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October 4, 2019

VIA HAND DELIVERY

Clerk of the Court
Ingham County Circuit Court
313 W. Kalamazoo Street
Lansing, MI 48901

**Re: Fox v Pavonia Life Insurance Company of Michigan
Case No. 19-504-CR**

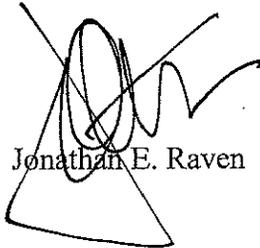
Dear Clerk:

Enclosed for filing please find the original and "Judge's copy" of the **Objection to Plan of Rehabilitation by Interested Party Independent Insurance Group**, with a Certificate of Service attached thereto.

Thank you for your assistance. Should you have any questions or concerns, please do not hesitate to contact me or my assistant, Erin Papson, at (517) 377-0801.

Very truly yours,

Fraser Trebilcock Davis & Dunlap, P.C.



Jonathan E. Raven

JER:enp
Enclosures
cc w/ enc.:

Michigan Department of Attorney General, Attn: Christopher Kerr, Esq./James Long, Esq.
Randall Gregg, Esq. Michigan Department of Insurance & Financial Services
Hon. Wanda M. Stokes (via hand delivery to Mason Courthouse)

**STATE OF MICHIGAN
IN THE 30TH CIRCUIT COURT FOR THE COUNTY OF INGHAM**

**ANITA G. FOX, DIRECTOR OF THE
MICHIGAN DEPARTMENT OF
INSURANCE AND FINANCIAL SERVICES,**

Plaintiff,

Case No.: 19-504-CR

Hon. Wanda M. Stokes

v

**PAVONIA LIFE INSURANCE
COMPANY OF MICHIGAN,**

Defendant.

**OBJECTION TO PLAN OF REHABILITATION
BY INTERESTED PARTY
INDEPENDENT INSURANCE GROUP, LLC**

NOW COMES Interested Party, Independent Insurance Group, LLC ("Independent"), through its attorneys, Fraser Trebilcock Davis & Dunlap P.C., and Adams and Reese LLP, which hereby files this objection to the Pavonia Life Insurance Company of Michigan ("Pavonia") Plan of Rehabilitation (the "Plan") pursuant to Section II, *Comments or Objections to Plan of Rehabilitation*, of the Order Preliminarily Approving Plan of Rehabilitation at 11-12.

WHEREAS, on July 9, 2019, this Court entered a Stipulated Order Placing Pavonia Life Insurance Company of Michigan into Rehabilitation, Approving Compensation of Special Deputy Administrators, and Providing Injunctive Relief (the "Stipulated Order"); and

WHEREAS, this Court, in the Stipulated Order, found that "(a)ction placing Pavonia into rehabilitation is necessary to protect the interests of Pavonia, its Policyholders, its Creditors, and the public;" and

WHEREAS, the record in this case discloses no amelioration or mitigation, since the date of the Stipulated Order, of the risks against which the Stipulated Order was designed to protect, and the Plan before this Court therefore continues to be infused with the very dangers and risks to Pavonia, its policyholders, its creditors and the public that the Court has previously identified and against which Independent respectfully submits the Court should protect; and

WHEREAS, the Plan states that “it is incumbent on any interested person or party of any kind, including Policyholders, Creditors, or other persons or entities, to exercise their right to appear and object in the event they do not agree with this Plan;” and

WHEREAS, in accordance with the Plan, Independent hereby exercises its right to appear and object to the Plan, and to express its desire and intent to make a Superior Proposal, as further described herein, for the acquisition of Pavonia (the “Independent-Pavonia Acquisition”), for Total Consideration (as defined below) of \$100 million (\$100,000,000), which proposal is superior to the transactions contemplated by the Plan; and

WHEREAS, this Court has jurisdiction, separate from the role of the Rehabilitator, to consider and evaluate the impact of the Plan on policyholders, creditors and the public.

NOW, THEREFORE, in light of the foregoing, Independent respectfully submits the following to the Court:

1. Independent Insurance Group, LLC.

Independent, acting through its wholly-owned subsidiary Independent Life Insurance Company (“ILIC”), is the only life and annuity company in the United States focused exclusively on structured settlement annuities. ILIC is a national leader in the structured settlement market. ILIC is the only company in the structured settlement industry that has a Capital Maintenance Agreement on file with its regulator and that has a published Payee Protection Policy for additional protections to its policyholders.

