

**REINSURANCE AGREEMENT**

**BETWEEN**

**LINCOLN MEMORIAL LIFE INSURANCE COMPANY**

**AUSTIN, TX**

**referred to as the "Ceding Company"**

**AND**

**NORTHSTAR REINSURANCE IRELAND LIMITED**

**DUBLIN, IRELAND**

**referred to as the "Reinsurer"**

**EXHIBIT**

1

tabbles

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	GENERAL PROVISIONS .....2
ARTICLE II	REINSURANCE PREMIUMS .....8
ARTICLE III	ALLOWANCES.....9
ARTICLE IV	BENEFIT PAYMENTS AND MORTALITY EXPERIENCE REFUND ..... 14
ARTICLE V	SECURITY ..... 16
ARTICLE VI	ACCOUNTING AND SETTLEMENTS .....21
ARTICLE VII	DURATION AND RECAPTURE.....24
ARTICLE VIII	TERMINAL ACCOUNTING AND SETTLEMENT .....26
ARTICLE IX	ARBITRATION.....29
ARTICLE X	INSOLVENCY.....30
ARTICLE XI	REPRESENTATIONS .....31
ARTICLE XII	COUNTERPARTS.....34
ARTICLE XIII	EXECUTION AND EFFECTIVE DATE .....35
SCHEDULE A	INSURANCE POLICIES, RISKS REINSURED, AND COMMISSION RATES .....36
SCHEDULE B	MONTHLY REPORT OF ACTIVITY AND SETTLEMENTS.....38
SCHEDULE C	MORTALITY EXPERIENCE REFUND .....43
SCHEDULE D	SAMPLE TRUST DOCUMENT .....47

REINSURANCE AGREEMENT

This Agreement is made and entered into by and between Lincoln Memorial Life Insurance Company (hereinafter referred to as the "Ceding Company") and Northstar Reinsurance Ireland Limited (hereinafter referred to as the "Reinsurer").

The Ceding Company and the Reinsurer mutually agree to reinsure on the terms and conditions stated herein. This Agreement is an indemnity reinsurance agreement solely between the Ceding Company and the Reinsurer, and performance of the obligations of each party under this Agreement will be rendered solely to the other party. In no instance will anyone other than the Ceding Company or the Reinsurer have any rights under this Agreement, and the Ceding Company will be and remain solely liable to any insured, policyowner or beneficiary under any insurance policy reinsured hereunder.

ARTICLE I

GENERAL PROVISIONS

1. Insurance Policies and Risks Reinsured. The Reinsurer agrees to indemnify the Ceding Company for, and the Ceding Company agrees to reinsure with the Reinsurer, according to the terms and conditions hereof, the quota share of the risks under the insurance policies described in Schedule A attached hereto.
2. Coverages and Exclusions.
  - A. Only the insurance policies described in Schedule A (herein collectively referred to as "insurance policies") are reinsured under this Agreement.
  - B. Riders providing additional benefits or living needs benefits are not reinsured under this Agreement.
  - C. The Reinsurer will not participate in any policy loans on insurance policies reinsured hereunder.
  - D. The Reinsurer shall not participate in the determination of, nor reimburse the Ceding Company for, any policyholder or other dividends declared or paid by the Company.
3. Plan of Reinsurance. This indemnity reinsurance is on a coinsurance basis.
4. Expenses. The Reinsurer will bear no part of the expenses incurred in connection with the insurance policies reinsured hereunder, except as otherwise provided herein.
5. Insurance Policy Changes. The Ceding Company must provide written notification to the Reinsurer of any change which affects the original terms or conditions of any insurance policy reinsured hereunder not later than fifteen (15) days after the change takes effect. For purposes of this Agreement, the term "insurance policy changes" does not include any instance where the insurance policyholder exercises its rights under the express terms of the insurance policy as stated in the contract form utilized by the Ceding Company as of the Effective Date of this Agreement. The Reinsurer will provide written notification to the Ceding Company as to the Reinsurer's acceptance or rejection of the change within fifteen (15) days after receipt of

notice of the change. If the Reinsurer accepts any such change, the Reinsurer will (a) assume the quota share percent of the insurance policies reinsured hereunder, as described in Schedule A, times any increase in the Ceding Company's liability, resulting from the change, and (b) receive credit for the quota share percentage of the insurance policies reinsured hereunder, as described in Schedule A, times any decrease in the Ceding Company's liability, resulting from the change. If the Reinsurer rejects any such change, the Reinsurer's liability under this Agreement will be determined as if no such change had occurred.

6. No Extracontractual Damages. The Reinsurer does not indemnify the Ceding Company for, and will not be liable for, any fines, penalties, remunerative settlements, extracontractual damages or extracontractual liability resulting from actual or alleged fraud, oppression, regulatory non-compliance, bad faith, strict liability, or negligent, reckless or intentional wrongs on the part of the Ceding Company or its directors, officers, employees and agents. The following types of damages are examples of damages that would be excluded from this Agreement for the conduct described above: actual damages, damages for emotional distress, and punitive or exemplary damages.

The Reinsurer will neither reinsure nor indemnify, defend or hold harmless the Ceding Company, its directors, officers, employees, agents and subcontractors with respect to any claims, actions, causes of action, demands, judgments, liabilities, losses, costs, damages (including punitive damages, compensatory damages, extra contractual damages and statutory penalties), suits or other proceedings of whatever kind or character, that arise or result from the actions or omissions, errors, bad faith, fraud, negligence, gross negligence and willful misconduct of the Ceding Company and/or its officers, directors, employees, agents and subcontractors. Notwithstanding the foregoing, the Reinsurer shall remain liable for the payment of the quota share percentage of reinsurance as provided hereunder.

7. Insurance Policy Administration. The Ceding Company will administer the insurance policies reinsured hereunder and will perform all accounting for such insurance policies.
8. Inspection. At any reasonable time, the Reinsurer or its representative may inspect, during normal business hours, at the principal office of the Ceding Company, the original papers and any and all other books or

documents relating to or affecting reinsurance under this Agreement. The Reinsurer will not use any information obtained through any inspection pursuant to this Paragraph for any purpose not relating to reinsurance hereunder.

9. Taxes and Assessments. The allowance for any premium taxes, state guarantee fund assessments, special assessments or excise taxes paid in connection with the insurance policies reinsured hereunder is included in the Allowances, described in Article III. The Reinsurer will reimburse the Ceding Company for any excise taxes levied against the Ceding Company as a result of the reinsurance. The Reinsurer will not reimburse the Ceding Company for any other taxes or assessments paid by the Ceding Company in connection with the insurance policies reinsured hereunder.
10. Condition. The reinsurance hereunder is subject to the same limitations and conditions specified in the insurance policies issued by the Ceding Company which are reinsured hereunder, except as otherwise provided in this Agreement. The Reinsurer does not participate in changes in the limitations and conditions specified in the insurance policies issued by the Ceding Company and reinsured hereunder unless the Reinsurer accepts such changes in accordance with Paragraph 5 above.
11. Misunderstandings and Oversights. If any failure to pay amounts due or to perform any other act required by this Agreement is unintentional and caused by misunderstanding or oversight, the Ceding Company and the Reinsurer will adjust the situation to what it would have been had the misunderstanding or oversight not occurred.
12. Adjustments. If the Ceding Company's liability under any of the insurance policies reinsured hereunder is changed because of a misstatement of age, sex or any other material fact, the Reinsurer will (a) assume the quota share percentage of the insurance policies reinsured hereunder, as described in Schedule A, times any increase in the Ceding Company's liability resulting from the change, with respect to the insurance policies reinsured hereunder, and (b) receive credit for the quota share percentage of the insurance policies reinsured hereunder, as described in Schedule A, times any decrease in the Ceding Company's liability, resulting from

the change with respect to the insurance policies reinsured hereunder. If the change constitutes a delayed payment, interest shall be assessed in accordance with Article VI, Paragraph 8.

13. Assignment. Neither the Ceding Company nor the Reinsurer may assign any of its rights, duties or obligations under this Agreement without the prior written consent of the other party, provided that such consent shall not be unreasonably withheld.
14. Choice of Law. This Agreement will be governed by the laws of Texas, without giving effect to the Texas conflict of law provisions.
15. Amendments. This Agreement may be amended only by written agreement of the parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by both parties.
16. Entire Agreement. The terms expressed herein constitute the entire agreement between the parties with respect to the insurance policies reinsured hereunder. There are no understandings between the parties with respect to the insurance policies reinsured hereunder other than as expressed in this Agreement.
17. Current Practices. The Ceding Company will not materially change, alter or other compromise its current underwriting, claims paying or administrative practices with respect to the insurance policies reinsured hereunder without the prior written consent of the Reinsurer, which consent will not be unreasonably withheld.

18. Notice Provision. All notices, letters or other communications to the respective parties shall be in writing and faxed, couriered or mailed, addressed as follows:

If to the Ceding Company: Joe Cappleman  
Secretary Treasurer  
1250 Capital of Texas Hwy S  
Building 1, Suite 470  
Austin, TX 78746

With a copy to: Keith Hale  
Chief Financial Officer  
1250 Capital of Texas Hwy S  
Building 1, Suite 470  
Austin, TX 78746

If to the Reinsurer: James C. Kelly  
General Manager  
Northstar Reinsurance Ireland Limited  
IFSC House  
Custom House Quay  
Dublin 1, Ireland  
Ph: 353-1-670-0988  
Fax: 353-1-670-1108

With a copy to: John Kleiman  
Northstar Group Holdings, Ltd.  
12 Wesley Street  
Hamilton, HM EX Bermuda  
Ph: 441-294-5783  
Fax: 441-295-7842

19. Errors and Omissions. Inadvertent or accidental delays, errors or omissions made in connection with this Agreement or any transaction hereunder shall not relieve either party from any liability which would have attached had such delay, error or omission not occurred, provided always that such delay, error or omission is not prejudicial to the other party, is capable of being rectified, and is in fact rectified as soon as possible after discovery. In no circumstances shall the liability of the Reinsurer under this Agreement exceed the limits specified herein, nor be extended to cover any risks, perils, or classes of insurance or reinsurance generally or specifically excluded from cover hereunder.
20. No Implied Waiver and Remedies. No consent or waiver by any party to or of any breach or default by any other party in the performance by such other party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of obligations hereunder by such other party hereunder. Failure on the part of any party to complain of any act or failure to act of any

other party or to declare any other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such first party of its rights hereunder.

The single or partial exercise of any right, power or remedy provided by law or under this Agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.

The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.

21. Annual Statement References. All page, column and line references to the Ceding Company's statutory statement refer to the 2005 annual statement. If the annual statement blank is changed or modified, so that the items do not appear on the page, column or line references, or if they should be eliminated or combined with other amounts, then the page, column and line references are assumed changed in this Agreement to reference data consistent with the 2005 annual statement.

22. Reserve Strengthening. Any increase in reserves resulting from a reserve strengthening with respect to the insurance policies reinsured hereunder will be paid by the Ceding Company to the Reinsurer at the end of the Accounting Period during which the reserve strengthening occurs. This Paragraph applies to strengthening of statutory reserves, required or voluntary increased contributions to any special valuation reserve(s), and changes in the methodology for the determination of any special valuation reserves(s).

ARTICLE II

REINSURANCE PREMIUMS

1. Reinsurance Premiums. The Ceding Company will pay the Reinsurer Reinsurance Premiums on all insurance policies in effect under this Agreement in an amount equal to the quota share percentage of the insurance policies reinsured hereunder, as described in Schedule A, times the gross premiums collected during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder. The Reinsurance Premiums paid to the Reinsurer by the Ceding Company will be remitted to the Reinsurer at the end of the Accounting Period during which the gross premiums were collected by the Ceding Company.

