

STATE OF OHIO
DEPARTMENT OF INSURANCE

In the Matter of

**The Plan of Reorganization of THE UNION
CENTRAL LIFE INSURANCE COMPANY**

No. _____

PRE-FILED DIRECT TESTIMONY OF:

Gavin McFarland
Executive Director
Morgan Stanley & Co. Incorporated

Date: October 17, 2005

I. INTRODUCTION

Q: Please state your name for the record.

A: Gavin McFarland.

Q: Mr. McFarland, where do you currently work and what is your position there?

A: I am an Executive Director at Morgan Stanley & Co. Incorporated ("Morgan Stanley"), specializing in advising US financial institutions in mergers, acquisitions, restructurings, capital and risk management. Morgan Stanley is an internationally recognized investment banking and financial advisory firm providing a variety of financial services to hundreds of domestic international companies and many government institutions.

Q: Please describe your educational and professional background.

A: I have worked at Morgan Stanley since 1999, prior to which I worked in a similar capacity at JP Morgan. I have advised on numerous transactions, including the conversions of John Hancock and Phoenix Life, the sale of Jefferson Pilot to Lincoln National (pending), the sale of John Hancock to Manulife Financial and the sale of Scudder Investments to Deutsche Bank. In addition, I advised Manulife in their acquisition of Daiyaku Mutual (Japan) and XL Capital on acquisition of Le Mans Re (France). In capital management, I participated as a lead underwriter on the IPO's of Assurant, Ping An (China), Primus Financial, John Hancock and Phoenix.

I earned an MBA at the University of Virginia's Darden School of Business and BSc (Statistics) at the University of the Witwatersrand, South Africa. I am also an Associate of the Society of Actuaries.

II. GENERAL BACKGROUND

Q: What experience have you had that is relevant to Morgan Stanley's engagement in this matter?

A: Over the past eight years, I have specialized in advising US mutual and non-mutual life insurance companies on mergers, acquisitions, restructurings, and reorganizations. In particular, I helped companies explore various corporate structure alternatives, including maintaining mutual status, MHC conversions, demutualizations and initial public offerings. Some relevant transactions that I advised on include the demutualizations of John Hancock (1999), Sun Life (1999) and Phoenix Life (2001). I also advised on the IPO's of John Hancock (2000), Phoenix (2001), Assurant (2004) and Ping An (China, 2004). Further, I am currently advising another life insurer on its MHC conversion.

Morgan Stanley has extensive experience in the insurance sector in connection with a broad range of issues and a variety of restructuring transactions, strategic advice and capital planning. In addition, Morgan Stanley has extensive experience advising mutual companies in connection with strategic transactions and reorganizations. In addition to Provident Mutual Insurance Company, Morgan Stanley's Global Insurance Group advised Minnesota Mutual and National Life of Vermont on their conversions to mutual holding company structures and the same group advised John Hancock, Sun Life, and Phoenix Life on their demutualizations.

III. SCOPE OF WORK OF MORGAN STANLEY

Q: Mr. McFarland, describe Morgan Stanley's engagement by The Union Central Life Insurance Company ("Union Central" or the "Company").

A: The Company retained Morgan Stanley in September 2004 as financial advisor to assist the Board of Directors in its consideration of the proposed reorganization. Among other things, Morgan Stanley conducted a financial review of possible mutual insurance holding company and mutual insurance company merger partners, including The Ameritas Acacia Companies ("Ameritas Acacia").

Q: Has Morgan Stanley previously provided financial services to Union Central?

A: Yes. Morgan Stanley and its affiliates in the past have provided financial services to Union Central and have received fees for the rendering of those services.

Q: What was your role in connection with Morgan Stanley's engagement in this matter?

A: Together with my colleagues, I oversaw Morgan Stanley's work relating to the proposed reorganization of Union Central (the "Reorganization"), which included the proposed conversion to a stock insurance company within a mutual insurance holding company structure and subsequent merger with Ameritas Acacia (the "Merger").