Independent was formed by LKCM Headwater Investments (“Headwater”), which serves as the private investment group within Luther King Capital Management Corporation (“LKCM”), a SEC-registered investment advisory firm founded in 1979 and headquartered in Fort Worth, Texas with over \$17 billion in assets under management, alongside the Independent management team. Independent is led by a board of directors and management team consisting of professionals with considerable experience and tenure in the insurance and investments industries, and more particularly the structured settlement annuities industry. In addition, Independent leverages the significant investment, financial and other resources and capabilities provided by LKCM, Headwater and their respective investment and other professionals. Independent is well qualified and capitalized to provide the proposal set forth herein.

2. Objection and Proposal

(a) Independent objects to the Plan on the ground that the Independent Proposal (as defined below) is a “Superior Proposal” as defined in the Stock Purchase Agreement, dated as of July 9, 2019, (the “GBIG-Aspida SPA”) for the acquisition of Pavonia (the Aspida-Pavonia Acquisition) between GBIG Holdings, Inc. (“GBIG Holdings”) and Aspida Holdco, LLC (“Aspida”).

(b) In furtherance of its objection to the transactions contemplated by the Plan, Independent hereby provides the following summary of the key terms of the proposal it plans to submit (the “Independent Proposal”)¹:

¹ The Independent Proposal is non-binding and conditioned upon (i) DIFS providing Independent with access to Pavonia’s reports and financial and operating results, and other due diligence information, and (ii) Independent’s satisfactory due diligence review of such information, which Independent is ready, willing and able to conduct on an expedited basis following receipt of such information and further assuming cooperation from DIFS in connection therewith.

(i) Total Consideration. Independent will offer to pay total consideration of \$100 million ("Total Consideration") for the Independent-Pavonia Acquisition, an amount which is materially (*i.e.*, \$25 million or 33.33%) higher than that proposed in the Plan pursuant to the GBIG-Aspida SPA, comprised of:

- a) Cash Purchase Price: Purchase price of \$80 Million, payable in cash at closing of the Independent-Pavonia Acquisition; and
- b) Capital Infusion. In furtherance of the protections for Pavonia, its policyholders, its creditors and the public, Independent will make an additional capital contribution of \$20 million to the capital and surplus of Pavonia. No such additional capital infusions are proposed in the Plan or the GBIG-Aspida SPA.
- c) Capital Maintenance Agreement. For the further benefit of Pavonia, its policyholders and its creditors, Independent will enter into a capital maintenance agreement to maintain the capital and surplus level of Pavonia, similar to the agreement currently on file with the Texas Department of Insurance relating to ILIC, which requires the maintenance of a minimum Company Action Level Risk Based Capital score of 450%.

(ii) Excluded Assets. The Independent Proposal would exclude certain Pavonia assets that should remain with GBIG Holdings in order to protect Pavonia, its policyholders, its creditors and the public (as further discussed in Section 3 (d) and (e) below).

(iii) Due Diligence & Documentation. Independent is ready, willing and able to conduct efficient, expedited confirmatory due diligence of Pavonia. During the due diligence

period, Independent would begin working on a stock purchase agreement and other transaction documentation (e.g., the Form A) required to complete the Independent-Pavonia Acquisition in an expeditious manner.

3. Additional Elements of Objection to the Plan.

In addition to the economic terms of the Independent Proposal set forth in Section 2, which Independent believes in and of themselves constitute a Superior Proposal, the following additional considerations further Independent's belief that the Independent Proposal is superior to the transactions contemplated by the Plan and would provide superior protections to Pavonia, its policyholders, its creditors and the public.

(a) The majority of Pavonia's reserves pertain to annuities that support structured settlements of personal injury claims, protecting a population of society particularly vulnerable, and deserving, of this Court's protection. As set forth above, Independent is the only life & annuity company in the United States focused exclusively on these structured settlement annuities, and Independent's management team is deeply experienced in all aspects of the insurance and investment industries, particularly those related to structured settlements.

(b) The management team proposed in the Plan to oversee Pavonia going forward (the "GBIG Management Team") is comprised of the very same managers of four North Carolina-domiciled insurance companies (the "GBIG Insurance Affiliates") under common ownership with Pavonia that were placed into receivership by the North Carolina Department of Insurance due to, among other things, regulatory concerns over their investments in affiliated non-insurance companies. The GBIG Management Team was in charge of the day-to-day operations of the GBIG Insurance Affiliates prior to, and virtually after, the date that the GBIG Insurance Affiliates were placed into receivership. Facts pertinent to these investments and the

involvement of the GBIG Management Team were previously provided to the Michigan Department of Insurance and Financial Services (“DIFS”) by letter, a copy of which is attached hereto as Exhibit A. The historical involvement of the GBIG Management Team is relevant to, and subject to, the scrutiny of DIFS and, independently, of this Court. Independent believes that the Plan, by allowing the GBIG Management Team to continue to be involved with Pavonia, is not in the best interests of Pavonia, its policyholders, its creditors and the public.