ARTICLE III

ALLOWANCES

1. Expense Allowance. The Reinsurer will pay the Ceding Company an Expense Allowance at the end of each Accounting Period equal to (i) plus the product of (ii) times the sum of [ (iii) plus (iv) plus (v) ], where:
  - (i) equals 9.0 percent times Reinsurance Premiums as described in Article II, Paragraph 1;
  - (ii) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
  - (iii) equals the product of (a) times (b), where:
    - (a) equals \$1.00; and
    - (b) equals the number of insurance policies reinsured hereunder in their first policy year and in force as of the end of the current Accounting Period;
  - (iv) equals the product of (a) times (b), where:
    - (a) equals \$1.00; and
    - (b) equals the number of insurance policies reinsured hereunder in premium paying status and in force as of the end of the current Accounting Period;
  - (v) equals the product of (a) times (b), where:
    - (a) equals \$1.00; and
    - (b) equals the number of insurance policies reinsured hereunder in paid-up status and in force as of the end of the current Accounting Period.
  
2. Commission Allowance for Insurance Policies Issued in October of 2006 and Thereafter. For insurance policies issued from October of 2006 and thereafter, the Reinsurer will pay the Ceding Company a Commission Allowance at the end of each Accounting Period equal to (i) times (ii), where:
  - (i) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
  - (ii) equals, for each insurance policy issued during the current Accounting Period, the product of (a) times (b) times (c), where:

- (a) equals the number of units issued in each issue age range/plan code combination as shown in Schedule A during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
- (b) equals the corresponding issue age range/plan code Commission Rate as shown in Schedule A; and
- (c) equals 1,000.

3. Commission Allowance for Insurance Policies Issued from January of 2006 through September of 2006.

For insurance policies issued during the first nine calendar months of 2006, the Reinsurer will pay the Ceding Company a Commission Allowance for the Accounting Period corresponding to the insurance policies' issue month, and for each subsequent Accounting Period beginning with the month following the insurance policies' issue month and ending with the Accounting Period for December 2006. The amounts to be paid are equal to (a) plus (b) where:

- (a) equals the Ceding Commission to be paid for insurance policies issued in the month corresponding to the current Accounting Period, calculated as the product of [(i) times (ii) times (iii) times (iv) times (1 - (v))], where:
  - (i) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
  - (ii) equals the number of units issued in each issue age range/plan code combination as shown in Schedule A during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
  - (iii) equals the corresponding issue age range/plan code Commission Rate as shown in Schedule A;
  - (iv) equals 1,000; and
  - (v) equals the Spread Percent as shown in the table below;
- (b) equals the Ceding Commission to be paid each month from the Accounting Period corresponding to the month following an insurance policy's issue month through the Accounting Period for

December of 2006, calculated as the product of [(i) times (ii) times (iii) times (iv) times (v)] divided by [ 12 - (vi) ], where:

- (i) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
- (ii) equals the number of units issued during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
- (iii) equals the appropriate issue age range/plan code Commission Rate as shown in Schedule A;
- (iv) equals 1,000;
- (v) equals the Spread Percent as shown in the table below; and
- (vi) equals the insurance policy's issue month, expressed as a numeric value (January = 1; February = 2; etc.)

Issue Month in Calendar Year 2006	Spread Percent
January February March	39%
April May June	21%
July August September	10%

4. Commission Chargeback. For all insurance policies reinsured hereunder that are either terminated due to surrender or lapse or are terminated due to death in the current Accounting Period while in their first six policy months, the Ceding Company will pay the Reinsurer a Commission Chargeback at the end of the Accounting Period equal to the sum of (i) times (ii), with respect to each such insurance policy, where:

- (i) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
- (ii) equals, for each applicable insurance policy, the product of (a) times (b) times (c), where:
  - (a) equals the number of units terminated during the Accounting Period with respect to the insurance policies reinsured hereunder;

- (b) equals the appropriate issue age range/plan code Commission Rate as shown in Schedule A; and
- (c) equals 1,000.

5. Extended Commission Chargeback. For each Accounting Period beginning with the tenth Accounting Period after the Effective Date of this Agreement, and for each Accounting Period thereafter, an Extended Chargeback Commission calculation will take place.

If Six Month Termination Rate, as defined below, divided by Nine Month Termination Rate, as defined below, is greater than or equal to 88%, then the Extended Chargeback Commission will equal zero.

If Six Month Termination Rate, as defined below, divided by Nine Month Termination Rate, as defined below, is less than 88%, then the Extended Chargeback Commission will equal the product of (i) times (ii) times (iii), where:

- (i) equals Nine Month Termination Rate, as defined below;
- (ii) equals, for each insurance policy issued in the Accounting Period ten months prior to the current Accounting Period, the product of (a) times (b), where:
  - (a) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
  - (b) equals, for each insurance policy issued during that Accounting Period, the product of b.i. times b.ii. times b.iii., where:
    - b.i. equals the number of units issued in each issue age range/plan code combination as shown in Schedule A during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
    - b.ii. equals the corresponding issue age range/plan code Commission Rate as shown in Schedule A; and
    - b.iii. equals 1,000;
- (iii) equals (a) minus the quotient [ (b) divided by (c) ], where:

- (a) equals 88%;
- (b) equals Six Month Termination Rate, as defined below ; and
- (c) equals Nine Month Termination Rate, as defined below.

6. Six Month Termination Rate. The Six Month Termination Rate for the current Accounting Period will be calculated as the quotient of [ (a) + (b) ] divided by (c), where:

- (a) equals the number of units that terminated due to death during the first six policy months for insurance policies that were reinsured hereunder and were issued in the Accounting Period ten months prior to the current Accounting Period;
- (b) equals the number of units that terminated due to lapse or surrender during the first six policy months for insurance policies that were reinsured hereunder and were issued in the Accounting Period ten months prior to the current Accounting Period;
- (c) equals the number of units that were issued in the Accounting Period ten months prior to the current Accounting Period and are or were reinsured hereunder.

7. Nine Month Termination Rate. The Nine Month Termination Rate for the current Accounting Period will be calculated as the quotient of [ (a) + (b) ] divided by (c), where:

- (a) equals the number of units that terminated due to death during the first nine policy months for insurance policies that were reinsured hereunder and were issued in the Accounting Period ten months prior to the current Accounting Period;
- (b) equals the number of units that terminated due to lapse or surrender during the first nine policy months for insurance policies that were reinsured hereunder and were issued in the Accounting Period ten months prior to the current Accounting Period;
- (c) equals the number of units that were issued in the Accounting Period ten months prior to the current Accounting Period and are or were reinsured hereunder.

ARTICLE IV

BENEFIT PAYMENTS AND MORTALITY EXPERIENCE REFUND

1. Benefit Payments. Benefit Payments, as referred to in this Agreement, means the sum of (i) Claims, as described in Paragraph 2 below and (ii) Cash Surrender Values, as described in Paragraph 3 below.
2. Claims. The Reinsurer will reimburse the Ceding Company for the quota share percentage of the insurance policies reinsured hereunder, as described in Schedule A, times the Claims paid by the Ceding Company during the current Accounting Period in accordance with the terms of the insurance policy forms with respect to the insurance policies reinsured hereunder.
3. Cash Surrender Values. The Reinsurer will reimburse the Ceding Company for the quota share percentage of the insurance policies reinsured hereunder, as described in Schedule A, times the Cash Surrender Values calculated by the Ceding Company in accordance with the terms of the insurance policies as specified as of the Effective Date of this Agreement and paid by the Ceding Company during the current Accounting Period in accordance with the terms of the insurance policy forms with respect to the insurance policies reinsured hereunder.
4. Notice. The Ceding Company will notify the Reinsurer of any information regarding Claims on insurance policies reinsured hereunder in accordance with Article VI, Paragraph 2 and Schedule B. The reinsurance claim and copies of notification, claim papers, and proofs will be furnished the Reinsurer upon request.
5. Liability and Payment. The Reinsurer will accept the decision of the Ceding Company with respect to payment of a Claim on an insurance policy reinsured hereunder. The Reinsurer will pay its proportionate share of Claims in a lump sum to the Ceding Company, without regard to the form of settlement by the Ceding Company, paid in accordance with the terms of the insurance policies reinsured hereunder as specified on the Effective Date of this Agreement. Notwithstanding the preceding, in no event will the Reinsurer reimburse the Ceding Company for ex gratia payments with respect to the insurance policies

reinsured hereunder or any other payments not made in accordance with the terms of the insurance policies reinsured hereunder.

6. Contested Claims. The Ceding Company will advise the Reinsurer of its intention to contest, compromise or litigate any Claims involving insurance policies reinsured hereunder. The Reinsurer may either choose to participate or to not participate in such contests. If the Reinsurer chooses to participate, the Reinsurer will pay its share of the expense of such contests, in addition to its share of Claims. If the Reinsurer chooses to not participate, it will discharge its liability by payment to the Ceding Company of the full amount of its liability on the insurance policy reinsured.
  
7. Mortality Experience Refund. Each calendar year, concurrent with the Accounting Period corresponding to the March Accounting Period, the Reinsurer will determine if a Mortality Experience Refund is payable to the Ceding Company. The determination of a Mortality Experience Refund is described in Schedule C.

ARTICLE V

SECURITY

1. Statutory Reserve. The term "Statutory Reserve," as used in this Agreement, means (a) times [ (b) minus (c) ], where:
  - (a) equals the quota share percentage of the insurance policies reinsured hereunder as described in Schedule A;
  - (b) equals the statutory reserve on the insurance policies reinsured hereunder at the end of the current Accounting Period as calculated by the Ceding Company under its applicable State law based upon the Commissioners' Reserve Valuation Method ("CRVM"), used as of the Effective Date of this Agreement, before deduction for any reinsurance hereunder;
  - (c) equals that portion of the deferred and uncollected premiums on the insurance policies reinsured hereunder at the end of the current Accounting Period held by the Ceding Company and reported in Exhibit 1, Part 1, Column 3, Lines 3.1 and 13.1 of the Ceding Company's Annual Statement, before deduction for any reinsurance hereunder.
  
2. Security. The Reinsurer agrees to provide security for the payment of the Reinsurer's obligations to the Ceding Company under this Agreement. Such security will be provided through a combination of Assets in Trust, as described below, Amounts Due Reinsurer, as described below, and Letters of Credit, as described below. At the end of each calendar quarter, the sum of the assets in trust measured at market value, amounts due the Reinsurer, and the letters of credit will equal or exceed the Statutory Reserve as described above in Paragraph 1.
  
3. Amounts Due Reinsurer. Amounts due the Reinsurer include amounts payable to the Reinsurer for any initial or monthly settlement.
  
4. Assets in Trust. Pursuant to the Trust Agreement attached as Schedule D hereto, the Reinsurer may establish with The Bank of New York of New York, as Trustee, a Trust Account for the sole use and benefit

of the Ceding Company. The Reinsurer represents and warrants to the Ceding Company that The Bank of New York of New York is a Qualified United States Financial Institution.

If a trust is established, the Reinsurer agrees to deposit and maintain in said Trust Account assets to be held in trust by the Trustee for the sole use and benefit of the Ceding Company as security for the payment of the Reinsurer's obligation to the Ceding Company under this Agreement. Such assets shall be increased or decreased, as appropriate, in accordance with the terms of this Agreement and the terms of the Trust Agreement. In the event the market value of the Trust Account, plus Amounts Due Reinsurer, plus any letters of credit falls below 100% of the Statutory Reserve as defined above in Paragraph 1 at the end of any calendar quarter, the Reinsurer will, within ten (10) Business Days thereof, add to the Trust Account assets reasonably acceptable to the Ceding Company such that the aggregate market value of all assets in the Trust Account, plus Amounts Due Reinsurer, plus any letters of credit is at least equal to the Statutory Reserve as defined above in Paragraph 1. At the option of the Reinsurer and in order to provide credit for reinsurance required hereunder, the Reinsurer may substitute one or more letters of credit meeting the requirement of Texas Insurance Law, in whole or in part, for the assets in the Trust Account. The letter(s) of credit will be (i) procured from Dresdner Bank AG of New York, or another Qualified Financial Institution, (ii) evergreen, (iii) unconditional and irrevocable, (iv) made for the sole use and benefit of the Ceding Company, and (v) may be drawn down at any time by the Ceding Company for the purposes set forth in this article.

