

Life Quotes, Inc.  
Form SC 14D9  
June 17, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14D-9**

**Solicitation/Recommendation Statement**

**Under Section 14(d)(4) of the Securities Exchange Act of 1934**

**LIFE QUOTES, INC.**

(Name of Subject Company)

**LIFE QUOTES, INC.**

(Name of Person Filing Statement)

**Common stock, par value \$0.003 per share**

(Title of Class of Securities)

**45807N109**

(CUSIP Number of Class of Securities)

**Phillip Perillo**

**Senior Vice President and Chief Financial Officer**

**Life Quotes, Inc.**

**Suite 102**

**8205 S. Cass Avenue**

**Darien, IL 60561**

**(630)-515-0170**

(Name, address and telephone number of person authorized to receive  
notices and communications on behalf of the persons filing statement)

*With copies to:*

**David J. Kaufman**

**Duane Morris LLP**

**190 S. LaSalle Street; Suite 3700**

**Chicago, IL 60603-3433**

**(312) 499-6700**

.. Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
Item 1. <u>Subject Company Information</u>	1
<u>Name and Address</u>	1
<u>Securities</u>	1
Item 2. <u>Identity and Background of Filing Person</u>	1
<u>Name and Address</u>	1
<u>Tender Offer</u>	1
Item 3. <u>Past Contacts, Transactions, Negotiations and Agreements</u>	3
<u>LO Acquisition Inc.; Interlocking Directors and Officers</u>	3
<u>Director and Officer Ownership of Shares</u>	3
<u>Director and Officer Stock Options</u>	4
<u>Compensation to Members of the Special Committee</u>	4
<u>Services and Other Transactions with Enterprises</u>	5
Item 4. <u>The Solicitation or Recommendation</u>	5
<u>Recommendation</u>	5
<u>Background of the Offer</u>	5
<u>Reasons for the Special Committee's Recommendation</u>	11
<u>Opinion of Financial Advisor</u>	16
<u>Intent to Tender</u>	23
Item 5. <u>Persons/Assets, Retained, Employed, Compensated or Used</u>	23
Item 6. <u>Interest in Securities of the Subject Company</u>	23
Item 7. <u>Purposes of the Transaction and Plans or Proposals</u>	23
Item 8. <u>Additional Information</u>	24
<u>Appraisal Rights</u>	24
<u>Litigation</u>	27
<u>Anti-Takeover and Other Provisions in the Certificate of Incorporation that Could Delay or Deter a Change of Control</u>	27
<u>Delaware Anti-Takeover Statute</u>	28
<u>Regulatory Approval</u>	28
<u>Cautionary Note Regarding Forward-Looking Statements</u>	29
Item 9. <u>Exhibits</u>	30

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**Table of Contents**

**Item 1. Subject Company Information.**  
*Name and Address.*

The name of the subject company is Life Quotes, Inc., a Delaware corporation (the **Company**). The address and telephone number of the Company's principal executive office is Life Quotes, Inc.; Suite 102; 8205; South Cass Avenue; Darien, IL 60561; Phone: 630-515-0170.

*Securities.*

This Solicitation/Recommendation Statement on Schedule 14D-9 (together with any Exhibits and Annexes hereto, this **Schedule 14D-9**) relates to the shares of common stock, par value \$0.003 per share, of the Company (collectively, the **Shares** and each, a **Share**). As of the close of business on June 1, 2010, there were 6,767,691 Shares issued and outstanding.

**Item 2. Identity and Background of Filing Person.**  
*Name and Address.*

The Company is the person filing this Schedule 14D-9 and is the subject company. The Company's name, address and telephone number are set forth in Item 1 Subject Company Information above, which information is incorporated herein by reference. The Company's website is [www.lifequotes.com](http://www.lifequotes.com). The information on the Company's website should not be considered a part of this Schedule 14D-9.

*Tender Offer.*

This Schedule 14D-9 relates to the tender offer by LQ Acquisition, Inc., an Illinois corporation (**LQ Acquisition Inc.**) wholly owned and controlled by Robert S. Bland, the president and chief executive officer of the Company (**Bland**), pursuant to which LQ Acquisition Inc. has offered to purchase all the outstanding Shares not otherwise owned by LQ Acquisition Inc. for \$4.00 net per Share in cash without interest (the **Offer Price**) upon the terms and subject to the conditions set forth in the Offer to Purchase dated June 10, 2010 and the related Letter of Transmittal (which, together with any amendments or supplements, collectively, constitute the **Offer**). The Offer is described in a Tender Offer Statement on Schedule TO (as amended and/or supplemented from time to time, and together with the Exhibits thereto, the **Schedule TO**), filed by LQ Acquisition Inc. with the Securities and Exchange Commission (the **Commission**) on June 10, 2010.

The Company takes no responsibility for the accuracy or completeness of any information described herein that is contained in the Schedule TO, including information concerning LQ Acquisition Inc., its affiliates, officers or directors, any actions or inactions proposed to be taken by LQ Acquisition Inc. or any failure by LQ Acquisition Inc. to disclose events or circumstances that may have occurred and may affect the accuracy or completeness of such information.