(c) The ultimate owner of Pavonia, Greg Lindberg, signatory to the GBIG-Aspida SPA and the Plan, is under federal indictment on public corruption charges. That indictment alleges that he attempted to bribe North Carolina insurance officials regarding the insurance businesses under their jurisdiction. These charges are described in the Department of Justice Press release, attached as Exhibit B. This very week, one of the co-defendants in that case pleaded guilty to a federal felony charge of lying to federal investigators in North Carolina (see: <https://www.detroitnews.com/story/news/nation/2019/10/02/former-nc-gop-head-pleads-guilty-lying-bribery-case/40236769/>). Independent believes that Lindberg’s role, as well as the GBIG Management Team’s role, in facilitating the transactions contemplated by the Plan present heightened risks to, and has been detrimental to, Pavonia, its policyholders, its creditors and the public.

(d) Before the Plan was filed, Global Bankers Insurance Group, LLC (the “GBIG Service Company”), which manages all of the insurance businesses of GBIG Holdings and employs the GBIG Management Team, was transferred (for zero consideration and opaque business purposes) to Pavonia, resulting in the GBIG Service Company becoming a subsidiary thereof. Any continued relationship between the GBIG Service Company, due its affiliation with GBIG Holdings and the GBIG Management Team, and Pavonia poses significant risks to

Pavonia, its policyholders, its creditors and the public. In contrast to the Plan and the GBIG-Aspida SPA, Independent proposes that, prior to or simultaneously with the closing of the Independent-Pavonia Acquisition, Independent will transfer the GBIG Service Company back to GBIG Holdings (the "GBIG Service Company Re-Transfer"). However, Independent would retain within Pavonia only those assets of the GBIG Service Company that are related to the management and administration of Pavonia, including people, systems, property and any other infrastructure. Independent believes that the GBIG Service Company Re-Transfer is necessary to completely sever Pavonia from the GBIG Insurance Affiliates and the GBIG Management Team, which would provide significant protections for Pavonia, its policyholders, its creditors and the public.

(e) Based on publicly available information, it appears that the headquarters building of GBIG Holdings, and GBIG Service Company, in Durham, NC (the "GBIG HQ") was purchased in July 2016 by an assignee of Eli Global LLC (the "Eli Assignee"), an entity controlled by Greg Lindberg, for \$3.9 Million, inclusive of transaction costs. Subsequently, the Eli Assignee then sold the GBIG HQ to one of the GBIG Insurance Affiliates for \$6.1 Million in February 2019. The Plan and the GBIG-Aspida SPA provide for the purchase of the GBIG HQ by Pavonia (not itself a party to the GBIG-Aspida SPA) for a price of \$6.1 Million. In contrast, Independent would not purchase the GBIG HQ as part of the Independent Proposal. Independent believes that this acquisition would create significant risks to Pavonia, its policyholders, its creditors and the public, as Pavonia would be unable to completely sever its relationship from the GBIG Insurance Affiliates and the GBIG Management Team. In addition, this will benefit Pavonia's policyholders and creditors in that Pavonia will not have to

exchange liquid assets for an illiquid asset (reminiscent of the type of transaction that contributed to the GBIG Insurance Affiliates being placed into rehabilitation in the first place).

(f) Section 12.04(d) of the GBIG-Aspida SPA, adopted in the Plan, specifically and expressly contemplates a “Superior Proposal,” defined as an offer “*superior in any material respect* to the proposal effected under this Agreement or offers consideration materially in excess of the Purchase Price” (italics added). As set forth in the Plan, this Court has a duty to act in the best interests of Pavonia, its policyholders, its creditors and the public, and requiring due consideration of the Independent Proposal is in said interests because, among other things, it constitutes a Superior Proposal. The Independent Proposal clearly meets both of the criteria of a Superior Proposal in that, among other things, (i) the Total Consideration is materially higher (*i.e.*, \$25 million, 33.3% higher) than the purchase price set forth in the Plan and the GBIG-Aspida SPA, (ii) the Capital Contribution portion of the Total Consideration will inure directly to the benefit of Pavonia’s policyholders and creditors, which capital infusion is lacking in the Plan and the GBIG-Aspida SPA, (iii) the Capital Maintenance Agreement will further ensure sufficient capitalization of Pavonia and protection for its policyholders and creditors, which agreement is also lacking in the Plan and the GBIG-SPA, and (iv) Independent proposes to completely sever Pavonia from the GBIG Insurance Affiliates and GBIG Management Team through the GBIG Service Company Re-Transfer and by not consummating the acquisition of GBIG HQ, whereas the Plan and the GBIG-Aspida SPA include the precise opposite.

