

[www.califsettlements.com](http://www.califsettlements.com)



CALIFORNIA  
LIFE  
SETTLEMENTS

# Alternative Investment Strategies

---

How Does This Make Money?  
That's easy...but it's not simple.

The investor is buying the contractual right to receive a distribution of the face amount of a life insurance policy that is purchased at a significant discount to the contract's face. The difference between the investor's cost basis and the face amount is the "Spread."

A Senior Life Settlement (SLS) Investment is highly non-correlated to market, economic and geo-political pressures. Unlike volatile asset classes that depend on market price movements to determine their value, a Senior Life Settlement's value is known in advance. The weight and effect of time is spread evenly across all investments that depend on future events to unfold to declare a profit or a loss. In almost all cases, there will be more than one variable that determines an investment's value. A Senior Life Settlement only has one primary unknown... Time.

## Investment Highlights

This offering presents an opportunity for Advisors and their qualified clientele to own a pro rata share of a Senior Life Settlement portfolio. Investors are expected to earn a 60+% Yield to Maturity (YTM) at full portfolio maturation. The anticipated mean life expectancy of the portfolio will be approximately 5+ years.

SLSs create wealth from the contractual obligations of highly rated U.S. Legal Reserve Life Insurance Companies. The cost basis of an SLS is the purchase price to the contract owner plus the carry costs (premiums). The spread between the cost basis and the face amount of the contract is the Projected Yield to Maturity and the asset class' store of value. Annual yield cannot be calculated in the absence of a known maturity date. Distributions are paid to investors as each life insurance contract matures at the insured's passing.

SLS investments present alternatives to the stock market so that Advisors may apportion investor capital in an asset allocation strategy to mitigate the risk of market volatility and downturns. SLSs are a predictable store of value where there is only one outcome...predictable capital appreciation with the possibility of an early contract maturity.

Both taxable and tax-deferred retirement account safety improve with this passive financial planning strategy. Human error is reduced as are most forms of investment risk. The only risks that remain are time and liquidity. These risks may be mitigated by other liquid and short-term assets in a balanced portfolio.

## SLS Alternative Asset Class

A Senior Life Settlement is a no longer wanted, needed or affordable life insurance contract sold by an insured to a third party who assumes responsibility for the payment of premiums until the policy matures at the insured's passing.

An SLS functions similarly to a zero-coupon bond. The purchaser is buying dollars receivable in the future at a significant discount. We purchase these unwanted contracts for more than their cash value, yet for significantly less than their face value. This provides a win for both the policy holders and for our investors.

SLSs are assets that are highly non-correlated to market forces. The only trigger affecting the purchaser's receipt of the death benefit is the mortality of the insured. SLSs function like performance contracts. The SLS purchaser becomes the contractual beneficiary of the death benefit upon the passing of the insured. This is provided that all policy premiums have been paid and that the policy remains in good standing with the carrier.

Relative to other risk-adjusted, fixed-income investments, the return characteristics of an SLS are attractive. There are zero human or other variables, such as manager performance or geo-political events that affect the yield generation of an SLS. These characteristics make SLSs particularly appropriate for qualified investors in search of portfolio diversification and low-volatility, risk-adjusted returns.

## HYPOTHETICAL PORTFOLIO SPECIFICATION

SENIOR LIFE SETTLEMENT PORTFOLIO INFORMATION					INSURED INFORMATION					
SLS Policy Code	Total Face Amount	% of Portfolio	US Legal Reserve Insurance Carrier	AM Best Credit Rating	Age & Gender	Life Expectancy Months (LE)	LE+24 Mo's Premium Reserve	Cost Basis Subscriber Participation	Total Projected Yield %	Subscriber Distribution at Maturity
23927XXX	\$1,500,000	9.68%	Savings Bank Life	A	67M	45	69	\$1,021,590	46.83%	\$1,500,000
4719XXX	\$2,000,000	12.90%	Principal Life	A+	68M	70	94	\$1,157,207	72.83%	\$2,000,000
93116XXX	\$1,000,000	6.45%	John Hancock Life	A+	78M	55	79	\$639,011	57.23%	\$1,000,000
Z0234XXXX	\$1,000,000	6.45%	Protective Life	A+	74M	71	95	\$575,142	73.87%	\$1,000,000
ZUA37XXXX	\$3,000,000	19.35%	California Life	A+	80M	55	79	\$1,908,033	57.23%	\$3,000,000
46012XXX	\$5,000,000	32.26%	John Hancock Life	A+	80M	60	84	\$3,055,861	63.62%	\$5,000,000
75497XXX	\$2,000,000	12.90%	Metropolitan Life	A+	90M	51	75	\$1,306,592	53.07%	\$2,000,000
<b>TOTALS:</b>	<b>\$15,500,000</b>	<b>100.00%</b>			<b>AVERAGES:</b>	<b>58.14</b>	<b>82.14</b>	<b>\$9,660,435</b>	<b>60.45%</b>	<b>\$15,500,000</b>

*\*For Illustrative Purposes Only*

### U.S. Legal Reserve System

The 1911 U.S. Supreme Court case of Grigsby v. Russell established a life insurance policy as private property, which may be assigned at the will of the owner. Justice Oliver Wendell Holmes noted in his opinion that life insurance possessed all the ordinary characteristics of property, and therefore represented an asset that a policy owner may transfer without limitation. Wrote Holmes, "Life Insurance has become in our days one of the best recognized forms of investment and self-compelling saving." This opinion placed the ownership rights in a life insurance policy on the same legal footing as more traditional investment property, such as stocks and bonds. As with these other types of property, a life insurance policy could be transferred to another person at the discretion of the policy owner.

