26, 2009, the 53rd Judicial District Court entered its Temporary Injunction Order and Order Appointing Permanent Receiver (the "Receivership Order"). In the Receivership Order, the Court made Receiver the permanent receiver of the Receivership Entities and all money, property, and assets of the Receivership Entities and/or property that appeared to the Receiver to be derived from proceeds of Defendants' sale of securities.

II.

Pursuant to the Receivership Order, Receiver is directed and empowered to take possession and full legal control of all funds, property, and assets of the Receivership Entities of whatever nature and wherever located. Receiver has seized all of Defendants' known assets, including real property, office furniture, vehicles, bank accounts, and assignments of beneficial interests in certain trusts. Receiver has already liquidated most of these assets. With the Court's approval, Receiver rescinded the Defendants' purchases of the assignments of the beneficial interests in the trusts in exchange for a payment of \$580,000. The total amount of money Receiver has recovered is over \$20,000,000.

III.

The Receivership Order directs and empowers Receiver to effect fair restitution, if possible, from assets under the control of Receiver, according to a plan to be approved by the Court after a diligent investigation has been made into the identity of investor-victims, the amounts they paid to Defendants, any amounts already paid by Defendants to the investor-victims, and the circumstances under which their dealing with Defendants arose. Receiver is to effect restitution only for investor-

victims of the Defendants. She is not to serve as an arbiter of claims by creditors of Defendants, or other claimants who are not investor-victims, as determined in the sole discretion of the Receiver.

IV.

The first step in a claims process is to identify investor-victims and obtain reliable addresses for them. According to the information available to Receiver, Defendants ran an investment program under various names beginning in 2006. Defendants continued to receive money from and take in new investors until February 13, 2009, the date the instant suit was filed and the Receiver was appointed.

The records Receiver seized contain information regarding the names, addresses, and amounts of deposits for the investors in the Receivership Entities. The State Securities Board subpoenaed the Defendants' bank accounts and analyzed all deposits to and withdrawals from those accounts for the relevant time periods. Through the records seized from the Receivership Entities' offices and the subpoenaed bank records, the State Securities Board has compiled a list of the names and addresses of persons who invested with the Receivership Entities until the date Receiver was appointed, as well as the amounts of each investor's deposits and withdrawals. The Securities Act permits the State Securities Board to share its analysis with a receiver appointed pursuant to the Securities Act. The State Securities Board has made available to the Receiver copies of Defendants' bank records.

The second step in a claims process is for the Receiver to propose a claim form and a claim filing deadline to the Court. Now that the Receiver has reliable information concerning the identity and location of investor-victims and the amounts of their deposits and withdrawals, Receiver requests that the Court approve her sending out to all known investor-victims at their last known addresses, a form identifying all known deposits and withdrawals and requesting they verify, under oath, the accuracy of the deposits and withdrawals known to the Receiver, as well as to identify any

other deposits and withdrawals. Copies of Receiver's proposed Proof of Claim and her proposed Instructions for Filing Proof of Claim are attached to this Application as Exhibits "A" and "B," respectively.

Receiver will send the claim form and notice of the claim filing deadline to all known investor-victims within 30 days after the date of signing of the Order Approving Claims Filing Process and Setting Claim Filing Deadline. Receiver will also publish the claim form and instructions, including notice of the claims filing deadline, on a website she established at www.nlsreceivership.com. Receiver requests that the Court authorize Receiver to make minor modifications to the claim form and instructions if they are needed, particularly in formatting the documents for posting on the web site. Receiver also requests that the Court establish September 30, 2009, at 5:00 p.m. CDT as the date by which claim forms must be received (the "Bar Date").

In order to provide notice to unknown persons who may have invested in the Receivership Entities' investment program, Receiver proposes that she publish notice of the claims process in newspapers located in or near cities in which Receiver believes investors were concentrated. Those cities are Houston, Austin, San Antonio, Corpus Christi, Brownsville, Fort Worth, and Casper, Wyoming. Receiver requests that the Court approve the publication of a notice in newspapers of general circulation in these cities. Receiver proposes to publish the notice for two consecutive weeks following the date of signing of the Order Approving Claims Filing Process and Setting Claim Filing Deadline in newspapers of general circulation in Houston, Austin, San Antonio, Corpus Christi, Brownsville, Fort Worth, and Casper, Wyoming.

V.