4. **The Plan and the Process Leading to Its Execution Are Not Fair and Equitable.**

(a) Michigan law at MCL 500.8114 (4) establishes that the standard for Court approval of the Plan is whether the Plan is fair and equitable for all concerned.

(b) Independent and its representatives, on numerous occasions prior to the date hereof, informed DIFS of Independent's interest in offering a Superior Proposal for Pavonia.

(c) The GBIG-Aspida SPA, which was prepared by Pavonia during administrative supervision in consultation with DIFS in immediate anticipation of the Rehabilitation filing and in order to induce this proceeding, allows for the consideration of Superior Proposals; however, neither GBIG Holdings or DIFS has afforded Independent with an opportunity to present or even discuss its Superior Proposal. Furthermore, Independent has significant concerns that the process leading up to the adoption of the Plan, and thereafter, has not been "fair and equitable" in that, among other things, certain aspects of the transactions contemplated by the Plan appear to have been impacted by actual and/or potential conflicts of interest (including, without limitation, self-dealing) that may have had a significant adverse impact on the outcome of the process and, therefore, Pavonia, its policyholders, its creditors and the public.

(d) For reasons unknown to Independent, the parties involved in the process leading up to and following the filing of the Plan have been unwilling to, or have considered themselves to be unable to, ensure the openness, transparency and fairness of this process. Independent further believes that this Court, until now, has not been afforded the opportunity to review the Plan or the transactions contemplated by the GBIG-Aspida SPA, which were coordinated by the GBIG Management Team, one of whom is under federal indictment as previously described above.

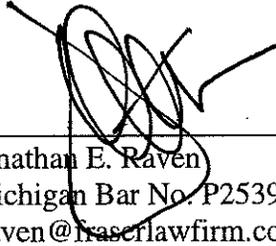
(e) The Plan expressly states that any interested party may object to the Plan. Independent is such an interested party and, in accordance with the express terms of the Plan, it must be afforded the opportunity to submit a Superior Proposal to acquire Pavonia. Accordingly, Independent respectfully requests that this Court open this process to the

submission and consideration of the Independent Proposal, which Independent believes clearly constitutes a Superior Proposal under the Plan, in order to protect the best interests of Pavonia, its policyholders, its creditors and the public.

WHEREFORE, Interested Party Independent asks this Court to provide notice and subsequently conduct a hearing affording it to be heard in open court on its objection, and to enter an order sustaining this objection, requiring the consideration by the Rehabilitator of the Independent Proposal, which constitutes a Superior Proposal under the Plan, and the opportunity for Independent to commence expedited due diligence on Pavonia in furtherance of the Independent Proposal.

FRASER TREBILCOCK DAVIS & DUNLAP P.C. ADAMS AND REESE LLP

By: _____


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By: (Michigan Pro Hac Vice Admission Pending)

Timothy W. Volpe
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501 Riverside Avenue, Suite 601
Jacksonville, FL 32202
Telephone: (904) 355-1700
Facsimile: (904) 355-1797

Dated: October 4, 2019

Dated: _____



CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of October, 2019, a true and correct copy of the foregoing was served via hand delivery upon:

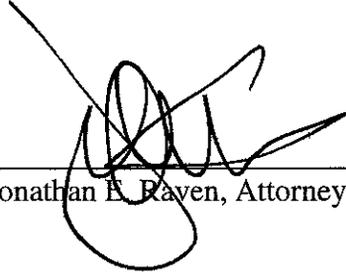
Clerk of the Court
Ingham County Circuit Court
Veterans Memorial Courthouse
313 W. Kalamazoo Street
Lansing MI 48901

Michigan Department of Attorney General
Attn: Christopher Kerr and James Long
Corporate Oversight Division
G. Mennen Williams Building
525 W. Ottawa Street
Lansing MI 48933

Honorable Wanda M. Stokes
Ingham County Circuit Court
315 S. Jefferson Street, 3rd Floor
Mason, MI 48854

and via U.S. first class mail upon:

Michigan Department of Attorney General
Attn: Christopher Kerr and James Long
Corporate Oversight Division
P.O. Box 30736
Lansing MI 48909



Jonathan E. Raven, Attorney

Exhibit A



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August 2, 2019

Randall Gregg, Esq., Senior Deputy Director and General Counsel
Michigan Department of Insurance
530 W Allegan St #7
Lansing, MI 48933
Via: Email

RE: Pavonia Life Insurance Company of Michigan in Rehabilitation ("Pavonia")

Mr. Gregg,

On behalf of Independent Insurance Group and Independent Life Insurance Company ("*Independent*"), we write to express our concerns about the proposed Pavonia transaction involving affiliates of Ares Management Corporation ("*ARES*") and Global Bankers Insurance Group ("*GBIG*") currently before your department and to respectfully request that Independent be provided the opportunity to make a superior offer for the benefit of the Pavonia policyholders.

