

# STATE OF COLORADO

## Division of Securities

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## PRESS RELEASE

**For Immediate Release**  
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### **LIFE PARTNERS, INC., and LIFE PARTNERS HOLDINGS, INC., ENJOINED ON CHARGES OF SECURITIES LAW VIOLATIONS IN CONNECTION WITH THE SALE OF VIATICAL SECURITIES IN COLORADO**

#### **Sale of Life Partners' Viatical Securities Halted in Colorado**

Denver, Colorado --- Colorado Securities Commissioner Fred J. Joseph announced today that he has filed a complaint in Denver District Court and obtained a temporary restraining order against two entities alleging that they are violating the registration, licensing and anti-fraud provisions of the Colorado Securities Act ("Act"). On May 29, 2007, Denver District Court Judge Robert McGahey entered a temporary restraining order which prohibits the Defendants Life Partners, Inc., and Life Partners Holdings, Inc., from offering or selling securities in Colorado and violating the anti-fraud provisions of the Act.

Named in the complaint and subject of the temporary restraining order, are **Life Partners, Inc., and Life Partners Holdings, Inc.**, both located in Waco,

Texas. Also named in the Complaint is **Scott Peden**, president of Life Partners.

In the complaint, the Commissioner has alleged that from as early as 2004 and continuing through the present, the Defendants raised over \$11.5 million from more than 110 Colorado investors through a fraudulent, unregistered offering of securities in the form of fractionalized interests in viatical and life settlements. A viatical or life settlement is the sale of a life insurance policy by a terminally-ill person or senior citizen (the viator) at a price discounted from the face value of the policy. Investors pay the premiums and receive the face value of the life insurance policy when the insured, or viator, dies. In turn, the viator receives a portion of the proceeds of his life insurance policy as a lump sum.

According to the Commissioner's complaint, Life Partners failed to register the viatical securities in Colorado, and falsely represented that it was entitled to sell viatical securities here without registration. Also, Life Partners promised investors fixed returns, depending upon the term of investment chosen by the investor. The life expectancy figure determined for each viator was a key factor in determining the maturity date of the investment, the rates of return to the investors and the amount of funds needed for payment of future premiums. In the complaint, it is alleged that Life Partners failed to disclose to investors the method by which life expectancy was determined, the high frequency rate in which viators outlived the life expectancies predicted by Life Partners, and that if the viator outlived the life expectancies, the investor was liable to make the premium payments. It is further alleged that Life Partners failed to disclose the original purchase price of the policy and commissions paid to the sales agents, making it impossible for an investor to determine the true market value of the policy.

Also named in the Complaint for selling the viatical securities in Colorado without a license are **Tim Harper**, Waco, Texas, **Scott Beemer**, Colorado Springs, Colorado, **Eric Cox**, Fort Collins, Colorado, **Lowry Lynne Davis**, Fort Collins, Colorado, **Gary Hanson**, Colorado Springs, Colorado, **Kenneth Keller**, Fort Collins, Colorado, **Mike Lowe**, Fort Collins, Colorado, **Larry Mickelson**, Loveland, Colorado, **John Roth**, Fort Collins, Colorado, and **Ralph Seibert**, Colorado Springs, Colorado. None of the Defendants are licensed in any capacity with the Securities Commissioner.

The Commissioner's complaint charges the defendants with violating the anti-fraud, licensing, and registration provisions of the Colorado Securities Act. In addition to the emergency relief described above, the complaint seeks permanent injunctions prohibiting future violations of the securities laws, damages, and restitution on behalf of investors.

The Commissioner is represented in the action by attorneys from the Office of State Attorney General.

A copy of the complaint and temporary restraining order can be found at <http://www.dora.state.co.us/securities/enforcement.htm#Injunctions>

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