The Offer will remain open from June 10, 2010 until 12:00 midnight, New York City time on July 15, 2010 (the **Offer Period**), unless extended by LQ Acquisition Inc.

As of June 1, 2010, LQ Acquisition Inc., owned 2,108,045 Shares, representing approximately 31% of the aggregate outstanding Shares of the Company. Additionally, LQ Acquisition Inc. has entered into share tender agreements (the **Share Tender Agreements**) with each of Zions Bancorporation (**Zions**) and William V. Thoms (**Thoms**) whereby Zions and Thoms have each agreed to tender all their Shares to LQ Acquisition Inc. for the Offer Price. In the aggregate, Zions and Thoms own 2,857,624 Shares or approximately 42% of the Company's outstanding common stock, which, together with the Shares held by LQ Acquisition, Inc., represents approximately 73% of the Company's outstanding common stock. Accordingly, after giving effect to the Share Tender Agreements, LQ Acquisition, Inc. would own 4,965,669 Shares or approximately 73% of the aggregate outstanding Shares of the Company. Each Share is entitled to one vote per Share.

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**Table of Contents**

The Offer is subject to, satisfaction of, or if permitted, waiver of, several conditions, including the non-waivable condition that there shall have been validly tendered and not withdrawn before the Offer expires, Shares that constitute at least a majority of the outstanding Shares not owned by LQ Acquisition Inc., Zions, Thoms or their respective affiliates immediately prior to the expiration of the Offer.

Another condition to the Offer, which may be waived by LQ Acquisition Inc. in its sole discretion, is that, together with the Shares held by LQ Acquisition Inc., there shall have been validly tendered and not withdrawn before the Offer expires, Shares that constitute at least 90% of the outstanding Shares. The Offer is also conditioned upon the execution of a note whereby the Company loans \$19,000,000 to LQ Acquisition Inc. to consummate the Offer (the **Note** ).

If, following the consummation of the Offer, LQ Acquisition Inc. owns at least 90% of the outstanding Shares, LQ Acquisition Inc. will cause the Company to consummate a short-form merger promptly under Delaware law in which all Shares held by the stockholders who have not tendered their Shares in the Offer will be converted into the right to receive an amount in cash equal to the Offer Price.

Based on the number of Company Shares owned by LQ Acquisition Inc., Zions, Thoms and their respective affiliates on June 1, 2010, approximately 901,012 Shares need to be tendered for the non-waivable majority of the minority condition to be satisfied, and approximately 3,982,877 Shares need to be tendered for LQ Acquisition Inc. to own at least 90% of the aggregate outstanding Shares of the Company and to effect a short-form merger.

In connection with the Offer, the Company's Board of Directors (the **Board** ) established a special committee (the **Special Committee** ) to evaluate the Offer. See Item 4 The Solicitation or Recommendation Background of the Offer. The members of the Special Committee are Timothy F. Shannon, Richard F. Gretsch and Bruce J. Rueben. None of the members of the Special Committee is affiliated with LQ Acquisition Inc. or has any interest in the Offer other than as described under Item 3 Past Contacts, Transactions, Negotiations and Agreements.

Timothy F. Shannon became a director of the Company in January 1998. Since 1991, he has been President of Bradner Smith & Company, a subsidiary of Bradner Central Company. In 1995, he was appointed to the Bradner Central Company Board of Directors. Bradner Central Company, headquartered in Elk Grove Village, Illinois, is a wholesale paper distribution company. Mr. Shannon holds a B.S. in Business Administration from the University of Illinois.

Richard F. Gretsch became a director of the Company in August 1999. He currently serves as global offering manager for AT&T Global Network Services and has held this position since AT&T purchased the IBM global network. Mr. Gretsch had been global offering manager for IBM Internet Connection Service since 1995. Mr. Gretsch holds a B.S. in finance and accounting from the University of Arizona and a M.B.A. from the University of Notre Dame.

Bruce J. Rueben became a director of the Company in January 1998. He has been president of the Florida Hospital Association since 2008. Previously, he was president of the Minnesota Hospital and Health Care Partnership, Minnesota's hospital association, from 1998 until 2008. From 1994 to 1998, Mr. Rueben was president of the Maine Hospital Association. From 1989 to 1994, Mr. Rueben was senior vice president and assistant treasurer of the Virginia Hospital Association. Mr. Rueben holds a B.S. from the Virginia Commonwealth University School of Business and a M.B.A. from the University of South Carolina.

The Schedule TO states that the address and telephone number of LQ Acquisition Inc.'s principal executive office is LQ Acquisition Inc.; c/o Life Quotes, Inc.; Suite 102; 8205 S. Cass Avenue; Darien, IL 60561.

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**Table of Contents**

**Item 3. *Past Contacts, Transactions, Negotiations and Agreements.***

Except as described in this Schedule 14D-9, to the knowledge of the Company, as of the date of this Schedule 14D-9 there are no material agreements, arrangements, understandings or any actual or potential material conflicts of interest between the Company or its affiliates and (i) its executive officers, directors or affiliates or (ii) LQ Acquisition Inc. or its executive officers, directors or affiliates.