In the balance of this letter, I will share with you my teams' findings and our collective concerns with the proposed plan for rehabilitation of Pavonia, specifically insofar as it concerns the Stock Purchase Agreement between ARES and GBIG filed with the proposed plan and the recently released Form A. In addition, I will address why Independent is uniquely positioned to potentially make a superior offer for Pavonia that we believe would materially improve protections for Pavonia policyholders.

Our concerns regarding the proposed Pavonia transaction are based on the historical business practices of the management team that led GBIG, the proposed seller of Pavonia. According to the Form A for Pavonia filed on July 24 with the Michigan Department of Insurance (Exhibit 1) the entire officer suite of the proposed acquirer of Pavonia (an indirectly subsidiary of ARIS), including the Chief Executive Officer and President Lou Hensley, also played pivotal roles with GBIG. This management team was part of a very sophisticated multi-state, multi-company insurance organization that resulted in five separate life insurance companies being placed into receivership in two separate states, North Carolina and Michigan. The five companies and their individual asset base per their 2018 Annual Statement (Exhibit 2) is outlined below:

Company	State	Assets
Bankers Life Insurance Company	North Carolina	400,451,672
Southland National Insurance Corporation	North Carolina	357,302,662
Southland National Reinsurance Corporation	North Carolina	
Colorado Bankers Life Insurance Company	North Carolina	2,700,953,189
Pavonia Life Insurance Company of Michigan	Michigan	1,133,973,438
Total		4,192,229,289

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The receiverships involved the following business practices, among others:

- Purchasing Life Insurance Companies and re-domesticating them to North Carolina in what appears to be a move to obtain favorable regulatory considerations;
- Moving the master administrative services company, GBIG, which operates the majority of the administrative functions of the insurance companies within their network (sales, marketing, policy administration, investments, etc.) to the last viable company; and
- Using life insurance company proceeds to invest in affiliated transactions that went well beyond typical regulatory and insurance industry standards

Billions of policyholder dollars were paid to this network of insurance companies, and a substantial percentage of those assets were then invested in affiliated companies. For example, based on Schedule D of the 2018 annual statement for Southland National (Exhibit 3), 83% of the company's bond portfolio and 60% of its total asset base were invested in related entities. The values of many of these assets are uncertain and substantial questions surround the ability of the North Carolina insurance companies in rehabilitation to pay all policyholder claims.

The ultimate controlling shareholder of all the insurance companies and GBIG, Greg Lindberg, has been indicted along with three others charged as co-conspirators on bribery charges (Exhibit 4). The alleged co-conspirators include a member of the GBIG management team (John Gray), former Chairman of the North Carolina Republican Party (Robin Hayes) and an Eli Global Executive (John Palermo). The indictments and allegations of corruption have gained substantial national attention. The Wall Street Journal has published and continues to publish a series of articles regarding Greg Lindberg, the related insurance companies, the alleged corruption and legislative and regulatory oversight (Exhibit 5).

The management team proposed in the proposed ARES/GBIG Form A are the same people who were managing the North Carolina companies, now in rehabilitation. To demonstrate the inter-connected nature of the ARES/GBIG management team and the four Life Insurance carriers in rehabilitation, we have organized in a software tool called Kumu what we have uncovered in our research. As you will see, this tool enabled us to arrange the public record data we were able to uncover (statutory filings, public filings, LinkedIn profiles, etc.) on each company and each member of the ARES/GBIG management team. The Kumu program will enable you to access data on each individual identified and the role they played in the larger organization. To access this please follow these simple instructions:

- 1) Go to: www.pavoniarehab.com
- 2) User ID: MichiganDIFS
- 3) Password: ProtectPavonia19

