LIFE POLICY PURCHASES

A. VENDOR ACTIVITY

The Vendor has over the last ten years acquired over 5,000 life insurance policies on over 4,000 lives for a total of approximately $18 billion of net death benefits. ("NDB")

In order to support its investment decisions, The Vendor has developed its own internal 26-person medical underwriting and pricing unit including 17 medical underwriters and 6 FSA's and uses also its parent company's legal, financial, and systems capability and its ongoing operational management. The Vendor has also developed a proprietary mortality table based upon nearly 10 years experience and more than 500 matured lives. Based on that table, currently acquired policies are expected to yield approximately 14%.

The Vendor's internally-developed and maintained life settlement database securely captures more than 200 data items on each transaction; this allows for extensive data management and reporting capabilities.

B. LIFE POLICY RISKS AND MITIGANTS

Risk Name and Description	Risk Mitigants
1. **Life Policy Origination Risk** Risk that the underlying policies will be unenforceable for reasons of insurable interest, origination, fraud, legal or other	Vendor's agent a. conducts extensive due diligence on producing agents, including personal interviews and background checks b. conducts extensive due diligence on purchased policies for insurable interest at the time of policy issuance c. makes representations and warranties to Vendor regarding origination standards, legal compliance, enforceability, etc.
2. **Carrier Default Risk** Risk of insurance carrier default, resulting in non-payment of death benefit	a. Carrier credit rating of A+ or better required at the time of purchase approval b. Vendor buys policies from a diverse group of carriers. The NDB on historical purchases from any one carrier is approximately 14% of total purchases and of the top 10 carriers is 66%.
3. **Longevity Risk** Risk that mortality experience will vary materially from mortality table expectations	a. Vendor has own medical underwriting unit and has developed own mortality table based upon nearly 10 years of experience and over 500 matured lives b. Vendor expects to continue to own at least half of each policy c. Vendor has had an Actual to Expectations ratio of approximately 102% of its mortality table on policies purchased since 2004
4. **Policy Management Risk** Risk that procedures or systems fail to protect the value of the investment	a. Vendor maintains redundancies and cross-checks to ensure that life settlement policies remain in-force and maintain value b. Vendor procedures have been reviewed by third parties

C. Opportunities for Investing in Mortality and Longevity Assets

1. **Co-invest**: Purchaser would enter into a participation agreement with Vendor whereby co-investor purchase is a pro-rata share of the Vendor's cash flows related to newly acquired life settlement policies.

   Vendor would establish a wholly-owned subsidiary to hold underlying policies.

   Vendor will select, purchase and manage the life settlement policies. Co-investor will pay a fee to Vendor for this service.

   Documentation between Vendor and Co-investor would be straightforward and would probably involve only one main legal agreement since front-end originating agreement, service agreement, operational procedures, and actuarial practices are already in place from Vendor's existing business.

2. **Purchase Notes**: Purchase would buy Senior and/or Junior notes backed by a pledge of life settlement policies purchased by Vendor for its investment portfolio between 2001 and 2008.

   Notes would be rated "a" and "bbb-," respectively, by A.M. Best and pay coupons of 5.8% and 8.5%, respectively.

   A purchase of both notes and equity would provide a return similar to the full portfolio return (less frictional costs associated with securitization).

3. **Purchase a Portfolio of Existing Policies**: Vendor maintains a portfolio of non-securitized life settlement policies that are available for full or pro-rata share purchase, either physically or in a derivative form. Such a portfolio is expected to produce a higher yield than notes alone or "reconstituted" notes plus equity. Vendor is a substantial enterprise that can so transact with Buyer that Buyer is purchasing only the risks it can take (e.g. longevity) and not other risks (e.g. origination risk).

4. SIMILAR BUT DIFFERENT: **Purchase Structured Settlements**: A Structured Settlement is a future stream of payments paid to a personal injury party. These may be for a fixed period of time for life.

   Due to changes in their financial situation owners often become interested in selling some of or all of their payment streams once court approval has been obtained.

   A purchase of a Structured Settlement involves a one-time upfront payment followed by the receipt of the ongoing payments until maturity (fixed date or death). Unlike life policies, investments in Structured Settlements do not require ongoing capital investment for future premium payments.

   Vendor purchase of such streams is based on expecting an 8-12% return on investment.