

## **ANNUAL TRUST REPORTING**

### **Agreed-Upon Procedures:**

The Trustee caused to occur certain agreed-upon procedures performed by a firm of independent certified public accountants. The purpose of the agreed-upon procedures is to ensure that the significant business processes relating to the Servicing of the Trust's insurance policies are functioning and being performed as documented by the Servicer for the period from October 1, 2011 through and including September 30, 2012.

The general scope of the agreed-upon procedures included a random sample of policies selected by the independent certified public accountants with a focus on the following areas: 1) billing and collection of premiums, 2) policy disposition and bidding process, 3) premium payments, and 4) death benefits.

The significant finding by the independent certified public accountants was that fifteen (15) investors who had forfeited their policy interests, the forfeiting investors were paid a lower amount than they should have been paid. As a result of this condition, the Servicer recalculated the proper amount to be paid and made payments to the forfeiting investors accordingly. Further, the Trustee's staff reviewed all subsequent policy dispositions and verified that the underpayment error did not occur again.

The results of the agreed-upon procedures report were reviewed by the Trustee and adjustments to procedures employed by the Servicer were implemented as required. In the Trustee's view, the results of the agreed-upon procedures were satisfactory.

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(Continued)

## **Internal Control Examination:**

The Trustee called for an examination of internal control procedures at the Servicer to be performed by a firm of independent certified public accountants. The examination procedures encompassed all significant procedures deemed necessary by the independent certified public accountants in order to address those control processes which in their opinion directly affects their role as the Trust's Servicer.

The results of the comprehensive examination, with the exception noted below, was that the Trust and the Servicer maintained, in all material respects, effective internal control over financial reporting as they relate to the processing and servicing of the insurance policies under the responsibility of the Trust as of September 30, 2012.

## ***Exception Noted by the Independent Certified Public Accountants:***

- The significant finding by the independent certified public accountants was that fifteen (15) investors who had forfeited their policy interests, the forfeiting investors were paid a lower amount than they should have been paid.

**Response:** As a result of this condition, the Servicer recalculated the proper amount to be paid and made payments to the forfeiting investors accordingly. Further, the Trustee's staff reviewed all subsequent policy dispositions and verified that the underpayment error did not occur again.