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It is difficult to imagine that an insurance executive like Lou Hensley, the new CEO of the proposed ARES/GBIG Pavonia entity, would not be aware of the investment strategies utilized at the insurance companies he had the fiduciary duty to manage. To demonstrate this point, outlined in the chart below are summary details from Schedule D of the 2018 annual statements for the North Carolina companies. Schedule D describes the investment details and the specific dollar amounts invested in each investment category. We have focused on bond investments that were categorized as "Parent, Subsidiaries and Affiliates" and "Bank Loans" that appear to be additional affiliated investments. The source data can be found in Exhibit 6. The summary amounts are shown below (figures are in millions):

Company & Bond Type	Amounts Outlined in Schedule D -Part 1	Total Bonds	Percentage of Questionable Bonds to Total Bonds
Colorado Bankers Life			
Parent, Subsidiaries and Affiliates	1,331		56.2%
Bank Loans	266		11.2%
Total Suspect Bonds	1,597	2,369	67.4%
Bankers Life			
Parent, Subsidiaries and Affiliates			0.0%
Bank Loans	109		33.0%
Total Suspect Bonds	109	329	33.0%
Southland National			
Parent, Subsidiaries and Affiliates	213		83.2%
Bank Loans	11		4.5%
Total Suspect Bonds	225	256	87.7%
GBIG Network			
Parent, Subsidiaries and Affiliates	1,544		52.3%
Bank Loans	386		13.1%
Total Suspect Bonds	1,930	2,955	65.3%

It has been reported in the press that many of the entities in the GBIG network received regulatory approval to increase the affiliate investment limitation to 40%. Even considering the consent decree, the companies within the GBIG network, controlled by the same executive suite, were substantially in excess of the 40% limitation.



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Outlined in the chart below is a sampling of the bonds that were classified as "Bonds – Bank Loans Issued". Exhibit 7 provides the detail from Schedule D for each entity.

Company	Issuer	Amount
	Chianti Bidco Project Heart	29,140,000
	Austin Pain Acquisition, LLC – Term	5,840,410
	Austin Pain Acquisitions, LLC - Revolver	2,208,474
	Imaginestics, LLC	13,860,000
	Interior Design Media Group, LLC	20,884,229
	Interior Design Media Group, LLC	5,547,827
	LUXE Media Group, LLC	4,026,245
	Knight Dental Group – Term	7,000,000
	Knight Dental Group – Revolver	2,500,000
	Policy Services Company, LLC	33,671,662
	Surface Preparation Technologies, Inc.	39,800,000
	ERUPTR, LLC	15,960,000
	Actistyle, INC	6,690,141
	Policy Services Company, LLC	9,495,033
	Progress to Excellence Holdings	1,577,883
	Austin Pain Acquisition, LLC	5,840,600
	ERUPTR, LLC	5,985,000
	Imaginestics, LLC	5,940,000
	Knight Dental Group	5,000,000
	Policy Services Company	4,845,213
	Progress to Excellence Holdings	4,731,010
	Progress to Excellence Holdings – B	1,229,409
	Surface Preparation Technologies	4,975,000
	Luxe Media Group, LLC	7,839,395

Each of the insurance companies were investing in "bank loans" that appear to be direct investments in private companies, not bank loans. We believe many of these were affiliated investments that the companies attempted to disguise.

We note that Colorado Bankers Life has filed an amended 2018 Annual Statement that reclassified \$1,315,700,286 of the "Parent, Subsidiaries and Affiliates" to either "Bank Loans" or "Industrial and Miscellaneous." (See Exhibit 8 attached, comparing the two statements). The reason for the amended filing was stated to be "reclassification of affiliate investments and miscellaneous entries."

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To be clear, as Chief Executive Officer, Lou Hensley signed the Annual Statements containing the Schedule D referenced above for all three North Carolina Life Insurance companies. He was not alone. Outlined in the chart below are key signatories of the 2018 GBIG entities' annual statements and/or officers and directors of the companies (Exhibit 9) and how each relate to the proposed ARES/GBIG transaction moving forward:

Company	Signor	Role	Same Role with ARES/GBIG
	Greg Evan Lindberg	Director	No – Indicted
	Lou Everett Hensley	Chief Executive Officer	Yes
	Brian Stewart	CFO and Treasurer	Yes
	Michael William Farley	Chief Actuary	Yes
	Louis O'Briant Belo	Chief Compliance and Audit Officer	Yes
	Tamre Farid Edwards	Chief Legal Officer and Secretary	Yes
	Joseph Steven Lurie	Senior Vice President	Yes
	John Duncan Gray	Director	No – Indicted
	Raymond Martinez	Director	No
		Greg Evan Lindberg	Director
Lou Everett Hensley		Chief Executive Officer	Yes
Brian Stewart		CFO and Treasurer	Yes
Michael William Farley		Chief Actuary	Yes
Louis O'Briant Belo		Chief Compliance and Audit Officer	Yes
Tamre Farid Edwards		Chief Legal Officer and Secretary	Yes
Joseph Steven Lurie		Senior Vice President	Yes
John Duncan Gray		Director	No – Indicted
Raymond Martinez		Director	No