Any information contained in the pages incorporated herein by reference shall be deemed modified or superseded for purposes of this Schedule 14D-9 to the extent that any information contained herein modifies or supersedes such information.

***LQ Acquisition Inc. Share Ownership; Interlocking Directors and Officers.***

As of June 1, 2010, LQ Acquisition Inc., beneficially owned 2,108,045 Shares. As a result, LQ Acquisition Inc. holds approximately 31% of the aggregate outstanding Shares of the Company.

Of the seven members of the Board, only Bland is also a director or officer of LQ Acquisition Inc.

Of the remaining six members of the Board, only Thoms serves as an officer of the Company. Thoms is a director and also the executive vice president and chief operating officer of the Company. John B. Hopkins serves as a director and is an affiliate of Zions.

LQ Acquisition, Inc. has entered into the Share Tender Agreements with Zions and Thoms. Under the Share Tender Agreements, Zions and Thoms have agreed to tender all the Shares they own to LQ Acquisition Inc. in exchange for the Offer Price. After taking into account the Shares that have been tendered to LQ Acquisition, Inc. under the Share Tender Agreements, LQ Acquisition Inc. would own 4,965,669 Shares of the Company or approximately 73% of the aggregate outstanding common stock of the Company.

***Director and Officer Ownership of Shares.***

If the directors and executive officers of the Company who own Shares, except for Bland who has transferred his Shares to LQ Acquisition, Inc., tender their Shares for purchase pursuant to the Offer, they will receive the same cash consideration for their Shares on the same terms and conditions as the other stockholders of the Company. As of June 1, 2010, the directors and executive officers of the Company, other than Bland, beneficially owned in the aggregate 501,766 Shares, excluding any Shares they have a right to acquire pursuant to stock options.

If the directors and executive officers, other than Bland who has transferred his Shares to LQ Acquisition, Inc., were to tender all of their Shares, excluding any Shares they have a right to acquire pursuant to stock options, for purchase pursuant to the Offer and those Shares were accepted for purchase and purchased by LQ Acquisition Inc., the directors and executive officers would receive an aggregate of \$2,007,064 in cash.

As of June 1, 2010, members of the Board (including Bland) beneficially owned in the aggregate 2,609,811 Shares, excluding any Shares they have a right to acquire pursuant to stock options. As of June 1, 2010, members of the Special Committee beneficially owned in the aggregate 6,778 Shares excluding any Shares they have a right to acquire pursuant to stock options. As discussed below in Item 4 The Solicitation or Recommendation Intent to Tender, to the Company's knowledge, after making reasonable inquiry, each of the Company's executive officers, directors and affiliates (other than LQ Acquisition Inc.) currently intends to tender the Shares held of record or beneficially owned by such person pursuant to the Offer (other than Shares such person has the right to purchase by exercising stock options), subject to applicable personal considerations (including tax planning) and securities laws (including Section 16(b) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**)).

**Table of Contents*****Director and Officer Stock Options.***

Certain officers and directors of the Company, like many other Company employees, hold vested stock options, which may be exercised in accordance with their terms and the Shares acquired thereby may be tendered in the Offer. However, some of Company's outstanding stock options are exercisable at prices higher than the Offer Price. Accordingly, the Company does not expect all option holders to exercise their stock options in connection with the Offer.

The number of vested stock options held by the directors and executive officers of the Company and the weighted-average exercise price as of December 31, 2009 is set forth below. Many of these vested stock options have an exercise price that is less than the Offer Price.

<b>Name of Directors and Executive Officers</b>	<b>Number of Vested Options</b>	<b>Weighted- Average Exercise Price</b>
Robert S. Bland	23,333	\$ 3.49
William V. Thoms	22,433	\$ 3.51
Phillip A. Perillo	175,000	\$ 3.99
Admiral Jeremiah A. Denton, Jr.	10,833	\$ 5.46
Timothy F. Shannon	10,833	\$ 5.46
Bruce J. Rueben	10,833	\$ 5.46
John B. Hopkins	7,500	\$ 5.05
Richard F. Gretsches	10,833	\$ 5.46

If, following the consummation of the Offer, LQ Acquisition Inc. owns at least 90% of the outstanding Shares, the Company believes that LQ Acquisition Inc. will cause the Company to consummate a short-form merger in which all remaining stockholders would receive the same price per Share as was paid in the Offer, without interest.

In the event LQ Acquisition Inc. completes a short-form merger after the expiration of the Offer, any unexercised stock options will be cancelled.

On April 12, 2010, the Company amended the employment agreements of each of Bland, Thoms and Phillip A. Perillo, Senior Vice President and Chief Financial Officer ( **Perillo** ). These amendments were made in order to bring the employment agreements of these three executive officers into compliance with Internal Revenue Code ( **IRC** ) Sections 280G and 409A, as these IRC Sections were enacted subsequent to the dates the employment agreements were initially entered into. The amendments, among other things, (i) revise the definitions of **Change in Control** , **Disabled** , **Disability** and **Good Reason** to bring the definitions into compliance with IRC Sections 280G and 409A, (ii) revise the timing of payments previously provided for under the employment agreements. No additional amounts are payable to the executive officers under their respective employment agreements as a result of the amendments.