Receiver has served in several complex securities fraud cases, some of which contained thousands of claimants. It is inevitable that there will be claim forms filed that contain mistakes or misstatements. It is Receiver's experience that the inaccuracies on receivership claim forms usually

occur because of a claimant's misunderstanding of the claims process rather than due to fraud. Therefore, the Receiver requests that the Court direct her and her agents to attempt to resolve claims disputes informally rather than setting each disputed claim for a hearing. Receiver also requests the Court's authority to compromise claims in her best judgment without obtaining the Court's approval. If Receiver is unable to resolve a dispute, she will file an objection to the claim and set the objection for a hearing, while affording the claimant proper notice and the opportunity to be heard.

WHEREFORE, PREMISES CONSIDERED, Janet Mortenson, Permanent Receiver, requests that the Court enter its Order as follows:

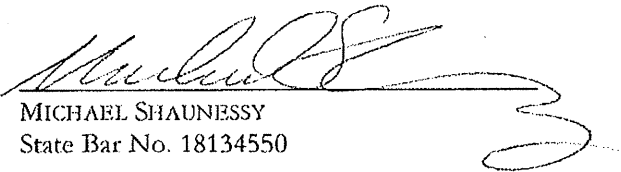
1. Setting a Bar Date of September 30, 2009, and ordering that all claims not actually received by 5:00 pm. CDT on the Bar Date shall be barred and shall not be eligible for payment;
2. Authorizing Receiver to use the Proof of Claim and Instructions for Filing Proof of Claim as set forth herein above and to make minor modifications as needed to facilitate an equitable claims process;
3. Authorizing Receiver to send the Proof of Claim, including the Bar Date, and the Instructions for Filing Proof of Claim by first class mail to all known prospective claimants at each person's last known address; and authorizing Receiver to send claim forms and instructions to any persons who subsequently identify themselves as investors in the Defendants' investment program;
3. Authorizing Receiver to publish notice of the Bar Date and investors' right to file their claims once a week for two consecutive weeks following the date of signing of the Order in newspapers of general circulation in Houston, Austin, San Antonio, Corpus Christi, Brownsville, Fort Worth, and Casper, Wyoming ;
4. Authorizing Receiver to publish the Proof of Claim and Instructions for Filing Proof of Claim and notice of the Bar Date on the receivership's website;

6. Authorizing Receiver or her agents to attempt to resolve claims disputes and compromise claims in Receiver's best judgment and without obtaining the Court's approval; and
7. For such other relief the Court deems appropriate.

Respectfully submitted,

SEDGWICK, DETERT, MORAN & ARNOLD, L.L.P.
919 Congress Avenue, Suite 1250
Austin, Texas 78701
512/481-8400 (telephone)
512/481-8444 (telecopier)

By:



MICHAEL SHAUNESSY
State Bar No. 18134550

Attorneys for Janet Mortenson, Permanent Receiver

CERTIFICATE OF SERVICE

I hereby certify, by my signature below, that a true and correct copy of the above and foregoing has been forwarded, via certified mail, return receipt requested, to the following on the 23rd day of June, 2009:

Kara L. Kennedy
Office of the Attorney General
Assistant Attorney General
Financial Litigation Section
300 West 15th Street, Sixth Floor
Austin, Texas 78701
Attorneys for the State of Texas

John Charles LaGrappe
JOHN LAGRAPPE, ATTORNEY AT LAW
5734 Cerritos
Houston, Texas 77035-2514
Attorneys for Defendants Howard Glenn Judah, Jr., and Gregory F. Jablonski

Ben Dominguez, II
Brent Haynes
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Houston, Texas 77002
Attorneys for Defendants Howard Glenn Judah, Jr., and Gregory F. Jablonski

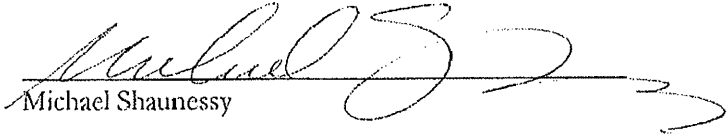

Michael Shaunessy

EXHIBIT A

“NLS” means National Life Settlements, LLC, a Texas Limited Liability Company; National Life Settlements, LLC, a Colorado Limited Liability Company; and NATT, a Texas Limited Liability Company.

I. The following is a list of the deposits made on your behalf to NLS and the withdrawals made from NLS by you or for your benefit. If this list is accurate and complete, proceed to Paragraph III of this form.