The Reinsurer agrees that the assets so deposited, and assets held in the Trust Account thereafter, shall consist only of cash (United States legal tender), or invested assets of the types permitted by the Texas Insurance Code, or any combination of the above, provided further that such assets are issued by an entity that is not the parent, subsidiary or affiliate of either the Reinsurer or Ceding Company.

The Reinsurer, prior to depositing assets with the Trustee, shall execute all assignments and endorsements in blank, and transfer legal title to the Trustee of all shares, obligations or any other assets requiring assignments, in order that the Ceding Company, or the Trustee upon direction of the Ceding Company, may

whenever necessary negotiate any such assets without consent or signature from the Reinsurer or any other entity.

The Reinsurer and the Ceding Company agree that the assets in the Trust Account may be withdrawn by the Ceding Company at any time, notwithstanding any other provisions in this Agreement, provided such amounts are applied and utilized by the Ceding Company or any successor of the Ceding Company by operation of law, including, without limitation, any liquidator, rehabilitator, receiver or conservator of the Ceding Company, without diminution because of the insolvency of the Ceding Company or the Reinsurer, only for the following purposes:

- (i) to reimburse the Ceding Company for the Reinsurer's share of premiums returned to the owners of insurance policies reinsured under this Agreement on account of cancellations of such insurance policies;
- (ii) to reimburse the Ceding Company for the Reinsurer's share of surrenders and benefits or losses paid by the Ceding Company pursuant to the provisions of the insurance policies reinsured under this Agreement;
- (iii) in the event of notice of termination of the trust, to fund a fiduciary account with the Ceding Company in an amount at least equal to the deduction, for reinsurance ceded, from the Ceding Company's liabilities for insurance policies ceded under this Agreement. Such account shall include, but not be limited to, amounts for policy reserves, advance premium liability and reserves for claims and losses incurred (including losses incurred but not reported). The account shall be established for the sole purpose of satisfying the Reinsurer's liability and obligations under this Agreement, and the assets in the account shall not be commingled with any other assets of the Ceding Company's;
- (iv) to pay any other amounts the Ceding Company claims are due under this Agreement.

The Ceding Company agrees to return to the Reinsurer any assets drawn from the Trust Account which are in excess of the actual amounts required for the purposes of paragraphs (i), (ii), (iii), and (iv), above. In addition, in the event that the Ceding Company removes assets from the Trust Account pursuant to item (iii)

above, the Ceding Company shall pay the Reinsurer interest on the amounts held pursuant to item (iii) above at a rate equal to the prime rate of interest or the rate permitted by an arbitration panel operating under Article IX of this Agreement, whichever is greater.

The Reinsurer may seek the Ceding Company's approval, which may not be unreasonably or arbitrarily withheld, to withdraw all or any part of the assets from the Trust Account and transfer such assets to the Reinsurer, provided that the Reinsurer is not subject to any liquidation, rehabilitation, conservatorship or receivership order or proceeding and provided that after such withdrawal and transfer, the market value of the Trust Account, plus Amounts Due Reinsurer, plus the aggregate amount of any letter(s) of credit provided by the Reinsurer pursuant to this article is at least equal to the Statutory Reserves.

All expenses of establishing and maintaining the Trust Account or letter of credit facility shall be borne by the Reinsurer.

5. Letter of Credit. The Reinsurer will arrange for the establishment of clean, unconditional and irrevocable letters of credit, issued in a form acceptable under Article 3.10 of the Texas Insurance Code, for the exclusive benefit of the Ceding Company. The amounts of the letters of credit in combination with the Assets in Trust described in Paragraph 4 above and Amounts Due Reinsurer described in Paragraph 3 above will on each calendar quarter equal or exceed the Statutory Reserve determined in accordance with Paragraph 1 above. The letters of credit will be issued by banks that are neither the parent, subsidiary or affiliate of either the Reinsurer or the Ceding Company and are (1) organized or licensed in the United States, (2) regulated, supervised and examined by U.S. federal or state authorities, and (3) acceptable to the Ceding Company's domiciliary insurance commissioner or approved by the NAIC Securities Valuation Office.

All settlements of account between the Reinsurer and the Ceding Company will be made in cash or its equivalent. Notwithstanding anything to the contrary in this Agreement, the Reinsurer and the Ceding Company agree that the letter of credit may be drawn on by the Ceding Company at any time and will be utilized and applied by the Ceding Company, including, without limitation, any liquidator, rehabilitator,

receiver or conservator of the Ceding Company, without diminution because of the insolvency on the part of the Ceding Company or the Reinsurer, only for the following purposes:

- (i) to reimburse the Ceding Company for the Reinsurer's share of premiums returned to the owners of insurance policies reinsured under this Agreement on account of cancellations of such insurance policies;
- (ii) to reimburse the Ceding Company for the Reinsurer's share of surrenders and benefits or losses paid by the Ceding Company pursuant to the provisions of the insurance policies reinsured under this Agreement;
- (iii) in the event of notice of nonrenewal of the letter of credit, to fund a fiduciary account with the Ceding Company in an amount at least equal to the deduction, for reinsurance ceded, from the Ceding Company's liabilities for insurance policies ceded under this Agreement. Such account shall include, but not be limited to, amounts for policy reserves, advance premium liability and reserves for claims and losses incurred (including losses incurred but not reported). The account shall be established for the sole purpose of satisfying the Reinsurer's liability and obligations under this Agreement, and the assets in the account shall not be commingled with any other assets of the Ceding Company's;
- (iv) to pay any other amounts the Ceding Company claims are due under this Agreement.

The Ceding Company agrees to return to the Reinsurer any assets drawn on the letters of credit which are in excess of the actual amounts required for the purposes of paragraphs (i), (ii), (iii), and (iv), above. In addition, in the event that the Ceding Company draws on the letters of credit pursuant to item (iii) above, the Ceding Company shall pay the Reinsurer interest on the amounts held pursuant to item (iii) above at a rate equal to the prime rate of interest or the rate permitted by an arbitration panel operating under Article IX of this Agreement, whichever is greater.

ARTICLE VI

ACCOUNTING AND SETTLEMENTS

1. Monthly Accounting Period. Each Accounting Period under this Agreement will be a calendar month, except that the final Accounting Period will run from the end of the preceding Accounting Period until the terminal accounting date of this Agreement as described in Article VIII, Paragraph 2.
  
2. Monthly Accounting Reports. Monthly accounting reports in the form of Schedule B will be submitted to the Reinsurer by the Ceding Company for each Accounting Period not later than ten (10) days after the end of each Accounting Period. Such reports will include information on the amount of Reinsurance Premiums, Commission and Expense Allowance, Commission Chargeback, Benefit Payments, Statutory Reserve, and the monthly seriatim data file, as described in Schedule B.
  
3. Monthly Settlements.
  - A. As described in Paragraph 4 below, with respect to each Accounting Period, the Ceding Company will pay the Reinsurer the Reinsurance Premiums determined in accordance with Article II.
  - B. Simultaneously, the Reinsurer will pay the Ceding Company the sum of:
    - (i) the Commission and Expense Allowance determined in accordance with Article III, Paragraphs 1, 2, and 3, adjusted for the Commission Chargeback in accordance with Article III, Paragraphs 4 and 5, plus
    - (ii) the Benefit Payments, as described in Article IV.
  
4. Amounts Due Monthly. Except as otherwise specifically provided in this Agreement, all amounts due to be paid to either the Ceding Company or the Reinsurer under this Agreement will be determined on a net basis at the end of each Accounting Period. Net amounts due the Reinsurer will be due and payable within twenty (20) days after the end of the Accounting Period. Net amounts due the Ceding Company will be due and payable ten (10) days after receipt of the monthly accounting report with respect to such Accounting

Period. Amounts due under this Agreement will be wired by the party from which they are due to the party entitled to receive such amounts.

5. Annual Accounting Reports. The Ceding Company will provide the Reinsurer with annual accounting reports within fifty (50) days after the end of the calendar year for which such reports are prepared. These reports will contain sufficient information about the insurance policies reinsured hereunder to enable the Reinsurer to prepare its annual financial reports, required cash flow testing analysis and to verify information reported in Schedule B, and will include Aggregate Reserve for Life Contracts (Exhibit 5) by reserve basis, Page 7 (Analysis of Increase in Reserves), Page 26 (Exhibit of Life Insurance) and Schedule S of the NAIC Convention Blank. The Ceding Company and Reinsurer will also provide a copy of their respective Annual Statements to the other party when completed.
6. Estimations. If the amounts, as described in Paragraph 3 above, cannot be determined by the dates described in Paragraph 4 above, on an exact basis, such payments will be paid in accordance with a mutually agreed upon formula which will approximate the actual payments. Adjustments will then be made to reflect actual amounts when they become available, including provision for interest in accordance with Paragraph 8 below.
7. Delayed Payments. For purposes of Paragraphs 4 and 6 above, if there is a delayed settlement of a payment due, there will be an interest penalty, at the Delayed Payment Rate described in Paragraph 8 below, for the period that the amount is overdue. For purposes of this Paragraph, a payment will be considered overdue fifteen (15) days after the date such payment is due.
8. Delayed Payment Rate. The Delayed Payment Rate at the end of each Accounting Period will be equal to 25 basis points plus [(a) divided by (b)], where:
  - (a) equals the one month London Interbank Offered Rates (LIBOR) as published by The Wall Street Journal at the end of the current Accounting Period; and
  - (b) equals twelve.

In the event that a payment is delayed for multiple Accounting Periods, a new Delayed Payment Rate shall be calculated for each Accounting Period in order to calculate the interest due thereon.

9. Offset of Payments. All monies due either the Ceding Company or the Reinsurer under this Agreement or other reinsurance agreements between the Ceding Company and the Reinsurer may be offset against each other, dollar for dollar, regardless of any insolvency of either party. However, in the event of an insolvency, offsets will be allowed in accordance with the statutory, common and case laws of the state taking jurisdiction over the insolvency as such laws exist as of the Effective Date of this Agreement.

ARTICLE VII

DURATION AND RECAPTURE

1. Duration. Except as otherwise provided herein, this Agreement will be unlimited in duration.
2. Reinsurer's Liability. The liability of the Reinsurer with respect to any insurance policy reinsured hereunder will begin simultaneously with that of the Ceding Company, but not prior to the Effective Date of this Agreement. The Reinsurer's liability with respect to any insurance policy reinsured hereunder will terminate on the earliest of: (i) the date such insurance policy is recaptured; (ii) the date the Ceding Company's liability on such insurance policy is terminated; or (iii) the date this Agreement is terminated in accordance with Paragraphs 3, 4 or 5 below. Termination of the Reinsurer's liability is subject to payments in respect of such liability in accordance with the provisions of Article VIII of this Agreement. In no event should the interpretation of this Paragraph imply a unilateral right of the Reinsurer to terminate this Agreement.
3. Termination for Nonpayment of Amounts Due by the Ceding Company. If the Ceding Company fails to pay the Reinsurance Premiums or any other amounts due to the Reinsurer pursuant to this Agreement, within sixty (60) days after the end of any Accounting Period, the Reinsurer may terminate this Agreement subject to thirty (30) days prior written notice to the Ceding Company.
4. Internal Replacements. Should the Ceding Company, its affiliates, successors or assigns, initiate a program of Internal Replacement that would include any of the insurance policies reinsured hereunder, the Ceding Company will immediately notify the Reinsurer. For purposes of this Agreement, if during any calendar year the Internal Replacement Benchmark, as defined below, exceeds 1 percent, then such insurance policies will be treated as recaptured rather than surrendered, and, at the election of the Reinsurer, such recapture will apply to all insurance policies reinsured hereunder as of the end of such calendar year. Such recapture will be subject to the payment of a Terminal Accounting and Settlement, as described in Article VIII, Paragraph 3. For purposes of this Agreement, the term "Internal Replacement" will mean any instance in which an insurance policy or any portion of the cash value of an insurance policy is exchanged

for another insurance policy not covered under this Agreement, which is written by the Ceding Company, its affiliates, successors or assigns.