The Company does not know if LQ Acquisition, Inc. plans on terminating Thoms or Perillo after the consummation of the Offer or if Thoms or Perillo will leave voluntarily after consummation of the Offer. But if LQ Acquisition, Inc. does terminate Thoms or Perillo without cause or Thoms or Perillo quit for good reason, then Perillo or Thoms, as the case may be, shall be entitled to a severance payment equal to the product of that individual's base salary in effect on the termination date of their employment, multiplied by two, payable in cash in a lump sum on or before the fifteenth day following the date of termination.

***Compensation to Members of the Special Committee.***

As compensation for services rendered in connection with serving on the Special Committee, Messieurs Shannon, Gretsches and Rueben each will receive a fee of \$500 for each telephonic and in-person meeting of the Special Committee attended by such member.

## **Table of Contents**

### ***Services and Other Transactions with LQ Acquisition Inc.***

The Company has entered in the Note with LQ Acquisition Inc. The Note provides that the Company will loan LQ Acquisition, Inc. \$19,000,000 to enable it to consummate this Offer. The execution of the Note is a condition to the consummation of the Offer by LQ Acquisition, Inc. LQ Acquisition, Inc. can only draw funds under the Note if it receives, together with the Shares owned by LQ Acquisition, Inc., tenders for at least 90% of the Shares. If LQ Acquisition, Inc. does draw on the Note, the funds will be due five days after the short form merger occurs.

The Company has agreed to provide call center services to LQ Acquisition, Inc. in connection with this Offer.

### **Item 4. *The Solicitation or Recommendation. Recommendation.***

**The Special Committee has unanimously determined that the Offer is fair, from a financial point of view, to the Company's stockholders (other than LQ Acquisition Inc.). Accordingly, the Special Committee recommends, on behalf of the Company, that the Company's stockholders accept the Offer and tender their Shares pursuant to the Offer.**

The Special Committee made this determination after carefully considering the Offer, the prospects and value of the Company, and other relevant facts and information, and after discussing such factors with the Special Committee's counsel and financial advisor. The factors that were relied upon by the Special Committee in making its recommendation are described below. See *Reasons for the Special Committee's Recommendation*. Members of the Board, who were not members of the Special Committee, did not deliberate in any decision and are not taking a position with respect to the Offer.

A copy of a letter to the Company's stockholders from the Special Committee stating that the Special Committee believes the Offer is fair from a financial point of view and that the stockholders should tender their Shares in the Offer is filed as Exhibit (a)(2)(A) to this Schedule 14D-9, and is incorporated herein by reference.

### ***Background of the Offer***

During the last several years, from time to time, the Board has examined various methods to increase shareholder value, including ceasing to be a public reporting company. In addition to looking at other strategies to increase shareholder value, the Board had also implemented a stock repurchase program on January 31, 2008.

On June 2, 2008, Osmium Partners, LLC, a greater than five percent shareholder of the Company, sent a letter to the Board arguing that the Company has underperformed the market for the last five years, among other things. It noted that the domain name Insure.com holds great value to the insurance industry and potential strategic buyers. It urged the Board to hire a banker and immediately progress with a sale of the business. It also attached that letter as an exhibit to its Schedule 13D filing. After receiving that letter, the Company has entertained various proposals and strategies to increase shareholder value. Osmium Partners continued to press for changes.

On July 24, 2008, the Board re-authorized the repurchase of up to 600,000 Shares, which was an increase of 397,062 Shares over the remaining Shares that could have been repurchased under the January 2008 Share repurchase authorization.

On March 20, 2009, the Company received a letter from a third party or **Party A** that expressed an interest in acquiring the company at \$3.55 per Share subject to due diligence and other qualifications. The Board met and reviewed this proposal. The Board, believing that there was greater value to be obtained, offered to show Party A the first quarter financial results and revised financial projections. As part of the process in reviewing the



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**Table of Contents**

letter from Party A, the Board requested that its counsel, Duane Morris LLP ( **Duane Morris** ), offer a confidentiality agreement with a standstill provision to Party A to enable the Company to provide additional information to Party A. The parties attempted to negotiate an acceptable confidentiality agreement.

At the April 13, 2009 Board meeting, the Board formally reviewed Party A's letter of March 20, 2009, reviewed its fiduciary duties in light of such offer with outside counsel and listened to management perspectives on the offer. The Board also received and reviewed a third party valuation analysis which showed the Company's stock to be worth between \$3.64 to \$5.95 per Share (public market analysis); \$4.00 to \$6.55 per Share (premiums analysis); \$1.98 to \$4.00 per Share (trading range analysis) and a discounted cash flow valuation of \$3.71 to \$4.56 a Share. After reviewing the proposal and the presentations, the Board decided it could not support an offer at this price level but wanted to engage in further discussions with Party A. As such the Board directed Duane Morris to again attempt to negotiate a confidentiality agreement with a standstill. Duane Morris and Party A's counsel then traded drafts of a confidentiality agreement.