Q: Please describe Morgan Stanley's involvement in this matter.

A: Morgan Stanley worked with the Special Committee of the Board of Directors ("Special Committee"), conferred with executive management, and provided information to the Board of Directors during its consideration of the proposed Reorganization. As part of its

involvement, Morgan Stanley made presentations to the Special Committee or Board of Directors on October 18, 2004, November 9, 2004, and January 28, 2005.

Q: Please describe those presentations.

A: Certainly. On October 18, 2004, representatives of Morgan Stanley gave a presentation to the Special Committee concerning the objectives and criteria established for analyzing theoretical partners for a potential merger or reorganization of Union Central.

On November 9, 2004, the Board of Directors held a special meeting to review the Special Committee's findings regarding the proposed transaction, and discuss with its advisors, including Morgan Stanley, the potential business combination with Ameritas Acacia. At that meeting, the Board of Directors considered, among other things, other potential mutual insurance holding company and mutual insurance company partners identified by Morgan Stanley. We discussed with the Board a variety of alternative illustrative transactions.

On January 28, 2005, representatives of Morgan Stanley presented the Board with financial analyses of the proposed Merger and concluded that, as of such date and based on and subject to certain assumptions, qualifications and limitations, the proposed Reorganization was fair to Union Central policyholders, taken as a group, from a financial point of view.

Q: What factors were considered in this comparative analysis?

A: In Morgan Stanley's November 9, 2004 presentation, a number of factors were considered with respect to the illustrative alternative transactions, including among other

things the financial strength, strategic and operational fit, cultural compatibility, community impact, and feasibility of pursuing a hypothetical transaction with these other companies.

Q: What did the Board of Directors decide following its consideration of these hypothetical transactions?

A: After deliberations of a number of factors, including, among other things, our presentation, it is our understanding that the Board of Directors decided not to pursue initiating business combination discussions with any parties other than Ameritas Acacia.

Q: After the Board of Directors decided to pursue the proposed Reorganization, including the Merger with Ameritas Acacia, what role did Morgan Stanley have?

A: Subsequent to issuing our fairness opinion on January 28, 2005, that the Reorganization was fair from the financial point of the policyholders of Union Central taken as a group, we provided assistance in drafting both the Plan of Reorganization (the "Plan") and the Policyholder Information Booklet.

Q: Describe how Morgan Stanley will be compensated for its services in connection with the Reorganization.

A: Beginning in September 2004, a retainer fee accrues on a quarterly basis, until the engagement is terminated or the Merger is consummated, at the following rates: \$150,000 fee for the first three months and \$75,000 for each subsequent three-month period. In addition, upon the closing of the Merger, Morgan Stanley will be paid a contingent fee ranging from \$2.5 million to \$4.5 million. This contingent fee is not

payable if the Reorganization is not consummated. The precise amount of the final fee will be determined by Morgan Stanley and Union Central based upon Union Central's assessment of the quality of services rendered by Morgan Stanley, as well as the duration, complexity, and intensity of the engagement. Any retainer fees paid will be credited in full against the final fee.

IV. MORGAN STANLEY FAIRNESS OPINION

A. Understanding of Morgan Stanley about the Plan

Q: What is Morgan Stanley's understanding of how the Plan will change the organizational structure of Union Central?

A: We assumed in our analysis that Union Central proposes to reorganize into an Ohio stock insurance company within a mutual insurance holding company structure pursuant to the relevant provisions of the Ohio statutes (the "Conversion"). At the time of the Conversion, the reorganized Union Central will be a stock insurance company subsidiary of a mutual insurance holding company to be known as Union Central Mutual Holding Company ("UCMHC") and, immediately thereafter, the UCMHC will merge with and into Ameritas Acacia. Pursuant to the Reorganization, Ameritas Acacia will be the surviving company and will continue its corporate existence under the laws of the State of Nebraska under the name UNIFI Mutual Holding Company ("UNIFI"), and Union Central will become a wholly-owned subsidiary of UNIFI. Morgan Stanley also understood and assumed that, pursuant to the Conversion, an arrangement known as a "Closed Block" will be established for the exclusive benefit of certain policyholders of Union Central.