In no event will the Reinsurer pay an amount greater than the quota share of the insurance policies reinsured hereunder, as described in Schedule A, times the Cash Surrender Value, as described in Article IV, Paragraph 3, with respect to the insurance policies which are recaptured, as described above.

The Internal Replacement Benchmark will be calculated at the end of each calendar year equal to (i) divided by (ii), where:

- (i) equals the surrender value with respect to those insurance policies which have been internally replaced, as described above, during the current calendar year; and
- (ii) equals 50 percent times the sum of (a) plus (b), where:
  - (a) equals the Statutory Reserve with respect to those insurance policies reinsured hereunder as of the beginning of the current calendar year; and
  - (b) equals the Statutory Reserve with respect to those insurance policies reinsured hereunder as of the end of the current calendar year.

5. Termination for Nonpayment of Amounts Due by the Reinsurer. If the Reinsurer fails to pay the Benefit Payments or any other amounts due to the Ceding Company pursuant to this Agreement, within sixty (60) days after the amount is due pursuant to Article VI, paragraph 4, the Ceding Company may terminate this Agreement subject to thirty (30) days prior written notice to the Reinsurer.

Termination under this Paragraph 5 will be subject to the payment of a Terminal Accounting and Settlement, as described in Article VIII, Paragraph 3.

ARTICLE VIII

TERMINAL ACCOUNTING AND SETTLEMENT

1. Terminal Accounting. In the event that all reinsurance under this Agreement is recaptured in accordance with Article VII, Paragraph 4, or this Agreement is terminated in accordance with Article VII, Paragraph 5, a Terminal Accounting and Settlement will take place.
  
2. Date. The terminal accounting date will be the earliest of: (1) the effective date of recapture pursuant to recapture given under this Agreement, (2) the effective date of termination pursuant to any notice of termination given under this Agreement, or (3) any other date mutually agreed to in writing.
  
3. Settlement. The Terminal Accounting and Settlement will consist of:
  - (a) the monthly settlement as provided in Article VI, Paragraph 3, computed as of the terminal accounting date;
  - (b) payment by the Reinsurer to the Ceding Company of a Terminal Reserve Adjustment equal to either (i) or (ii):
    - (i) if the Terminal Accounting and Settlement is pursuant to Article VII, Paragraph 4, the quota share of the insurance policies reinsured hereunder, as described in Schedule A, times the Cash Surrender Value, as described in Article IV, Paragraph 3, with respect to the insurance policies which are recaptured, otherwise
    - (ii) the Statutory Reserve on the insurance policies reinsured hereunder as of the terminal accounting date; and
  - (c) payment by the Ceding Company to the Reinsurer of any Terminal Accounting Adjustment, determined in accordance with Paragraph 4 below, as of the terminal accounting date.

Any payments made under item 3(b)(i) above will take into account payments that have already occurred on insurance policies that were surrendered and accounted for in prior accounting periods.

If the calculation of the Terminal Accounting and Settlement produces an amount owing to the Ceding Company, such amount will be paid by the Reinsurer to the Ceding Company. If the calculation of the Terminal Accounting and Settlement produces an amount owing to the Reinsurer, such amount will be paid by the Ceding Company to the Reinsurer.

4. Terminal Accounting Adjustment. In the event that this Agreement is terminated in accordance with Article VII, Paragraph 4, the Ceding Company will pay the Reinsurer a Terminal Accounting Adjustment equal to the sum of the quantity of (i) times (ii) with respect to each insurance policy reinsured hereunder, where:

- (i) equals the Statutory Reserve, as defined in Article V, Paragraph 3, as of the terminal accounting date with respect to the insurance policies reinsured hereunder; and
- (ii) equals the Adjustment Factor, as described below.

The Adjustment Factor for any Accounting Period is equal to the following:

<u>Years Since the Effective Date of The Agreement</u>	<u>Adjustment Factor</u>
1	120.0%
2	80.0%
3	60.0%
4	40.0%
5	20.0%
6-10	15.0%
11-15	10.0%
16-20	5.0%
21 and thereafter	0.0%

The calculation of the Terminal Accounting Adjustment will apply to all insurance policies that are considered recaptured, including insurance policies that were surrendered and accounted for in prior accounting periods.

In the event that (a) this Agreement is terminated in accordance with Article VII, paragraph 5, or (b) the Ceding Company terminates this Agreement for the failure of the Reinsurer to post acceptable reserve credit security under the laws and regulations of the state of Texas, then the Terminal Accounting Adjustment is equal to zero.

5. Supplementary Accounting and Settlement. In the event that, subsequent to the Terminal Accounting and Settlement as provided above, a change is made with respect to any amounts due, a supplementary accounting will take place pursuant to Paragraph 3 above. Any amount owed to the Ceding Company or to the Reinsurer by reason of such supplementary accounting will be paid promptly upon the completion thereof.

ARTICLE IX  
ARBITRATION

1. General. All disputes and differences between the Ceding Company and the Reinsurer on which an agreement cannot be reached will be decided by arbitration. The arbitrators will construe this Agreement from the standpoint of practical business and equitable principles and the customs and practices of the insurance and reinsurance business, rather than from the standpoint of strict law. Moreover, the arbitrators shall be released from judicial formalities and shall not be bound by strict rules of procedure and evidence. The parties intend that the arbitrators will make their decision with a view to effecting the intent of this Agreement.
  
2. Method. Three arbitrators will decide any differences. They must be impartial and present or former officers of life insurance companies or reinsurance companies other than the parties to this Agreement or any company owned by, or affiliated with, either party. One of the arbitrators will be appointed by the Reinsurer, another by the Ceding Company, and the two arbitrators thus appointed will select a third arbitrator before arbitration begins. Should one of the parties decline to select an arbitrator within thirty (30) days after the date of a written request to do so, or should the two arbitrators selected by the parties not be able to agree upon the choice of a third, the appointment(s) will be left to the American Arbitration Association or its successor. The arbitrators will decide by a majority of votes and their decision will be final and binding upon the parties. The arbitrators will hand down their decision within forty-five (45) days of the close of the arbitration proceedings. The costs of arbitration, including the fees of the arbitrators, will be shared equally by the parties unless the arbitrators decide otherwise. Any counsel fees incurred by a party in the conduct of arbitration will be paid by the party incurring the fees.

ARTICLE X  
INSOLVENCY

Insolvency. In the event of the Ceding Company's insolvency, any payments due the Ceding Company from the Reinsurer pursuant to the terms of this Agreement will only be made directly to the Ceding Company or its conservator, liquidator, receiver or statutory successor. The reinsurance will be payable by the Reinsurer on the basis of the liability of the Ceding Company under the insurance policies reinsured without diminution because of the insolvency of the Ceding Company. The conservator, liquidator, receiver or statutory successor of the Ceding Company will give the Reinsurer written notice of the pendency of a claim against the Ceding Company on any insurance policy reinsured within a reasonable time after such claim is filed in the insolvency proceeding. During the pendency of any such claim, the Reinsurer may investigate such claim and interpose in the Ceding Company's name (or in the name of the Ceding Company's conservator, liquidator, receiver or statutory successor), in the proceeding where such claim is to be adjudicated, any defense or defenses which the Reinsurer may deem available to the Ceding Company or its conservator, liquidator, receiver or statutory successor. The expense thus incurred by the Reinsurer will be chargeable, subject to court approval, against the Ceding Company as a part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Ceding Company solely as a result of the defense undertaken by the Reinsurer.

ARTICLE XI  
REPRESENTATIONS

Representations: The Ceding Company acknowledges that, at the Reinsurer's request, it has provided the Reinsurer with the Ceding Company Data described below prior to the execution of this Agreement by the Reinsurer and that the Ceding Company has worked with the Reinsurer in the development and review of the Ceding Company Data. The Ceding Company represents that in its review of the Ceding Company Data, it has taken commercially reasonable and sound actuarial practices to assure that all factual information contained in the Ceding Company Data is complete and accurate as of the date the document containing the information was received by the Ceding Company. The Ceding Company further represents that it is not aware of any omissions, errors, changes or discrepancies that would materially affect the Ceding Company Data. The Reinsurer has relied on such data and the foregoing representations in entering into this Agreement.

The following individuals are representatives of the Ceding Company:

Tony Lumpkin  
Joe Cappleman  
Keith Hale  
Hans Dahl

The following individuals are representatives of the Reinsurer:

Jim Dallas  
John Kleiman  
John Tweedie  
Jean-Francois Lemay

The following individuals are representatives of Benfield, Inc.:

Joël Thompson  
Kate Matusiak  
Roger Walker

The following communications took place between the Ceding Company and the Reinsurer:

Form	Date	From	To	Content
Spiral Bound Binder	February, 2005	Benfield, Inc.	Northstar Re	Various items concerning the potential reinsurance transaction, including: I. Ceding Company Overview Introduction Reinsurance Strategy Expenses Profitability II. Premium Rates III. New Business Runoff Projection IV. Profit Test V. Mortality Study VI. Sample Placement Slip VII. Related Articles

Form	Date	From	To	Content
Three-Ring Binder	April, 2005	Benfield, Inc.	Northstar Re	Various items concerning the potential reinsurance transaction, including: I. Questions and Answers II. Policy Form Specimens Graded Premium Whole Life Policy Single Premium Whole Life Policy Whole Life Policy III. Independent Auditors Report IV. Underwriting Guidelines V. 2005 Forecast for New Business VI. Systems Descriptions Insware LEAPS VII. Historicals by Issue Year VIII. Updated Profit Study IX. Broker of Record Letter
Email	March 18, 2005	Kate Matusiak	Jim Dallas John Kleiman	Excel spreadsheet showing production by plan code for 2004 and forecast production for 2005.
Email	April 22, 2005	Kate Matusiak	Jim Dallas John Kleiman	2004 statutory financial statements for the Ceding Company and for Memorial Services Life Insurance Company
Email	June 10, 2005	Kate Matusiak	Jim Dallas John Kleiman	Update mortality and lapse and lapse studies.
Email	June 22, 2005	Kate Matusiak	Jim Dallas John Kleiman	Profit projection and accompanying assumptions summary, prepared by the Ceding Company; rate cards for proposed plan codes; 2004 production by plan code.
Email	July 26, 2005	Joël Thompson	Jim Dallas	Excel spreadsheet showing the deferred premium assets underlying the profit projection that was sent on June 22, 2005 (referenced above).
Email	July 27, 2005	Kate Matusiak	Jim Dallas	Profit projection prepared by the Ceding Company, showing quarterly details for the first 10 years. The basis of this projection is the same as the June 22, 2005 projection (referenced above).
Email	September 2, 2005	Kate Matusiak	Jim Dallas Joël Thompson Roger Walker	June 20, 2005 quarterly statutory financial statement for the Ceding Company.
Email	September 6, 2005	Hans Dahl	Jim Dallas Kate Matusiak Tony Lumpkin	Breakdown of 2004 reinsured business by plan code and issue age; lapse study information.
Email	September 6, 2005	Kate Matusiak	Jim Dallas	Account deposit factors for the plan codes reinsured.
Email	September 6, 2005	Hans Dahl	Jim Dallas Tony Lumpkin Kate Matusiak	Profit testing details for issue age 65, plan codes 505 and 506.
Email	September 13, 2005	Hans Dahl	Jim Dallas	Explanation of the reasons why the mortality study was performed on an age-nearest basis, even though the policies are issued on an age-last basis.
Email	September 21, 2005	Joël Thompson	Jim Dallas	June 20, 2005 quarterly statutory financial statement for the Ceding Company and for Memorial Services Life Insurance Company.
Email	September 25, 2005	Joël Thompson	Jim Dallas Kate Matusiak	Answers by the Ceding Company to questions posed by the Reinsurer. Questions and answers concerned the following items: clarification of plan codes to be reinsured; breakdown of actual production from January of 2005 through July of 2005; percentage of business generated by Memorial Services Life; labeling of rate cards by state; exclusion of 4xx plan codes; clarification of labeling on some of the plan codes; expense assumptions used in prior profit projections; underwriting and claims questions; experience studies; existing reinsurance.
Email	December 19, 2005	Joël Thompson	Jim Dallas John Kleiman John Tweedie	Audited financial statement and For 10-K for the Ceding Company's parent company.
Email	December 30, 2005	Joël Thompson	Jim Dallas Roger Walker	Mortality study performed for a separate reinsurance transaction with Quanta.