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Company	Signor	Role	Same Role with ARES/GBIG
BANKERS LIFE INSURANCE COMPANY	Greg Evan Lindberg	Director	No – Indicted
	Lou Everett Hensley	Chief Executive Officer	Yes
	Brian Christopher Stewart	Chief Financial Officer and Treasurer	Yes
	Michael William Farley	Chief Actuary	Yes
	Louis O'Briant Belo	Chief Compliance and Audit Officer	Yes
	Tamre Farid Edwards	Chief Legal Officer and Secretary	Yes
	Joseph Steven Lurie	Senior Vice President	Yes
	John Duncan Gray	Director	No – Indicted
	Raymond Martinez	Director	No

GBIG had an established history of hiring key personnel away from the North Carolina Department of Insurance. This includes Louis Belo and Raymond Martinez. Both are 20+ year veterans of the department and were among the regulators who had considered many of the GBIG exception requests. As outlined above, Mr. Belo has been included as Chief Compliance Officer in the ARES/GBIG entity. Mr. Martinez may be a key witness in the upcoming September criminal trial of Mr. Lindberg and his alleged accomplices.

The ARES-GBIG relationship isn't new. GBIG and ARES have had a long-term relationship that expands beyond the US borders. For example, we discovered an article published in Germany that outlines how ARES provided the debt financing to GBIG for an acquisition (Exhibit 10).

In our view, the mosaic that has evolved from our research raises very serious concerns with respect to the proposed Pavonia transaction involving ARES/GBIG, and we believe that Pavonia policyholders would be exposed to significant risks if this proposed transaction is allowed to proceed.

We believe that Independent is uniquely positioned to potentially make a superior offer for Pavonia that would materially improve protections for Pavonia current and future policyholders. Independent is exclusively focused on structured settlements annuities. Currently, over 70% of Pavonia's reserves are structured settlement annuities. Independent brings its exclusive focus on that market to bear on this effort. If provided an opportunity and access to key financial information on Pavonia, we firmly believe we can provide Pavonia and the Pavonia policyholders a materially and substantively safer and more secure solution than the one that has been proposed by the ARES/GBIG management team. We anticipate that our proposed solution would include:

- a higher purchase price for Pavonia,
- an additional cash infusion into Pavonia to materially increase surplus,
- a management team with significant experience in the structured settlement industry, and

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safe. secure. settled.

- a production platform that is complementary to Independent's established book of business.

Because Independent Life has an interest in a long-term role in Pavonia, we also believe that Pavonia must first be rehabilitated in a manner that promotes the integrity of its compliance and regulatory oversight. Independent Life is the only monoline structured settlement insurer in the country. We have worked hard to assemble the best group of insurance and financial specialists to focus on this singular market. A list and brief biographic sketch of the key people on our team is attached (Exhibit 11).

We believe that our collective industry expertise and financial resources can play a role in helping you and your department address a very difficult situation. We look forward to sharing with your Department our expertise in structured settlements as a resource as you and your team evaluate the long-term safety and security of the proposed ARES/GBIG transaction for the Pavonia policyholders.

Sincerely,

Michael A. Upchurch
Chairman of the Board
Independent Insurance Group

CC: Corby Robertson III, LKCM Headwater Investments
Bryan King, LKCM Headwater Investments
Jacob Smith, LKCM Headwater Investments
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Exhibits available upon request

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Exhibit B

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, April 2, 2019

The Founder and Chairman of a Multinational Investment Company, a Company Consultant and Two North Carolina Political Figures are Charged with Public Corruption and Bribery

A federal criminal indictment unsealed today in the Western District of North Carolina charges the founder and Chairman of a multinational investment company, a company consultant and two North Carolina political figures with public corruption and bribery, for their alleged participation in a bribery scheme involving independent expenditure accounts and improper campaign contributions.

Assistant Attorney General Brian A. Benczkowski of the Justice Department's Criminal Division, U.S. Attorney Andrew Murray for the Western District of North Carolina and Special Agent in Charge John A. Strong of the FBI Charlotte Field Office, made the announcement.