Date	Amount of Deposit or Withdrawal
	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

If you contend that you or others acting on your behalf did not receive any of the withdrawals listed above, identify the amount and date.

Date	Amount
	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
Total	\$ _____

II. If you made deposits or withdrawals other than those listed in Section I above, please list the date and amount of each deposit or withdrawal below. For deposits, please attach documentation (cancelled checks, receipts from wire transfers, etc.) verifying the deposit.

Date	Amount	Proof Attached
	\$ _____	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>
Total	\$ _____	

Attach additional sheets if necessary. Attach proof for each deposit. (See instructions.)

III. Was your account with NLS derived from an Individual Retirement Account, SEP account or other retirement account?

Yes No

If "Yes," provide the name and address of the **current trustee** for the account and your account number.

If the trustee on your retirement account has changed since the account was established, provide documentation evidencing appointment of the new trustee.

IV. If anyone other than the person(s) listed on page 1 of this Proof of Claim owns an interest in your account with NLS, provide each person's full name, address, phone number and social security number.

Name	Address	Phone Number	SSN
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

I swear, under the penalties of perjury, that the statements contained in this Proof of Claim are accurate, true, and complete. I understand that the Receiver and the Court will rely upon the statements received in this Proof of Claim in determining the distribution of assets of the receivership estate.

Signature of claimant

Date

The court has ordered that *all claims must be RECEIVED by 5:00 p.m. CDT on [court-approved bar date will be inserted here] or they will be barred and will not be eligible for payment.*

Send completed Proof of Claim to:

**NLS Claims Administrator
1226 Commerce Street
Suite 410
Dallas, TX 75202**

EXHIBIT B

without a corresponding social security number or tax identification number. An IRS Form K-1 will be issued to each recipient of a distribution, and a copy will be filed with the IRS.

5. If you do not agree with the list of deposits and withdrawals provided in Paragraph I of the Proof of Claim, complete the remainder of Paragraph I and Paragraph II as required. Provide copies of all documents evidencing funds deposited with or withdrawn from NLS if the deposit or withdrawal is not shown in Paragraph I. Examples of acceptable proof are as follows:

<u>Method of Deposit/Withdrawal</u>	<u>Proof</u>
Check	Copy of the front and back of the check
Wire transfer	Copy of wire transfer order from bank
Money Order	Money order receipt
Cash	Copy of bank statement showing withdrawal/deposit of funds. Receipt from person to whom you gave your funds.

Copies of checks, wire transfers, etc. may be obtained by contacting your bank or financial institution. Contact your bank or financial institution promptly, as it may take several weeks to obtain copies of your records.

6. **Under the Court's orders, all Proofs of Claim must be received by 5:00 p.m. CDT on [court-approved bar date]. The Court ordered that all Proofs of Claim received after 5:00 p.m. CDT on [court-approved bar date] will be barred and will not be eligible for payment. File your Proof of Claim by [court-approved bar date] even if you do not have complete information or complete documentation. You will have the opportunity to supplement your Proof of Claim to provide additional information.**
7. Do not file a Proof of Claim with the Court, the Receiver, the State Securities Board, the Attorney General's Office, or the Travis County District Clerk. The Receiver has engaged an experienced claims administrator who will review your Proof of Claim and will contact you if there are any deficiencies.
8. File your completed Proof of Claim with the Claims Administrator by sending it to the following address:

NLS Claims Administrator
1226 Commerce Street
Suite 410
Dallas, TX 75202

An address label is included for your convenience.

9. The Claims Administrator will send you a postcard verifying that your Proof of Claim has been received. If you have not received a postcard from the Claims Administrator when ten days have elapsed since you mailed the Proof of Claim, contact the Claims Administrator at the telephone number or e-mail address listed below. Unless ten days or more have elapsed since you mailed your Proof of Claim, please do not contact the Claims Administrator to request confirmation of its receipt.

10. **Keep a copy of your completed Proof of Claim form and all documents submitted with it.**
11. If your address or other contact information changes, it is your responsibility to notify the Claims Administrator **in writing**.
12. You may contact the **Claims Administrator** at:

NLS Claims Administrator
1226 Commerce Street
Suite 410
Dallas, TX 75202

Phone: [to be provided]
Fax: [to be provided]

Email: claims@nlsreceivership.com