B. The Opinion of Morgan Stanley

Q: What opinion was Morgan Stanley asked to give in connection with the Reorganization?

A: Union Central asked Morgan Stanley for its opinion as to whether the Reorganization was fair from a financial point of view to the policyholders of Union Central taken as a group (collectively, the "Union Central Policyholders").

Q: What work did Morgan Stanley do in connection with its opinion?

A: A copy of our opinion, which describes what Morgan Stanley reviewed, as well as assumptions, qualifications and limitations regarding its opinion is attached to the Policyholder Information Statement.

Q: Did Morgan Stanley provide an opinion to the Union Central Board on January 28, 2005, the date on which the Board approved the Merger Agreement?

A: Yes. Morgan Stanley presented its financial analyses at a meeting of the Union Central Board of Directors held on January 28, 2005 to consider the Merger Agreement. Morgan Stanley rendered an opinion to the Union Central Board of Directors that, based on and subject to the assumptions, qualifications and limitations expressed in that opinion, as of January 28, 2005, the Reorganization was fair from a financial point of view to the Union Central Policyholders taken as a group.

Q: Did Morgan Stanley issue an updated opinion?

A: Yes. On July 20, 2005, when the Board considered the Plan, the Board requested and Morgan Stanley issued an updated opinion to the Union Central Board that was

substantially the same as the opinion we had rendered on January 28, 2005. The updated opinion stated that, based on and subject to the assumptions, qualifications and limitations expressed in that opinion, as of July 20, 2005, the Reorganization was fair from a financial point of view to the Union Central Policyholders taken as a group.

Q: Did Morgan Stanley consider the Reorganization from anything other than a financial point of view?

A: No.

Q: Why not?

A: Morgan Stanley was retained as a financial advisor to Union Central. We are not legal, regulatory, or actuarial experts, and relied upon, without independent verification, the assessment of Union Central's and Ameritas Acacia's legal, regulatory, and actuarial advisors with respect to the legal, regulatory, and actuarial matters related to the Closed Block, the Conversion, and the Merger.

C. GAAP Adjustments to Certain Union Central Financial Statements

Q: Is Morgan Stanley aware that Union Central restated certain financial statements?

A: Yes. Union Central informed Morgan Stanley that, during the preparation of the June 30, 2005 GAAP financial statements, Union Central identified errors in the calculation of certain reserve items relating to its term life insurance product, and that due to these errors, GAAP total equity and net income were overstated for certain periods. Morgan Stanley was provided copies of Union Central's restated audited GAAP financial statements.

Q: Do these GAAP adjustments impact Morgan Stanley's July 20, 2005 opinion?

A: No. Morgan Stanley confirmed to Union Central that these GAAP adjustments have no impact on its fairness opinion, dated July 20, 2005.

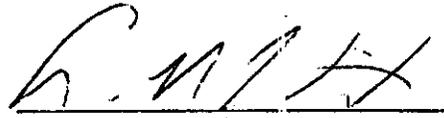
V. CONCLUSION

Q: Does that conclude your testimony?

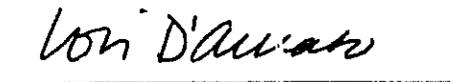
A: Yes.

VERIFICATION

I, Gavin McFarland, say on oath or affirm that I have read the foregoing document and, to the best of my knowledge, believe all answers made in the document are true.


Gavin McFarland

SWORN BEFORE ME THIS 17 DAY OF OCTOBER, 2005.


Notary Public
LORI D'AMATO
NOTARY PUBLIC, State of New York
No. 31-4989769
Qualified in New York County
Commission Expires May 13, 2006