Form	Date	From	To	Content
Email	January 4, 2006	Joël Thompson	Jim Dallas Roger Walker	Production figures from January of 2005 through November of 2005.
Email	January 5, 2006	Joël Thompson	Jim Dallas Roger Walker	Answers by the Ceding Company to questions posed by the Reinsurer. Questions and answers concerned the following items: clarification of certain plan codes; pricing of certain issue ages with potentially negative ceding commissions; clarification of allowances expressed as a percentage of face amount versus units; clarification of whether information that has been provided is based on units or face amount; renewal allowance structure.
Email	January 13, 2006	Hans Dahl	Jim Dallas Tony Lumpkin	Answers by the Ceding Company to questions posed by the Reinsurer concerning lapse rates during the first six policy months and lapses by plan code and sex.
Email	January 20, 2006	Joël Thompson	Jim Dallas Roger Walker	Updated production figures for 2005 including plan codes 688 and 689.
Email	January 24, 2006	Tony Lumpkin	Jim Dallas	Answer by the Ceding Company to a question posed by the Reinsurer concerning the percentage of business reinsured by Memorial Services Life Insurance Company to the Ceding Company.
Email	February 3, 2006	Joël Thompson	Jim Dallas John Tweedie Jean-Francois Lemay	Form 10-K for Forever Network, Inc.
Email	February 13, 2006	Joël Thompson	Jim Dallas John Tweedie Roger Walker	Letter from the Ceding Company's trustee, Wulf, Bates, & Murphy, Inc. stating that the trustee will continue to follow the same methodology to determine the purchase of insurance policies by the trust accounts.
Email	February 15, 2006	Joël Thompson	Jim Dallas Roger Walker	Listing of the Ceding Company's assets backing non-reinsured insurance liabilities.
Email	February 22, 2006	Joël Thompson	Jim Dallas Roger Walker	Answers by the Ceding Company to questions posed by the Reinsurer concerning: management of policies that will not be reinsured under this Agreement; chargeback exposure; percentage of policies sold through funeral homes that are not owned by Forever Network; ownership and assignment of policies; geographic distribution of business; definition of life insurance and state limitations on premium versus face amount.
Email	February 23, 2006	Joël Thompson	Jim Dallas Roger Walker	Answer by the Ceding Company to a question posed by the Reinsurer concerning an apparent disparity in the percentage of business by issue age between the production reports and the lapse study.
Email	March 1, 2006	Joël Thompson	Jim Dallas	Answer by the Ceding Company to a question posed by the Reinsurer concerning the results of the lapse study and the fact that the study is based on only Texas-issued policies.
Email	March 1, 2006	Joël Thompson	Jim Dallas	An additional answer by the Ceding Company to a question posed by the Reinsurer concerning the results of the lapse study and the fact that the study is based on only Texas-issued policies.

ARTICLE XII

COUNTERPARTS

Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

ARTICLE XIII

EXECUTION AND EFFECTIVE DATE

In witness of the above, this Agreement is executed in triplicate on the dates indicated below with an Effective Date of January 1, 2006.

ATTEST:

By: *Darci K. Greco*  
Title: Admin. Assistant  
Date: April 6, 2006

LINCOLN MEMORIAL LIFE INSURANCE  
COMPANY  
("Ceding Company")

By: *[Signature]*  
Title: CEO  
Date: April 6, 2006

ATTEST:

By: *James W. Della*  
Title: Chief Actuary  
Date: April 7, 2006

NORTHSTAR REINSURANCE IRELAND  
LIMITED ("Reinsurer")

By: *[Signature]*  
Title: DIRECTOR AND GENERAL MANAGER  
Date: APRIL 17<sup>th</sup> 2006

SCHEDULE A

INSURANCE POLICIES, RISKS REINSURED, AND COMMISSION RATES

Insurance Policies and Risks Reinsured. Under this Agreement, the Commission Rate table shown below indicates the issue age range/plan code combinations which the Reinsurer reinsures. For any issue age range/plan code combination for which a value is shown in the Commission Rate table below, the Reinsurer reinsures a 90% quota share of (i) plus (ii), where:

- (i) equals the Ceding Company's gross liability on the insurance policies issued by the Ceding Company beginning January 1, 2006; and
- (ii) equals the Ceding Company's gross liability on the insurance policies issued by Memorial Services Life Insurance Company beginning January 1, 2006 and subsequently reinsured by Memorial Services Life to the Ceding Company.

For any issue age range/plan code combination for which a value is not shown, the Reinsurer does not reinsure any insurance policies issued by the Ceding Company or reinsured from Memorial Services Life under such issue age range/plan code combinations.

**Commission Rate**

Plan Code and Description	Issue Age Range					
	0-50	51-60	61-70	71-80	81-90	91+
501 - SP FIB M	30.8%	22.3%	19.1%	3.9%		
502 - SP FIB F	37.6	32.2	28.9	14.0		
503 - 3 Pay FIB M	34.8	17.7	48.0	65.7	62.0%	31.5%
504 - 3 Pay FIB F	39.8	27.2	58.5	77.7	74.9	47.9
505 - 5 Pay FIB M	25.0	7.8	33.9	44.6	32.6	
506 - 5 Pay FIB F	30.4	18.2	46.1	60.0	50.2	14.4
510 - 10 Pay FIB M	11.2	7.6	29.5	24.1		
511 - 10 Pay FIB F	16.4	18.8	43.5	42.2	4.6	
518 - 18 Mo FIB M	42.1	25.3	16.7	21.5	23.6	
519 - 18 Mo FIB F	48.2	35.4	27.2	31.8	33.1	
522 - 12 Mo FIB M	35.8	24.6	16.6	0.7		
523 - 12 Mo FIB F	44.3	36.6	27.7	11.9		
671 - Single Pay ALI M	32.8	24.1	21.0	4.9		
672 - Single Pay ALI F	41.0	35.6	32.3	16.6		
675 - 5 Pay ALI M	25.0	7.8	33.9	44.6	32.6	
676 - 5 Pay ALI F	30.4	18.2	46.1	60.0	50.2	14.4
680 - 10 Pay ALI M	11.2	7.6	29.5	24.1		
681 - 10 Pay ALI F	16.4	18.8	43.5	42.2	4.6	
688 - 18 Mo Pay ALI M	42.1	25.3	16.7	21.5	23.6	
689 - 18 Mo Pay ALI F	48.2	35.4	27.2	31.8	33.1	
760 - 5 Pay MIB M	22.9	16.1	14.0	0.8		
761 - 5 Pay MIB F	30.2	25.7	22.8	9.0		
764 - 3 Pay MIB M	26.5	18.4	16.3	1.3		
765 - 3 Pay MIB F	34.3	29.1	26.3	11.3		
766 - 10 Pay MIB M	16.3	11.3	8.7			
767 - 10 Pay MIB F	22.5	18.8	15.4	4.3		

In no event will the Ceding Company and its affiliated companies retain a net liability of less than 10 percent of the insurance policies reinsured under this Agreement. "Net liability," as used in this Agreement, means the Ceding Company's liability on insurance policies reinsured hereunder, minus the quota share percentage reinsured under this Agreement, minus the quota share percentage reinsured by any insurance or reinsurance companies that are not affiliates of the Ceding Company's.

Riders providing additional insurance policy benefits or living needs benefits are not reinsured under this Agreement.

SCHEDULE B

MONTHLY REPORT OF ACTIVITY AND SETTLEMENTS

FROM Ceding Company TO Reinsurer

Reporting Month: \_\_\_\_\_

Calendar Year: \_\_\_\_\_

Date Report Completed: \_\_\_\_\_

1. Reinsurance Premiums (Article II)
2. Expense Allowance = (i) + { (ii) x [ (iii) + (iv) + (v) ] } (Article III, Paragraph 1)
  - (i) = 9.0 percent x Reinsurance Premiums
  - (ii) = quota share reinsured as described in Schedule A
  - (iii) = (a) x (b), where:
    - (a) = \$1.00
    - (b) = reinsured policies in their first policy year and in force at the end of the current Accounting Period
  - (iv) = (a) x (b), where:
    - (a) = \$1.00
    - (b) = reinsured policies in premium paying status and in force at the end of the current Accounting Period
  - (v) = (a) x (b), where:
    - (a) = \$1.00
    - (b) = reinsured policies in paid up status and in force at the end of the current Accounting Period.
3. Commission Allowance for Policies Issued in October of 2006 and Thereafter = (i) x (ii) (Article III, Paragraph 2)
  - (i) = quota share reinsured as described in Schedule A
  - (ii) = (a) x (b) x (c), where:
    - (a) = the number of units issued in the current Accounting Period, as shown Schedule B, Table A below, with respect to the insurance policies reinsured hereunder;
    - (b) = the corresponding issue age range/plan code Commission Rate as shown in Schedule A; and
    - (c) = 1,000.

4. Commission Allowance for Policies Issue from January of 2006 through September of 2006 =  
 (a) + (b) (Article III, Paragraph 3)

(a) = [(i) x (ii) x (iii) x (iv) x (1 - (v))], where:

- (i) = quota share reinsured as described in Schedule A;
- (ii) = the number of units issued in the current Accounting Period, as shown Schedule B, Table A below, with respect to the insurance policies reinsured hereunder;
- (iii) = the corresponding issue age range/plan code Commission Rate as shown in Schedule A;
- (iv) = 1,000; and
- (v) = the Spread Percent shown in Schedule B, Table B below.

(b) = for Accounting Periods through December of 2006, [(i) x (ii) x (iii) x (iv) x (v)] / [ 12 - (vi) ], where:

- (i) = quota share reinsured as described in Schedule A;
- (ii) = for each of Accounting Periods beginning with January of 2006 and ending in September of 2006, the number of units issued during an Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
- (iii) = the corresponding issue age range/plan code Commission Rate as shown in Schedule A;
- (iv) = 1,000;
- (v) = the corresponding Spread Percent shown Schedule B, Table B below; and
- (vi) = the Accounting Period month, expressed as a numeric value (January = 1; February = 2; etc.)

Schedule B, Table A Number of Units Issued in Current Accounting Period						
	Age 0-50	Age 51-60	Age 61-70	Age 71-80	Age 81-90	Age 91+
501 - Single Pay M						
502 - Single Pay F						
503 - 3 Pay FIB M						
504 - 3 Pay FIB F						
505 - 5 Pay FIB M						
506 - 5 Pay FIB F						
510 - 10 Pay FIB M						
511 - 10 Pay FIB F						
518 - 18 Mo Pay FIB M						
519 - 18 Mo Pay FIB F						
522 - 12 Mo Pay FIB M						
523 - 12 Mo Pay FIB F						
671 - Single Pay ALI M						
672 - Single Pay ALI F						
675 - 18 Mo Pay ALI M						
676 - 18 Mo Pay ALI F						
680 - 5 Pay ALI M						
681 - 5 Pay ALI F						
688 - 10 Pay ALI M						
689 - 10 Pay ALI F						
760 - 5 Pay MIB M						
761 - 5 Pay MIB F						
764 - 3 Pay MIB M						
765 - 3 Pay MIB F						

Schedule B, Table B	
Issue Month in Calendar Year 2006	Spread Percent
January February March	39%
April May June	21%
July August September	10%

5. = Commission Chargeback = (i) + (ii) (Article III, Paragraph 4)

(i) = quota share reinsured as described in Schedule A;

(ii) = (a) x (b) x (c), where:

(a) = the number of units terminated as shown in Schedule B, Table C below;

(b) = the appropriate issue age range/plan code Commission Rate as shown in Schedule A; and

(c) = 1,000.