As part of the process and analysis with Party A, the Company became aware that Zions could be interested in selling its Shares back to the Company. Zions holds approximately 33.6% of the total Shares of the Company. Management of the Company developed two alternative proposals for Zions: the first was to purchase Zions' Shares for \$3.75 per Share if it could raise debt sufficient to finance such a transaction; and the second was to pay Zions \$4 a Share where the Company would pay approximately \$4.7 million in cash and Zions would finance the remainder of the purchase price over 60 months with a right to convert the debt into equity upon the occurrence of certain events.

In late April 2009, management, at the direction of the Board, contacted Party A to note that the Company was not for sale but that they were still willing to listen to any reasonable proposals. Management conveyed the Board's desire that it would not be supportive of moving forward with any transaction without a standstill agreement in place. Duane Morris then further attempted to negotiate a confidentiality agreement and standstill provision with Party A. The Company never was able to finalize a confidentiality agreement with a standstill provision with Party A.

On May 6, 2009, Robert S. Bland provided the Board with an update on the potential reacquisition of the Zions Shares along with an update on Zions potential financing transaction. The Company tried but did not reach a final agreement with Zions.

On July 1, 2009, the Board received a letter from QuinStreet, Inc. ( **QS** ) expressing an interest in buying the internet domain name Insure.com and certain other related content and assets. QS signed a non-disclosure agreement, and the Company began negotiating terms for a potential sale with QS.

By August 10, 2009, QS provided the Company with a draft letter of intent to buy certain assets for \$16,000,000 with a 45 day exclusivity period. On August 21, 2009 the Company held a Board meeting, reviewed their duties under Delaware law, discussed the letter of intent sent by QS, and approved signing the letter of intent with QS with a limited exclusivity that provided the Company with the ability to contact parties who had otherwise previously expressed an interest in acquiring all or a significant portion of the Company.

As a result of these efforts, management contacted a limited number of parties who had previously expressed an interest. By late September 2009, Party A provided an expression of interest to purchase the Company at \$4.50 per Share subject again to due diligence and other material conditions. No other party was willing to express formal interest. In part due to the very limited due diligence conducted by Party A, the Board re-executed the letter of intent with QS with an extended exclusivity period lasting until October 15, 2009.

On October 9, 2009, the Board held a telephonic meeting to review and approve the QS transaction. On that call, the Board discussed its fiduciary duties and approved the sale of assets to QS. The Board also received a fairness opinion from Raymond James ( **RJ** ) and a special Delaware law opinion.

## Table of Contents

On October 9, 2009, the Company announced the sale of the Insure.com domain name and related assets to QS for \$16 million, comprised of \$15 million in cash and a \$1 million note due in October 2010. As part of the announcement, the Company noted that the Company intends to hire an investment banker and review all of its options for use of the transaction proceeds, which the Company intends to return to shareholders in some fashion.

After a review of a number of proposals and interviews with potential investment banking firms, at the end of October 2009, the Company hired RJ to begin the process of reviewing its options to use the QS transaction proceeds.

In late October through mid November, RJ prepared evaluation materials and identified potential transaction partners. From the middle of November through early January, RJ contacted potential transaction partners and negotiated non-disclosure agreements. Evaluation materials were distributed to the potential partners, and RJ held conference calls and meetings with interested parties. RJ also responded to requests for additional information.

On December 10, 2009, RJ updated the Board. RJ had identified 66 prospects and spoke with 49 of them. They had executed 11 non-disclosure agreements and were in the process of negotiating 20 more. The other 18 parties they spoke with declined to sign a non-disclosure agreement and engage in further discussion.

The Board met again on January 28, 2010 and RJ updated the Board on its progress. By that meeting, RJ had received five preliminary indications of interest. By that time, RJ had spoken with fifty seven prospects, of which 26 parties executed a nondisclosure agreement and received confidential information memos. Eighteen of the parties had no further interest after receiving the confidential information memo, five submitted written proposals and three expressed possible future interest. The written expressions of interest, including one from a party referred to as **Party B**, included valuation ranges from \$3.60 to \$6.52 per Share, all subject to further due diligence and other material conditions. RJ continued to follow up with these proposals and provide further information to these parties.

On February 3, 2010, largely as a result of the QS sale transaction, the Company reported a record net profit of \$14.2 million, or \$2.09 per fully-diluted Share, for the year ended December 31, 2009, including a one-time gain on sale of assets of \$15.6 million. Excluding the one-time gain on sale, the Company recorded a pre-tax loss of \$1,143,000 during 2009 as compared to a loss of \$999,000 for 2008.

In February 2010 the Company established a data room and provided access to three companies that made written proposals to acquire the Company, including Party B. During February and March, the Company and RJ engaged in a number of conversations in an attempt to develop the written expressions of interest into a firm offer to acquire the Company. Following completion of additional due diligence procedures, none of the companies expressing interest in acquiring the Company were willing to submit a revised proposal other than Party B. Representatives of Party B met with the Company's management at the Company headquarters on February 12 and on April 20. Mr. Bland also met with representatives of Party B in March.