The indictment charges Greg E. Lindberg, 48, of Durham, North Carolina, and founder and Chairman of Eli Global LLC (Eli Global) and the owner of Global Bankers Insurance Group (GBIG); John D. Gray, 68, of Chapel Hill, North Carolina and a consultant for Lindberg; North Carolina state political party Chairman Robert Cannon Hayes, 73, of Concord, North Carolina; and Chairman of a Chatham County political party and an Eli Global executive John V. Palermo, 63, of Pittsboro, North Carolina, with conspiracy to commit honest services wire fraud, and bribery concerning programs receiving federal funds and aiding and abetting. Hayes is also charged with three counts of making false statements to the FBI.

The defendants made their initial appearances today before U.S. Magistrate Judge David C. Keesler in federal court in Charlotte.

"The indictment unsealed today outlines a brazen bribery scheme in which Greg Lindberg and his coconspirators allegedly offered hundreds of thousands of dollars in campaign contributions in exchange for official action that would benefit Lindberg's business interests," said Assistant Attorney General Benczkowski. "Bribery of public officials at any level of government undermines confidence in our political system. The Criminal Division will use all the tools at our disposal—including the assistance of law-abiding public officials—to relentlessly investigate and prosecute corruption wherever we find it."

"Thanks to the voluntary reporting of the North Carolina Commissioner of Insurance, we have uncovered an alleged scheme to violate our federal public corruption laws," said U.S. Attorney Murray. "Improper campaign contributions erode the public's trust in our political institutions. We will work with our law enforcement partners to investigate allegations of public corruption, safeguard the integrity of the democratic process, and prosecute those who compromise it."

"These men crossed the line from fundraising to felonies when they devised a plan to use their connections to a political party to attempt to influence the operations and policies of the North Carolina Department of Insurance," said Special Agent in Charge Strong. "The FBI will root out any and all forms of public corruption. We remain committed to ensuring those who violate the public's sacred trust are held accountable."

The criminal indictment alleges that in January 2018, the elected Commissioner of Insurance (Commissioner) of the North Carolina Department of Insurance (NCDOI) reported concerns to federal law enforcement about political contributions and other requests made by Lindberg and Gray, and agreed to cooperate with the federal investigation that was initiated.

According to allegations in the indictment, from April 2017 to August 2018, Lindberg, Gray, Palermo and Hayes devised a scheme to defraud and deprive the citizens of North Carolina of the honest services of the Commissioner, an elected State official, through bribery. As alleged in the indictment, the defendants engaged in a bribery scheme involving independent expenditure accounts and improper campaign contributions, for the purpose of causing the Commissioner to take official

action favorable to Lindberg's company, GBIG. As the indictment alleges, the defendants gave, offered, and promised the Commissioner millions of dollars in campaign contributions and other things of value, in exchange for the removal of NCDOT's Senior Deputy Commissioner, who was responsible for overseeing regulation and the periodic examination of GBIG.

During the time frame relevant to the indictment, Lindberg, Gray, Palermo and the Commissioner held numerous in-person meetings at different locations, including in Statesville, North Carolina, and had telephonic and other communications with each other, and with Hayes, to discuss Lindberg's request for the personnel change in exchange for millions of dollars, and to devise a plan on how to funnel campaign contributions to the Commissioner anonymously. In order to conceal the bribery scheme, Palermo allegedly set up, at the direction of Lindberg, two corporate entities to form an independent expenditure committee with the purpose of supporting the Commissioner's re-election campaign, and funded the entities with \$1.5 million as promised to the Commissioner. Also, at Lindberg and Gray's direction, Hayes allegedly caused the transfer of \$250,000 from monies Lindberg had previously contributed to a North Carolina state party of which Hayes was Chairman, to the Commissioner's re-election campaign.

On or about Aug. 28, 2018, FBI agents interviewed Hayes about his involvement with and knowledge of the alleged improper campaign contributions. During the interview, Hayes allegedly lied to FBI agents about directing funds, at Lindberg's request, from Lindberg's campaign contribution to the North Carolina state political party to the Commissioner's re-election campaign; about having any discussions with the Commissioner about Lindberg or Gray; and about discussing with the Commissioner personnel issues related to the Commissioner's office.

The details contained in this indictment are allegations. The defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

The FBI is in charge of the investigation, which is ongoing.

Trial Attorney James C. Mann of the Criminal Division's Public Integrity Section and Assistant U.S. Attorneys William Stetzer and Dana Washington of the U.S. Attorney's Office in Charlotte are prosecuting the case.

Attachment(s):

[Download Lindberg et al Indictment](#)

Topic(s):

Public Corruption

Component(s):

[Criminal Division](#)

Press Release Number:

19-302

Updated April 2, 2019