Schedule B, Table C						
	Current Accounting Period minus....					
	6	5	4	3	2	1
Units Issued in Accounting Period in the Columns to the Right...						
Units Terminated Due to Surrender or Lapse in Current Accounting Period						
Units Terminated Due to Death in Current Accounting Period						

6. Extended Commission Chargeback (Article III, Paragraph 5)

For each Accounting Period, beginning with the tenth Accounting Period after the effective date and thereafter, statistics in the form of Schedule B, Table D will be supplied.

If Six Month Termination Rate, as defined in Schedule B, Table D, divided by Nine Month Termination Rate, as defined in Schedule B, Table D, is greater than or equal to 88%,

THEN: Extended Chargeback Commission = zero.

ELSE: Extended Chargeback Commission = (i) x (ii) x (iii), where:

- (i) = Nine Month Termination Rate, as defined in Schedule B, Table D;
- (ii) = for each insurance policy issued in the Accounting Period ten months prior to the current Accounting Period, the product of (a) times (b), where:
  - (a) = the quota share percentage assumed by the Reinsurer, as described in Schedule A;
  - (b) = for each insurance policy issued during that Accounting Period, the product of b.i. times b.ii. times b.iii., where:
    - b.i. = the number of units issued in each issue age range/plan code combination as shown in Schedule A during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
    - b.ii. = the corresponding issue age range/plan code Commission Rate as shown in Schedule A; and
    - b.iii. = 1,000;
- (iii) = (a) minus the quotient [ (b) divided by (c) ], where:
  - (a) = 88%;
  - (b) = Six Month Termination Rate, as defined in Schedule B, Table D; and
  - (c) = Nine Month Termination Rate, as defined in Schedule B, Table D.

Schedule B, Table D	
Statistics For Policies Issued in Accounting Period Ten Months Prior to Current Accounting Period	
(1)	Units Issued
(2)	Units In Force after Six Months
(3)	Six Month Termination Rate = $1 - [(2) / (1)]$
(4)	Units In Force after Nine Months
(5)	Nine Month Termination Rate = $1 - [(4) / (1)]$
(6)	Six Month Termination Rate over Nine Month Termination Rate = $(5) / (3)$

7. Benefit Payments, a + b (Article IV, Paragraphs 2 and 3)

- a. Claims
- b. Surrender benefits

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

8. Mortality Experience Refund (Article IV, Paragraph 7)

\_\_\_\_\_

Cash Settlement = 1 - 2 - 3 - 4 + 5 + 6 - 7 - 8

\_\_\_\_\_

Supplemental Information

	<u>Number of Insurance Policies</u>	<u>Face Amount of Insurance Policies</u>
Beginning of Period	_____	_____
+ Additions	_____	_____
- Terminations	_____	_____
End of Period	=====	=====
Statutory reserve		_____
Reinsurance Premiums		
Cash Surrender Value		_____

Monthly Seriatim Data File

1. Policy number
2. Plan code
3. Issue age
4. Issue date
5. Sex
6. Issue state
7. Policy status (i.e. active, surrendered, pending, death, etc.)
8. Paid-to-Date
9. Statutory reserve
10. Cash Surrender Value
11. Annual Premium
12. Collected Premium
13. Date of Birth
14. Smoking Status
15. Face Amount
16. Duration
17. Mode
18. Surrender Amt
19. Claim #
20. Claim Amount
21. Date of Death
22. Cause of Death
23. Accident
24. Date of surrender

SCHEDULE C

MORTALITY EXPERIENCE REFUND

The determination of a Mortality Experience Refund per Article IV, Paragraph 7 will be performed once each calendar year for the Accounting Period coinciding with the March Accounting Period. The following steps will determine the amount of Mortality Experience Refund to be paid.

1. Favorable Mortality Index. The Favorable Mortality Indicator ("FMI") will be calculated as follows:

$$FMI_{CY} = \frac{\text{CumActualClaims}_{CY}}{\text{CumExpClaims}_{CY}}, \text{ where:}$$

$FMI_{CY}$  = the Favorable Mortality Index up to and including calendar year CY.

$\text{CumActualClaims}_{CY}$  equals the cumulative (at 5% interest) actual death claims incurred since inception of the Agreement, up through the end of calendar year CY:

$$\text{CumActualClaims}_{CY} = \sum_{Y=2006}^{CY} \text{ActualDeathClaims}_Y * 1.05^{(CY-Y)}$$

$\text{ActualDeathClaims}_Y$  = Actual Death Claims Incurred in Calendar Year Y.

$\text{CumExpClaims}_{CY}$  equals the cumulative (at 5% interest) expected death claims since inception of the Agreement, up through the end of calendar year CY:

$$\text{CumExpClaims}_{CY} = \sum_{Y=2006}^{CY} \text{ExpectedClaims}_Y * 1.05^{(CY-Y)}$$

$\text{ExpectedClaims}_Y$  = Expected Death Claims for Calendar Year Y, calculated using the Mortality Index Table below.

The Mortality Index Table will be used to calculate the expected death claims for each calendar year Y, as follows:

$$\text{Expected Claims}_Y = \sum_{IY=2006}^{CY} (\text{Face Amount In Force at end of CY})_{IY} * \text{Index}_{(CY-IY+1)} / 1000$$

(Face Amount In Force at end of CY)<sub>IY</sub> equals the face amount in force at the end of calendar year CY for policies issued in calendar year IY.

Year	Index - Death Rate per M Face Amount
1	57.63
2	82.00
3	57.90
4	53.86
5	55.36
6	57.00
7	59.75
8	62.82
9	65.49
10	68.10
11	70.15
12	73.22
13	77.62
14	82.12
15	86.78
16	89.96
17	92.67
18	97.69
19	102.61
20	107.48

2. Emerging Favorable Mortality. If  $FMI_{CY}$  is greater than the threshold level as shown in the table below, then no experience refund will be payable for calendar year CY.

CY	Threshold <sub>CY</sub>
2006	90%
2007	91%
2008	92%
2009	93%
2010	94%
2011+	95%

If  $FMI_{CY}$  is less than the threshold level as shown in the table above, this is an indication that the Agreement may be experiencing favorable mortality. In this situation,  $FMI_{CY}$  will be re-calculated using a revised expected claims calculation, as follows.

The revised expected claims will be calculated by summing the expected claims based on the actual mix of business by plan code and issue age. An average of beginning-of-year and end-of-year face amount at each plan code/issue age cell will be multiplied by the attained age mortality rate of the 1975-80 ultimate mortality table, split by male and female. For issue age ranges 53-57 through 88-92, the mortality rates will be based on the midpoint issue age within that range. For issue age range 0-52, mortality rates will be based on issue age 45. For issue age range 93+, mortality rates will be based on issue age 95. The mortality rate will also be multiplied by the appropriate factor from the table below. Once the calculation of the FMI is performed under the above methodology, this methodology will be followed throughout the remaining lifetime of the agreement.

Plan Codes 503, 504, 505, 506, 510, 511, 518, 519, 675, 676, 680, 681, 688, 689										
Policy Year	Issue Age Range									
	0-52	53-57	58-62	63-67	68-72	73-77	78-82	83-87	88-92	93+
1	8.400	7.286	4.700	3.750	2.250	2.000	1.850	1.650	1.350	1.200
2	7.800	6.697	3.750	2.250	2.100	1.500	1.400	1.150	1.000	1.100
3	7.200	6.109	2.200	1.453	1.302	1.140	1.106	1.135	1.000	1.000
4	6.600	5.520	2.050	1.397	1.265	1.123	1.092	1.118	1.000	1.000
5	6.000	4.932	1.900	1.340	1.227	1.105	1.079	1.102	1.000	1.000
6	5.333	4.343	1.750	1.283	1.189	1.088	1.066	1.085	1.000	1.000
7	4.667	3.754	1.600	1.227	1.151	1.070	1.053	1.068	1.000	1.000
8	4.000	3.166	1.450	1.170	1.113	1.053	1.040	1.051	1.000	1.000
9	3.333	2.577	1.300	1.113	1.076	1.035	1.026	1.034	1.000	1.000
10	2.667	1.989	1.150	1.057	1.038	1.018	1.013	1.017	1.000	1.000
11+	2.000	1.400	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

  

Plan Codes 501, 502, 522, 523, 671, 672, 760, 761, 764, 765, 766, 767										
Policy Year	Issue Age Range									
	0-52	53-57	58-62	63-67	68-72	73-77	78-82	83-87	88-92	93+
1	20.000	12.500	9.500	5.250	3.500	3.000	2.500	2.500	1.500	1.500
2	15.000	10.000	4.000	2.000	2.000	1.750	1.500	1.500	1.250	1.250
3	15.000	6.000	3.000	1.500	1.500	1.250	1.250	1.250	1.150	1.150
4	12.500	5.438	2.000	1.400	1.250	1.250	1.250	1.250	1.150	1.150
5	12.500	4.875	1.900	1.300	1.150	1.150	1.150	1.150	1.150	1.150
6	12.500	4.313	1.800	1.250	1.150	1.150	1.150	1.150	1.150	1.150
7	12.500	3.750	1.700	1.250	1.150	1.150	1.150	1.150	1.150	1.150
8	12.500	3.188	1.600	1.250	1.150	1.150	1.150	1.150	1.150	1.150
9	8.000	2.625	1.500	1.250	1.150	1.150	1.150	1.150	1.150	1.150
10	6.000	2.063	1.400	1.250	1.150	1.150	1.150	1.150	1.150	1.150
11+	2.500	1.500	1.300	1.250	1.150	1.150	1.150	1.150	1.150	1.150

3. Mortality Experience Refund.

If  $FMI_{CY} > Threshold_{CY}$ , then Mortality Experience Refund (MER) will equal zero, i.e.  $MER_{CY} = 0$ .

If  $FMI_{CY}$ , after it has been recalculated using the actual mix of business and the 1975-80 table methodology described in Paragraph 2, is less than  $Threshold_{CY}$ , then MER will be calculated as follows:

$$MER_{CY} = \max \left[ 0; ERPct_{CY} * CumExpclaims_{CY} - \sum_{Y=2006}^{CY-1} MER_x * 1.05^{(Y-2006)} \right]$$

$CumExpclaims_{CY}$  is the cumulative expected claims, calculated using the methodology described in Paragraph 2 above.

$$ERPct_{CY} = 50\% * \max \left[ 0; \min (Threshold_{CY} - FMI_{CY}; 5\%) \right] \\ + 75\% * \max ( 0; Threshold_{CY} - 5\% - FMI_{CY} )$$

SCHEDULE D

SAMPLE TRUST DOCUMENT

**AMENDMENT ONE**

**ATTACHED TO AND MADE A PART OF THE**

**REINSURANCE AGREEMENT**

**BETWEEN**

**LINCOLN MEMORIAL LIFE INSURANCE COMPANY**

**AUSTIN, TX**

**referred to as the "Ceding Company"**

**AND**

**NORTHSTAR REINSURANCE IRELAND LIMITED**

**DUBLIN, IRELAND**

**referred to as the "Reinsurer"**

The Ceding Company and the Reinsurer agree to amend this Reinsurance Agreement as follows:

I. **ARTICLE III, ALLOWANCES**, Paragraphs 1, 2 and 3, are replaced in their entirety by the following:

1. **Expense Allowance**. The Reinsurer will pay the Ceding Company an Expense Allowance at the end of each Accounting Period equal to (i) plus the product of (ii) times the sum of [ (iii) plus (iv) plus (v) ], where:

(i) equals 9.0 percent times Reinsurance Premiums as described in Article II, Paragraph 1;

(ii) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;

(iii) equals the product of (a) times (b), where:

(a) equals \$2.00; and

(b) equals the number of insurance policies reinsured hereunder in their first policy year and in force as of the end of the current Accounting Period;

(iv) equals the product of (a) times (b), where:

(a) equals \$2.00; and

(b) equals the number of insurance policies reinsured hereunder that are past the first policy year, are in premium paying status, and are in force as of the end of the current Accounting Period;

(v) equals the product of (a) times (b), where:

(a) equals \$1.00; and

(b) equals the number of insurance policies reinsured hereunder that are past the first policy year, are in paid-up status, and are in force as of the end of the current Accounting Period.