On April 21, 2010, RJ had a call with the Board to update them on their progress. At that meeting, RJ presented a draft letter from Party B, which desired to acquire all of the Shares of the Company for a formula-based purchase price of \$5,775,084 plus the amount of cash and marketable securities held by the Company. The final purchase price to stockholders would be reduced by any operating losses subsequent to March 31, 2010 and all transaction expenses. The offer was subject to due diligence and other conditions. Each party was responsible for its own costs of any transaction, which would have reduced the cash to the Company stockholders upon a closing. RJ estimated that the letter proposed a purchase price to stockholders of approximately \$3.91 per Share less any operating losses subsequent to March 31, 2010. The proposal expired seven days after it was made.

On April 22, 2010, the Board had a call where they reviewed this term sheet from Party B. After a review, the Board directed RJ to contact Party B and request that it revise their expression of interest to eliminate these contingencies and to raise the price at which they had an interest.

**Table of Contents**

On April 28, 2010, the Company reported results for the first quarter ended March 31, 2010. It reported revenues of \$2.4 million, a decrease of 39 percent from revenues of \$4.0 million in the first quarter of 2009. There was a net loss of \$789,000, or \$0.12 per Share, for the first quarter of 2010, compared to a profit of \$192,000, or \$0.03 per Share for the same quarter of 2009.

On April 29, 2010, the Board received an updated term sheet from Party B. This updated term sheet proposed a purchase price of \$4.00 per Share subject to due diligence and other qualifications, including obtaining consents from certain of the Company's business partners. This updated term sheet included as a condition to closing that the Company's operating loss from March 31, 2010 until closing could not be more than \$2,000,000. Again, any fees and expenses would be assumed by each party, potentially reducing the cash stockholders would receive. On April 30, 2010, the Board had a call and received an update from RJ on their progress and the offer from the Party B.

On May 25, 2010, the Board held another meeting. At that meeting RJ presented the Board with updated information on the proposal from Party B based on conversations with Party B and its advisors. Party B was still conducting due diligence procedures and considering its proposal. Advisors for Party B stated a willingness to remove certain of its contingencies. After a discussion, LQ Acquisition, Inc. provided the Board with the following letter:

**Table of Contents**

**LQ Acquisition, Inc.**

**c/o Robert S. Bland, 8205 South Cass Avenue, #102, Darien, IL 60561**

May 25, 2010

The Board of Directors

Life Quotes, Inc.

Suite 102

8205 S. Cass Avenue

Darien, IL 60561

Dear Members of the Board:

We are pleased to advise you that LQ Acquisition Inc. ( LQA ), a corporation controlled by Robert S. Bland, intends to commence a cash tender offer for all of the outstanding shares of common stock ( Shares ) of Life Quotes, Inc. (the Company ) not owned by LQA or its affiliates at a purchase price of \$3.75 per share in cash. LQA currently owns approximately 31% of the outstanding Shares. The tender offer price would represent a 20.5% premium over Monday s closing price of \$3.11 per share.

The tender offer will be conditioned upon, among other customary conditions, (i) the non-waivable condition that there shall be validly tendered and not withdrawn Shares that constitute at least a majority of the outstanding Shares not owned by LQA or its affiliates immediately prior to the expiration of the tender offer, (ii) the condition that there shall be validly tendered and not withdrawn Shares that constitute at least 90% of the outstanding Shares, and (iii) the execution of a note whereby the Company will loan \$18 million to LQA to allow LQA to pay for the tendered Shares.

Upon successful completion of the tender offer, LQA will cause the Company to execute a short-form merger promptly under Delaware law in which all Shares held by remaining third party stockholders would be converted into the right to cash equal to the same price per Share as was paid in the tender offer, without interest.

We are aware, of course, of the Board s efforts over the past 18 months to enhance stockholder value by hiring an investment banker and considering third party offers and expressions of interest to acquire the Company. We believe, however, that the tender offer price of \$3.75 per Share represents a fair value for the Company.

In addition to an offer which we believe fairly values the Company, stockholders will benefit from immediate liquidity in an uncertain economic environment. Also, no due diligence is required and the transaction can be closed quickly.

Our current intention is to commence the tender offer on or about May 28, 2010.

If the Board intends to form a special committee to respond to our proposal, we hereby advise you that Robert S. Bland would support such an effort.

Very truly yours,

LQ Acquisition Inc.

By:  
Robert S. Bland

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### President & Chief Executive Officer

Upon advice of counsel, the Board then established the Special Committee consisting entirely of disinterested directors to evaluate the tender offer. The directors on the Special Committee included Timothy F. Shannon, Richard F. Gretsche and Bruce J. Rueben. The Special Committee was provided with broad discretion, including the ability to negotiate with third parties and to recommend or not recommend any offers received. None of Mr. Bland, Mr. Thoms or John B. Hopkins, an affiliate of Zions, participated in any review or deliberation in connection with the Special Committee's decision to support the Offer. Neither did any other director who was not a member of the Special Committee deliberate in any decision with respect to the Offer.

