

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
SOUTHERN DIVISION**

LAWYERS TITLE INSURANCE CORP.

V.

CIVIL ACTION NO. 1:09-170-JMR

**PRESTIGE TITLE, INC.,ADVANCED TITLE
& ESCROW, LLC, TITLE 1, INC., PRESTIGE
TITLE OF ALABAMA, LLC, STEPHEN R. COLSON,
TED A. MARTIN AND JOHN DOES # 1-10**

**COUNTY OF HARRIS
STATE OF TEXAS**

AFFIDAVIT OF RUSSELL MACKERT

Personally appeared before me, the undersigned authority in and for the County of Harris, State of Texas, RUSSELL MACKERT, who, after being duly sworn, did depose and say:

1. My name is Russell Mackert. I am over the age of 21 years, and I am competent in all respects to make the statements set forth in this affidavit.
2. I have personal knowledge of the statements set forth in this affidavit.
3. At all relevant times set forth herein, I have been associated with A&O Bonded Life Assets Management, LLC, and the related companies and funds listed in the attached sheet. These companies are the same companies referred to as "Movants" in the Motion to Intervene filed by A&O Bonded Life Assets Management, LLC, et al. in the above entitled action. To avoid confusion, however, all of these entities will be referred to herein as the "Companies."
4. The Companies are the beneficial owners of fifty-seven (57) life insurance policies with a total maturity value of \$179,025,000.00. The Companies purchased all of these policies from various brokers and third parties. The Companies have, in turn, granted interests in the various policies to a total of 759 individual investors. As the relevant policies mature, the Companies disburse the funds to the relevant investors in each policy according to their respective interests.
5. All fifty-seven (57) of the policies require payment of periodic premium dollars in

order to keep them active and in full force.

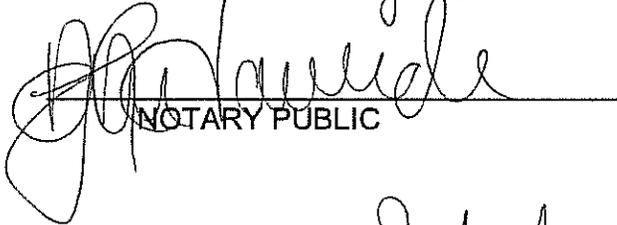
6. The principals responsible for oversight of the policies wished to ensure proper and timely payment of policy premiums for the benefit of their individual investors. Accordingly, on February 15, 2008, the Companies entered into an escrow management services agreement (the "Agreement") with Prestige Title, Inc.
7. Under the terms of the Agreement, Prestige Title acted as escrow agent for the Companies and accepted deposits of funds from the Companies, from which funds Prestige Title agreed to pay premiums on the policies as they came due, and to discharge other duties in connection with the policies for a period of at least six (6) years. In exchange, Prestige Title, Inc. was paid a flat fee of One Hundred Fifty Thousand Dollars (\$150,000.00).
8. On February 29, 2008, the Companies deposited a total of Four Million Six Hundred Thousand Dollars (\$4,600,000.00) with Prestige Title as escrow agent for the Companies. These funds were to be deposited by Prestige Title, Inc. in separate, federally insured interest-bearing accounts for the purpose of paying periodic premiums on the policies as they came due.
9. To further ensure the continued payment of policy premiums on behalf of their individual investors, the Companies employed an independent accounting firm, GLO, CPAs, to periodically investigate the status of policies held by the Companies to insure that they were still in full force and effect, and that all premiums were being paid as they became due.
10. According to the audit letters I received throughout calendar year 2008, all policies audited remained in full force and effect, and Prestige Title was paying the premiums as they came due, pursuant to the Agreement.
11. However, in March 2009, I became aware of potential irregularities in the handling of the funds the Companies had deposited with Prestige Title, Inc. I immediately began investigating the status of the 57 life insurance policies, and the status of the funds on deposit with Prestige Title, Inc. for payment of periodic premiums on the policies. During the course of my investigation, I discovered that suit had been filed by Lawyers Title Insurance Corporation against Prestige Title, Inc. and others. I also discovered that funds deposited by the Companies with Prestige Title, Inc. had been sequestered by the Court in this suit.

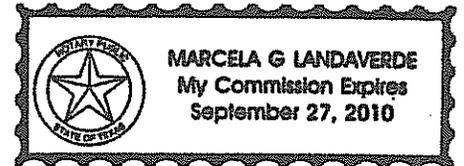
12. Since the sequestration of funds by the Court, Prestige Title, Inc. has ceased to pay the periodic premiums on the policies as they come due. As a result, currently there are at least ten (10) policies which have either lapsed and entered a "grace period" or which are in imminent danger of lapsing. These ten policies have a face value payout of Twenty-nine Million Dollars (\$29,000,000.00).
13. The total premium amount necessary to bring these ten policies current is Two Hundred Seven Thousand Five Hundred Ninety-two and 45/100 Dollars (\$207,592.45).
14. Additional premiums will become due on other policies throughout the coming year. The average monthly expenditure for premium dollars to keep the policies current is One Hundred Twenty Thousand Dollars (\$120,000.00).
15. As an emergency measure, some of the former principals of the Companies arranged to lend the Companies their own personal funds in order to maintain in force policies that were due to lapse. However, none of said principals can long afford to continue paying these premiums and, if monies due and owing to the Companies from Prestige Title, Inc. are not made available to the Companies to maintain various policies in full force and effect, the policies will lapse.

Further, affiant sayeth not.


RUSSELL MACKERT

Sworn to and subscribed before me this
4th day of May, 2009.


NOTARY PUBLIC



My commission expires: September 27, 2010