2. **Commission Allowance for Insurance Policies Issued from January of 2006 through March of 2006, and from October of 2006 and Thereafter**. For insurance policies issued in January of 2006,

February of 2006, March of 2006, and from October of 2006 and thereafter, the Reinsurer will pay the Ceding Company a Commission Allowance at the end of each Accounting Period equal to (i) times (ii), where:

- (i) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
- (ii) equals, for each insurance policy issued during the current Accounting Period, the product of (a) times (b) times (c), where:
  - (a) equals the number of units issued in each issue age range/plan code combination as shown in Schedule A during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
  - (b) equals the corresponding issue age range/plan code Commission Rate as shown in Schedule A; and
  - (c) equals 1,000.

3. Commission Allowance for Insurance Policies Issued from April of 2006 through September of 2006. For insurance policies issued from April of 2006 through September of 2006, the Reinsurer will pay the Ceding Company a Commission Allowance for the Accounting Period corresponding to the insurance policies' issue month, and for each subsequent Accounting Period beginning with the month following the insurance policies' issue month and ending with the Accounting Period for December 2006. The amounts to be paid are equal to (a) plus (b) where:

- (a) equals the Ceding Commission to be paid for insurance policies issued in the month corresponding to the current Accounting Period, calculated as the product of [(i) times (ii) times (iii) times (iv) times (1 - (v))], where:
  - (i) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
  - (ii) equals the number of units issued in each issue age range/plan code combination as shown in Schedule A during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;

- (iii) equals the corresponding issue age range/plan code Commission Rate as shown in Schedule A;
  - (iv) equals 1,000; and
  - (v) equals the Spread Percent as shown in the table below;
- (b) equals the Ceding Commission to be paid each month from the Accounting Period corresponding to the month following an insurance policy's issue month through the Accounting Period for December of 2006, calculated as the product of [(i) times (ii) times (iii) times (iv) times (v)] divided by [ 12 - (vi) ], where:
- (i) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
  - (ii) equals the number of units issued during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
  - (iii) equals the appropriate issue age range/plan code Commission Rate as shown in Schedule A;
  - (iv) equals 1,000;
  - (v) equals the Spread Percent as shown in the table below; and
  - (vi) equals the insurance policy's issue month, expressed as a numeric value (April = 4; May = 5; etc.)

Issue Month in Calendar Year 2006	Spread Percent
April May June	21%
July August September	10%

II. The following paragraph is added to Paragraph 2 of ARTICLE VII, DURATION AND RECAPTURE:

However, beginning September 30, 2006, the Reinsurer and/or the Ceding Company may, upon ninety (90) days prior written notice to the other party, terminate this Agreement as to insurance policies not yet written by the Ceding Company.

III. ARTICLE I, GENERAL PROVISIONS, is amended to include a new paragraph 23 as follows:

23. Reinsurance Intermediary. Benfield Inc. is hereby recognized as the Reinsurance Intermediary under this Agreement. All payments due the Reinsurance Intermediary will be made directly by the Ceding Company to the Reinsurance Intermediary. Sufficient documentation to allow verification of amounts due and payable will also be provided by the Ceding Company to the Reinsurance Intermediary.

IV. SCHEDULE B, MONTHLY REPORT OF ACTIVITY AND SETTLEMENTS, Paragraphs 2, 3 and 4, are replaced in their entirety by the following:

2. Expense Allowance = (i) + { (ii) x [ (iii) + (iv) + (v) ] } (Article III, Paragraph 1) \_\_\_\_\_

(i) = 9.0 percent x Reinsurance Premiums

(ii) = quota share reinsured as described in Schedule A

(iii) = (a) x (b), where:

(a) = \$2.00

(b) = reinsured policies in their first policy year and in force at the end of the current Accounting Period

(iv) = (a) x (b), where:

(a) = \$2.00

(b) = reinsured policies that are past the first policy year, in premium paying status, and in force at the end of the current Accounting Period

(v) = (a) x (b), where:

(a) = \$1.00

(b) = reinsured policies that are past the first policy year, in paid up status and in force at the end of the current Accounting Period.

3. Commission Allowance for Policies Issued from January of 2006 through March of 2006 and in October of 2006 and Thereafter = \_\_\_\_\_

(i) x (ii) (Article III, Paragraph 2)

(i) = quota share reinsured as described in Schedule A

(ii) = (a) x (b) x (c), where:

- (a) = the number of units issued in the current Accounting Period, as shown Schedule B, Table A below, with respect to the insurance policies reinsured hereunder;  
 (b) = the corresponding issue age range/plan code Commission Rate as shown in Schedule A; and  
 (c) = 1,000.

4. Commission Allowance for Policies Issue from April of 2006 through September of 2006 =

(a) + (b) (Article III, Paragraph 3)

(a) = [(i) x (ii) x (iii) x (iv) x (1 - (v))], where:

- (i) = quota share reinsured as described in Schedule A;  
 (ii) = the number of units issued in the current Accounting Period, as shown Schedule B, Table A below, with respect to the insurance policies reinsured hereunder;  
 (iii) = the corresponding issue age range/plan code Commission Rate as shown in Schedule A;  
 (iv) = 1,000; and  
 (v) = the Spread Percent shown in Schedule B, Table B below.

(b) = for Accounting Periods through December of 2006, [(i) x (ii) x (iii) x (iv) x (v)] / [ 12 - (vi) ],

where:

- (i) = quota share reinsured as described in Schedule A;  
 (ii) = for each of Accounting Periods beginning with April of 2006 and ending in September of 2006, the number of units issued during an Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;  
 (iii) = the corresponding issue age range/plan code Commission Rate as shown in Schedule A;  
 (iv) = 1,000;  
 (v) = the corresponding Spread Percent shown Schedule B, Table B below; and  
 (vi) = the Accounting Period month, expressed as a numeric value (April = 4; May = 5; etc.)

<b>Schedule B, Table A</b>						
<b>Number of Units Issued in Current Accounting Period</b>						
	<b>Age 0-50</b>	<b>Age 51-60</b>	<b>Age 61-70</b>	<b>Age 71-80</b>	<b>Age 81-90</b>	<b>Age 91+</b>
<b>501 - Single Pay M</b>						
<b>502 - Single Pay F</b>						
<b>503 - 3 Pay FIB M</b>						
<b>504 - 3 Pay FIB F</b>						
<b>505 - 5 Pay FIB M</b>						
<b>506 - 5 Pay FIB F</b>						
<b>510 - 10 Pay FIB M</b>						
<b>511 - 10 Pay FIB F</b>						
<b>518 - 18 Mo Pay FIB M</b>						
<b>519 - 18 Mo Pay FIB F</b>						
<b>522 - 12 Mo Pay FIB M</b>						
<b>523 - 12 Mo Pay FIB F</b>						
<b>671 - Single Pay ALI M</b>						
<b>672 - Single Pay ALI F</b>						
<b>675 - 18 Mo Pay ALI M</b>						
<b>676 - 18 Mo Pay ALI F</b>						
<b>680 - 5 Pay ALI M</b>						
<b>681 - 5 Pay ALI F</b>						
<b>688 - 10 Pay ALI M</b>						
<b>689 - 10 Pay ALI F</b>						
<b>760 - 5 Pay MIB M</b>						
<b>761 - 5 Pay MIB F</b>						
<b>764 - 3 Pay MIB M</b>						
<b>765 - 3 Pay MIB F</b>						

<b>Schedule B, Table B</b>	
<b>Issue Month in Calendar Year 2006</b>	<b>Spread Percent</b>
April May June	21%
July August September	10%

In witness of the above, this Amendment One to the Agreement is executed in triplicate on the dates indicated below with an Effective Date of January 1, 2006.

ATTEST:

By: Darci Lubenco

Title: \_\_\_\_\_

Date: 07-11-2006

LINCOLN MEMORIAL LIFE  
INSURANCE COMPANY  
("Ceding Company")

By: [Signature]

Title: CEO

Date: 07/11/06

ATTEST:

By: [Signature]

Title: MANAGER

Date: July 18th 2006

NORTHSTAR REINSURANCE IRELAND  
LIMITED ("Reinsurer")

By: [Signature]

Title: GENERAL MANAGER & DIRECTOR

Date: JULY 18th 2006

**AMENDMENT TWO**

**ATTACHED TO AND MADE A PART OF THE**

**REINSURANCE AGREEMENT**

**BETWEEN**

**LINCOLN MEMORIAL LIFE INSURANCE COMPANY**

**AUSTIN, TX**

**referred to as the "Ceding Company"**

**AND**

**NORTHSTAR REINSURANCE IRELAND LIMITED**

**DUBLIN, IRELAND**

**referred to as the "Reinsurer"**

The Ceding Company and the Reinsurer agree to amend this Reinsurance Agreement and Amendment One Attached to and Made a Part of the Reinsurance Agreement as follows:

- I. ARTICLE III, ALLOWANCES, Paragraph 2 is replaced in its entirety by the following:
  2. Commission Allowance. The Reinsurer will pay the Ceding Company a Commission Allowance at the end of each Accounting Period equal to (i) times (ii), where:
    - (i) equals the quota share percentage assumed by the Reinsurer, as described in Schedule A;
    - (ii) equals, for each insurance policy issued during the current Accounting Period, the product of (a) times (b) times (c), where:
      - (a) equals the number of units issued in each issue age range/plan code combination as shown in Schedule A during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
      - (b) equals the corresponding issue age range/plan code Commission Rate as shown in Schedule A; and
      - (c) equals 1,000.
- II. ARTICLE III, ALLOWANCES, Paragraph 3 is deleted in its entirety.
- III. ARTICLE III, ALLOWANCES, Paragraphs 4. Commission Chargeback, 5. Extended Commission Chargeback, 6. Six Month Termination Rate, and 7. Nine Month Termination Rate, are renumbered to 3., 4., 5., and 6., respectively.
- IV. ARTICLE IV, ACCOUNTING AND SETTLEMENTS, Paragraph 3 is replaced in its entirety by the following:
  3. Monthly Settlements.
    - A. As described in Paragraph 4 below, with respect to each Accounting Period, the Ceding Company will pay the Reinsurer the Reinsurance Premiums determined in accordance with Article II.

- B. Simultaneously, the Reinsurer will pay the Ceding Company the sum of:
- (i) the Commission and Expense Allowance determined in accordance with Article III, Paragraphs 1, and 2, adjusted for the Commission Chargeback in accordance with Article III, Paragraphs 3 and 4, plus
  - (ii) the Benefit Payments, as described in Article IV.

V. SCHEDULE B, MONTHLY REPORT OF ACTIVITY AND SETTLEMENTS, Paragraph 3 is replaced in its entirety by the following:

3. Commission Allowance =

(i) x (ii) (Article III, Paragraph 2)

(i) = quota share reinsured as described in Schedule A

(ii) = (a) x (b) x (c), where:

(a) = the number of units issued in the current Accounting Period, as shown Schedule B, Table A below, with respect to the insurance policies reinsured hereunder;

(b) = the corresponding issue age range/plan code Commission Rate as shown in Schedule A; and

(c) = 1,000.