**Table of Contents**

On May 26, 2010, the Special Committee had a call to discuss the letter sent by LQ Acquisition Inc. on May 25. The Special Committee conveyed that although they appreciated the timing to a possible closing and the form of the Offer, they would not be supportive of the \$3.75 offer price. The Special Committee also directed RJ to contact Party B and convey the message that Party B needed to provide its best possible offer with as few contingencies as possible and the highest price it was willing to pay. Then, on May 27, 2010, LQ Acquisition Inc. provided the Special Committee with this second letter:

**LQ Acquisition, Inc.**

**c/o Robert S. Bland, 8205 South Cass Avenue, #102, Darien, IL 60561**

**VIA E-MAIL**

May 27, 2010

Mr. Patrick T. DeLacey

Raymond James & Associates

555 West Washington

Suite 1650

Chicago, IL 60661

Dear Mr. DeLacey:

LQ Acquisition Inc. ( LQA ), a corporation controlled by Robert S. Bland, is hereby submitting a revised and higher cash bid to buy all of the outstanding shares of common stock ( Shares ) of Life Quotes, Inc. (the Company ) not owned by LQA or its affiliates at a purchase price of \$4.00 per share in cash. LQA currently owns approximately 31% of the outstanding Shares. This tender offer price would represent a 29 percent premium over the latest closing price of \$3.11 per share.

The tender offer will be conditioned upon, among other customary conditions, (i) the non-waivable condition that there shall be validly tendered and not withdrawn Shares that constitute at least a majority of the outstanding Shares not owned by LQA or its affiliates immediately prior to the expiration of the tender offer, (ii) the condition that there shall be validly tendered and not withdrawn Shares that constitute at least 90% of the outstanding Shares, and (iii) the execution of a note whereby the Company will loan \$20.5 million to LQA to allow LQA to pay for the tendered Shares.

Upon successful completion of the tender offer, LQA will cause the Company to execute a short-form merger promptly under Delaware law in which all Shares held by remaining third party stockholders would be converted into the right to cash equal to the same price per Share as was paid in the tender offer, without interest.

We are aware, of course, of the Board's efforts over the past 18 months to enhance stockholder value by hiring an investment banker and considering third party offers and expressions of interest to acquire the Company. We believe, however, that the tender offer price of \$4.00 per Share represents a fair value for the Company.

In addition to an offer which we believe fairly values the Company, stockholders will benefit from immediate liquidity in an uncertain economic environment. Also, no due diligence is required and the transaction can be closed quickly.

Our current intention is to commence the tender offer on or about June 3, 2010.

Very truly yours,

LQ Acquisition Inc.

By:  
Robert S. Bland  
President & Chief Executive Officer

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## **Table of Contents**

On June 2, 2010, Party B submitted an updated proposal to the Special Committee that offered \$4.00 per

Share subject to due diligence and certain contingencies. The proposal stated that Party B would use its best efforts to close the transaction within 75 days of signing a definitive agreement. The proposal stated several conditions to closing including the condition that the operating loss (inclusive of transaction-related fees, costs and expenses) from March 31, 2010 until closing would not exceed \$2,000,000. The proposal was also conditioned upon entering into a definitive agreement and related agreements that were to the satisfaction of Party B in its sole discretion and the condition that the Company's financial condition had not deteriorated.

On June 2, 2010 the Special Committee held another call. It met to discuss the revised offer by LQ Acquisition Inc. and the revised offer proposed by Party B. The Special Committee was still concerned about the number of contingencies and uncertainties associated in the offer from Party B. Party B confirmed to the Special Committee that they had still not completed their legal or business due diligence. As all the members of the Special Committee were not present at this meeting, they decided to hold another meeting on June 4, 2010.

On June 4, 2010, with all members present, the Special Committee held another meeting via telephone conference call. After review of the two proposals, Delaware law and fiduciary duties of directors, RJ provided a formal presentation as to the fairness, from a financial point of view, of the consideration to be received by shareholders pursuant to the Offer. Then the Special Committee reviewed a number of both positive and negative factors associated with the Offer. After a discussion, the Special Committee voted unanimously to support the Offer, to state that they found the Offer to be fair from a financial point of view, and recommend to the Company's stockholders to tender their Shares in the Offer. Members of the Board, who were not members of the Special Committee, did not deliberate in any decision and are not taking a position with respect to the Offer.

On June 10, 2010, LQ Acquisition launched a tender offer to acquire all the Shares of the Company that it did not already own.

### ***Reasons for the Special Committee's Recommendation.***

In reaching its recommendation that the Offer Price is fair, from a financial point of view, to the Company's stockholders (other than LQ Acquisition Inc., Thoms and Zions), and its recommendation, on behalf of the Company, that the Company's stockholders accept the Offer and tender their Shares pursuant to the Offer, the Special Committee considered a number of factors, including the following:

#### ***Factors Supportive of Our Fairness Determination***

***The Company's Operating Performance.*** The Company's life insurance commission revenue decreased \$1,093,000, or 32%, for the first quarter of 2010, when compared with the same period in 2009. Total policies sold by the Company in the first quarter decreased 16% from 4,720 to 3,973, and the average revenue per policy decreased by 22%, from \$872 to \$804, accounting for \$920,000 of the decrease in commission revenue. In the first quarter of 2010, Company had a net loss of \$789,225 compared to a net gain of \$192,434 in the same period in 2009. The Company continues to struggle financially and its Share price continues to suffer.

***Premium Paid.*** The Offer Price represents a premium of approximately 28% of the \$3.12 closing price of the Shares on June 3, 2010, the last trading day prior to the date the Special Committee approved the Offer and a premium of 44% compared to the last closing price before the public announcement of the Offer. Based upon advice from RJ, the Special Committee believes this premium is comparable to the premiums offered in similar transactions.

***Financial and Business Prospects of the Company and Management's Projections of Future Performance.*** The Company does not as a matter of course make detailed public projections as to future operating performance, earnings or other results due to the unpredictability of the underlying assumptions and estimates. However, LQ Acquisition Inc. has been provided non-public internal financial forecasts and certain other information regarding the Company's anticipated future operations.



**Table of Contents**

The internal financial forecasts and other forward-looking information were prepared by management of LQ and have not been approved by the Board or the Special Committee. The internal financial forecasts and other forward-looking information were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial forecasts or generally accepted accounting principles. The financial projections do not comply with generally accepted accounting principles. In addition, the projections were not prepared with the assistance of or reviewed, compiled or examined by independent accountants. The summary of these internal financial forecasts and other information is not being included in this Offer to influence your decision whether to tender your Shares in the Offer, but because these internal financial forecasts were made available by the Company to LQ Acquisition, Inc.

These internal financial forecasts and other information were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of the Company and its management. Important factors that may affect actual results and result in the forecast results not being achieved include, but are not limited to, the potential failure of the Company to develop competitive products; factors affecting pricing; fluctuation in demand and revenues; factors affecting operating expenses and potential unanticipated charges; the failure to retain key management personnel of the Company; risks associated with any pending or future litigation; adverse reaction to the Offer by customers, suppliers and strategic partners and other risks and uncertainties described in the Company's report on Form 10-K filed with the SEC for the fiscal year ended December 31, 2009, as amended, and the Company's report on Form 10-Q for the period ended March 31, 2010. In addition, the internal financial forecasts and other information may be affected by the Company's ability to achieve strategic goals, objectives and targets over the applicable period. These assumptions upon which the financial forecasts and other information were based necessarily involve judgments with respect to, among other things, future economic, competitive and regulatory conditions, financial market conditions and conditions in the e-commerce and insurance brokerage markets, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company and its management. The internal financial forecasts and other information also reflect assumptions as to certain business decisions that are subject to change.

Accordingly, there can be no assurance that the projections will be realized, and actual results may vary materially from those shown. The inclusion of these internal financial forecasts and other information in should not be regarded as an indication that the Company, LQ Acquisition Inc., or their respective affiliates, advisors, officers, directors, partners, members or representatives considered or consider the internal financial forecasts to be predictive of actual future events, and the internal financial forecasts should not be relied upon as such. None of the Company, LQ Acquisition Inc., or their respective affiliates advisors, officers, directors, partners, members or representatives can give you any assurance that actual results will not differ from these projections, and none of them undertakes any obligation to update or otherwise revise or reconcile the projections to reflect circumstances existing after the date such projections were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error. Neither the Company, LQ Acquisition Inc. nor any of their respective affiliates, advisors, officers, directors, partners, members or representatives has made or makes any representation to any stockholder or other person regarding the ultimate performance of the Company compared to the information contained in these projections or that the projections will be achieved. The Company has made no representation to LQ Acquisition Inc. or any of its affiliates concerning these projections.

**Table of Contents**

The Special Committee considered the Company's financial and business prospects and management's projections of future performance. The Special Committee reviewed management's financial projections as of May 21, 2010 which are shown in the table below:

Projected Results	2010				Total	2011	2012	2013	2014
	Q1	Q2	Q3	Q4					
<i>As of 5/21/10</i>									
<b>Revenue</b>									
Life Commissions:									
-Telephone	2,474,861	1,976,084	1,962,058	2,437,708	8,850,711	11,891,261	11,891,261	11,891,261	11,891,261
-Online	203,336	330,657	329,032	329,032	1,192,058	1,316,130	1,316,130	1,316,130	1,316,130
-Remote/Outside Agents	(448)	51,224	365,885	1,189,126	1,605,787	5,854,159	6,220,044	6,585,929	6,951,814
Life Renewal Commissions	389,131	389,131	389,131	389,131	1,556,524	1,587,654	1,619,408	1,651,796	1,684,832
Life Settlements	15,302	15,302	15,302	15,302	61,208	0	0	0	0
Health Commissions	43,430	43,000	42,500	42,000	170,930	145,291	123,497	104,972	89,227
Click Revenue	32,197	40,000	50,000	60,000	182,197	920,969	995,857	1,082,264	1,182,495
Revenue Share	(713,939)	(614,918)	(610,746)	(737,543)	(2,677,146)	(2,677,145)	(2,677,145)	(2,677,145)	(2,677,145)
Remote Agent Fees	693	500	500	500	2,193	0	0	0	0
Total Revenue	2,444,563								