Schedule B, Table A						
Number of Units Issued in Current Accounting Period						
	Age 0-50	Age 51-60	Age 61-70	Age 71-80	Age 81-90	Age 91+
501 - Single Pay M						
502 - Single Pay F						
503 - 3 Pay FIB M						
504 - 3 Pay FIB F						
505 - 5 Pay FIB M						
506 - 5 Pay FIB F						
510 - 10 Pay FIB M						
511 - 10 Pay FIB F						
518 - 18 Mo Pay FIB M						
519 - 18 Mo Pay FIB F						
522 - 12 Mo Pay FIB M						
523 - 12 Mo Pay FIB F						
671 - Single Pay ALI M						
672 - Single Pay ALI F						
675 - 18 Mo Pay ALI M						
676 - 18 Mo Pay ALI F						
680 - 5 Pay ALI M						
681 - 5 Pay ALI F						
688 - 10 Pay ALI M						
689 - 10 Pay ALI F						
760 - 5 Pay MIB M						
761 - 5 Pay MIB F						
764 - 3 Pay MIB M						
765 - 3 Pay MIB F						

VI. SCHEDULE B, MONTHLY REPORT OF ACTIVITY AND SETTLEMENTS, Paragraph 4 is deleted in its entirety.

VII. SCHEDULE B, MONTHLY REPORT OF ACTIVITY AND SETTLEMENTS, Paragraphs 5., 6., 7., and 8. are renumbered and modified as follows:

4. = Commission Chargeback = (i) + (ii) (Article III, Paragraph 3)

- (i) = quota share reinsured as described in Schedule A;
- (ii) = (a) x (b) x (c), where:
  - (a) = the number of units terminated as shown in Schedule B, Table B below;
  - (b) = the appropriate issue age range/plan code Commission Rate as shown in Schedule A; and
  - (c) = 1,000.

Schedule B, Table B						
	Current Accounting Period minus....					
	6	5	4	3	2	1
Units Issued in Accounting Period in the Columns to the Right...						
Units Terminated Due to Surrender or Lapse in Current Accounting Period						
Units Terminated Due to Death in Current Accounting Period						

5. Extended Commission Chargeback (Article III, Paragraph 4)

For each Accounting Period, beginning with the tenth Accounting Period after the effective date and thereafter, statistics in the form of Schedule B, Table C will be supplied.

If Six Month Termination Rate, as defined in Schedule B, Table C, divided by Nine Month Termination Rate, as defined in Schedule B, Table C, is greater than or equal to 88%,

THEN: Extended Chargeback Commission = zero.

ELSE: Extended Chargeback Commission = (i) x (ii) x (iii), where:

- (i) = Nine Month Termination Rate, as defined in Schedule B, Table C;
- (ii) = for each insurance policy issued in the Accounting Period ten months prior to the current Accounting Period, the product of (a) times (b), where:
  - (a) = the quota share percentage assumed by the Reinsurer, as described in Schedule A;

- (b) = for each insurance policy issued during that Accounting Period, the product of b.i. times b.ii. times b.iii., where:
- b.i. = the number of units issued in each issue age range/plan code combination as shown in Schedule A during the Accounting Period by the Ceding Company with respect to the insurance policies reinsured hereunder;
  - b.ii. = the corresponding issue age range/plan code Commission Rate as shown in Schedule A; and
  - b.iii. = 1,000;
- (iii) = (a) minus the quotient [ (b) divided by (c) ], where:
- (a) = 88%;
  - (b) = Six Month Termination Rate, as defined in Schedule B, Table C; and
  - (c) = Nine Month Termination Rate, as defined in Schedule B, Table C.

Schedule B, Table C	
Statistics For Policies Issued in Accounting Period Ten Months Prior to Current Accounting Period	
(1)	Units Issued
(2)	Units In Force after Six Months
(3)	Six Month Termination Rate = $1 - [(2) / (1)]$
(4)	Units In Force after Nine Months
(5)	Nine Month Termination Rate = $1 - [(4) / (1)]$
(6)	Six Month Termination Rate over Nine Month Termination Rate = $(5) / (3)$

6. Benefit Payments, a + b (Article IV, Paragraphs 2 and 3)

- a. Claims
- b. Surrender benefits

\_\_\_\_\_

\_\_\_\_\_

7. Mortality Experience Refund (Article IV, Paragraph 7)

\_\_\_\_\_

Cash Settlement =  $1 - 2 - 3 + 4 + 5 - 6 - 7$

\_\_\_\_\_

Supplemental Information

	Number of Insurance Policies	Face Amount of Insurance Policies
Beginning of Period	_____	_____
+ Additions	_____	_____
- Terminations	_____	_____
End of Period	_____	_____

Statutory reserve

\_\_\_\_\_

Reinsurance Premiums

Cash Surrender Value

\_\_\_\_\_

Monthly Seriatim Data File

1. Policy number
2. Plan code
3. Issue age
4. Issue date
5. Sex
6. Issue state
7. Policy status (i.e. active, surrendered, pending, death, etc.)
8. Paid-to-Date
9. Statutory reserve
10. Cash Surrender Value
11. Annual Premium
12. Collected Premium
13. Date of Birth
14. Smoking Status
15. Face Amount
16. Duration
17. Mode
18. Surrender Amt
19. Claim #
20. Claim Amount
21. Date of Death
22. Cause of Death
23. Accident
24. Date of surrender

In witness of the above, this Amendment Two to the Agreement is executed in triplicate on the dates indicated below with an Effective Date of January 1, 2006.

ATTEST:

By: Darci Greco

Title: \_\_\_\_\_

Date: August 10, 2006

LINCOLN MEMORIAL LIFE  
INSURANCE COMPANY  
("Ceding Company")

By: [Signature]

Title: C.E.O

Date: August 10, 2006

ATTEST:

By: Frank Coyle

Title: Manager

Date: 21 August 2006

NORTHSTAR REINSURANCE IRELAND  
LIMITED ("Reinsurer")

By: [Signature]

Title: GENERAL MANAGER & DIRECTOR

Date: AUGUST 21<sup>st</sup>, 2006

**AMENDMENT THREE**

**ATTACHED TO AND MADE A PART OF THE**

**REINSURANCE AGREEMENT**

**BETWEEN**

**LINCOLN MEMORIAL LIFE INSURANCE COMPANY**

**AUSTIN, TX**

**referred to as the "Ceding Company"**

**AND**

**NORTHSTAR REINSURANCE IRELAND LIMITED**

**DUBLIN, IRELAND**

**referred to as the "Reinsurer"**

The Ceding Company and the Reinsurer agree to amend this Reinsurance Agreement and Amendments One and Two Attached to and made a Part of the Reinsurance Agreement as follows:

I. Article VII. Duration and Recapture. The following Paragraph is added:

7. Termination for Nonpayment of Amounts Due by the Ceding Company While the Ceding Company is Insolvent. If the Ceding Company fails to pay the Reinsurance Premiums or any other amounts due to the Reinsurer pursuant to this Agreement within sixty (60) days after the end of any Accounting Period while the Ceding Company is insolvent, the Reinsurer may terminate all policies that are in premium paying status, subject to thirty (30) days prior written notice to the Ceding Company. Insolvent, for purposes of this paragraph, is defined to be: (a) the filing of a voluntary or involuntary petition for liquidation by or on behalf of the Ceding Company, (b) any assignment for the benefit of creditors, or (c) the appointment of a conservator, liquidator, receiver, or statutory successor to conserve or administer the Ceding Company's properties or assets.

Termination under this Paragraph 7 will be subject to the payment of a Terminal Accounting and Settlement, as described in Article VIII, Paragraph 3.

II. Article VIII. Terminal Accounting And Settlement. Paragraph 1 is replaced in its entirety by the following:

1. Terminal Accounting. In the event that all reinsurance under this Agreement is recaptured in accordance with Article VII, Paragraph 4, or this Agreement is terminated in accordance with Article VII, Paragraph 5, or certain policies are terminated in accordance

with Article VII, Paragraph 7, a Terminal Accounting and Settlement will take place for all policies that are recaptured or terminated.

III. Article VIII. Terminal Accounting And Settlement. Paragraph 4 is replaced in its entirety by the following:

4. Terminal Accounting Adjustment. In the event that this Agreement is terminated in accordance with Article VII, Paragraph 4, the Ceding Company will pay the Reinsurer a Terminal Accounting Adjustment equal to the sum of the quantity of (i) times (ii) with respect to each insurance policy reinsured hereunder, where:

- (i) equals the Statutory Reserve, as defined in Article V, Paragraph 3, as of the terminal accounting date with respect to the insurance policies reinsured hereunder; and
- (ii) equals the Adjustment Factor, as described below.

The Adjustment Factor for any Accounting Period is equal to the following:

<u>Years Since the Effective Date of The Agreement</u>	<u>Adjustment Factor</u>
1	120.0%
2	80.0%
3	60.0%
4	40.0%
5	20.0%
6-10	15.0%
11-15	10.0%
16-20	5.0%
21 and thereafter	0.0%

The calculation of the Terminal Accounting Adjustment will apply to all insurance policies that are considered recaptured, including insurance policies that were surrendered and accounted for in prior accounting periods.

In the event that (a) this Agreement is terminated in accordance with Article VII, paragraph 5, or (b) the Ceding Company terminates this Agreement for the failure of the Reinsurer to post acceptable reserve credit security under the laws and regulations of the state of Texas, then the Terminal Accounting Adjustment is equal to zero.

In the event that certain premium paying policies are terminated in accordance with Article VII, Paragraph 7, the Ceding Company will pay the Reinsurer a Terminal Accounting Adjustment for the terminated policies equal to the sum of the quantity of (i) times (ii) with respect to each insurance policy terminated hereunder, where:

- (i) equals the Commission Allowance that was paid in the current or prior Accounting Periods for such policies pursuant to Article III; and
- (ii) equals the Premium Paying Adjustment Factor, as described below.

The Premium Paying Adjustment Factor applicable to a particular policy that is subject to termination will be determined from the following series of tables:

<b>Premium Paying Adjustment Factors</b> <b>12 Month Pay Plans</b> Plan Codes 522 and 523	
For Policies within Policy Year...	The Premium Paying Adjustment Factor will be...
1	5%

<b>Premium Paying Adjustment Factors</b> <b>18 Month Pay Plans</b> Plan Codes 518, 519, 688, 689	
For Policies within Policy Year...	The Premium Paying Adjustment Factor will be...
1	5%
2 but less than 18 months	2%

<b>Premium Paying Adjustment Factors</b> <b>3 Year Pay Plans</b> Plan Codes 503, 504, 764, 765	
<b>For Policies within Policy</b> <b>Year...</b>	<b>The Premium Paying</b> <b>Adjustment Factor will be...</b>
1	48%
2	18%
3	9%

<b>Premium Paying Adjustment Factors</b> <b>5 Year Pay Plans</b> Plan Codes 505, 506, 675, 676, 760, 761	
<b>For Policies within Policy</b> <b>Year...</b>	<b>The Premium Paying</b> <b>Adjustment Factor will be...</b>
1	62%
2	40%
3	21%
4	5%
5	2%

<b>Premium Paying Adjustment Factors</b> <b>10 Year Pay Plans</b> Plan Codes 510, 511, 680, 681, 766, 767	
<b>For Policies within Policy</b> <b>Year...</b>	<b>The Premium Paying</b> <b>Adjustment Factor will be...</b>
1	78%
2	68%
3	58%
4	47%
5	37%
6	28%
7	19%
8	10%
9	2%
10	1%

The calculation of the Terminal Accounting Adjustment will apply to all insurance policies that are considered recaptured, including insurance policies that were surrendered and accounted for in prior accounting periods.

In witness of the above, this Amendment Three to the Agreement is executed in triplicate on the dates indicated below with an Effective Date of September 1, 2007.

ATTEST:

By: *Keith Hale*

Title: SECRETARY

Date: 10/9/2007

LINCOLN MEMORIAL LIFE  
INSURANCE COMPANY  
("Ceding Company")

By: *Russell J. [Signature]*

Title: President

Date: 10/9/07

ATTEST:

By: *[Signature]*

Title: DIRECTOR

Date: 25 Sept, 07

NORTHSTAR REINSURANCE IRELAND  
LIMITED ("Reinsurer")

By: *[Signature]*

Title: DIRECTOR & GENERAL MANAGER

Date: SEPTEMBER 21, 2007