The U.S. Legal Reserve (USLR) Life Insurance System is one of the most well-heeled, stable and properly capitalized industry charters in the world. The most basic and important value proposition backing the SLS business is the claims paying ability of the carriers as defined by the USLR. Life insurance is an exceptional store of value as there is no precedent for the outright failure of a USLR carrier to pay a legitimate death claim in the life insurance industry's history.

### Risk Managed Growth

As an investor, approaching an Alternative Asset Class has a learning curve. It's just not business as usual. A life settlement has some similarities and many glaring differences from the familiar fund options in your 401k. The first thing you have to understand is "How Does This Make Money?" That's easy but it's not simple. The investor is buying the contractual right to receive a distribution of the face amount of a life insurance policy that is purchased at a significant discount to the contract's face. The difference between the investor's cost basis and the face amount is "the spread" as illustrated in the reference portfolio above.

In the case where the insured lives beyond the assessed life expectancy, a premium will ordinarily be issued to keep the policies in force. To offset longevity risk and attempt to reduce the need for premium calls, California Life Settlements uses the premium reserve method of escrowing premiums to life expectancy and then an additional 2 years. In the event of an early maturity, any unused premium funds remain in escrow to be used for any potential longevity on other policies that have not matured in the portfolio. Once all policies in a particular portfolio have matured, all remaining premium dollars left are returned on a pro rata basis to the investors.



## Consultative Approach & Strategic Alliances

California Life Settlements specializes in working with participants who meet the qualified investor definition and whose investment portfolio or IRA account supports a minimum purchase of \$25,000. An Escrow Account has been established on investor's behalf in order to execute the contemplated transaction and act as the receiver account for all contract maturity death benefit payments. These payments are payable to investor's beneficial entity for their security. The policies will be held by a Securities Intermediary on behalf of the investors.

Optima Life Settlements also assists with premium optimization to ensure that policy premiums are at the lowest levels to keep the policy in force. This is part of the process of California Life Settlement's Premium Reserve Methodology. The stated goal of the Premium Reserve is to reduce the likelihood of premium calls.

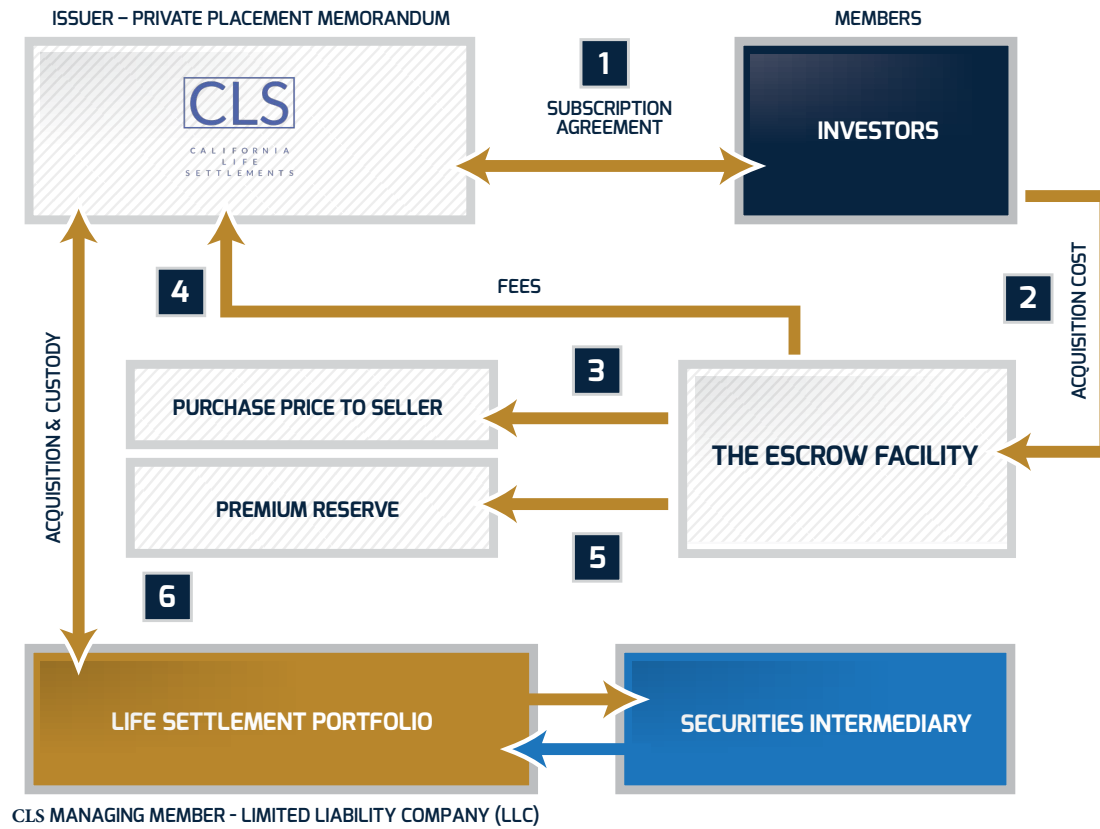
## Why Work with CLS

The protracted low interest rate environment left in the wake of the credit crisis has left advisors with fewer suitable options to fill the gaps in their clients asset allocations and the quest for safe yield. Competition amongst advisors for new

relationships and increased net new asset growth is incredibly challenging when everyone is angling in the same fished-out pond. California Life Settlement offers advisors the opportunity to be change agents and visionaries for their practices. By proactively adding our innovative products to your offerings, you will differentiate your practice from you from your competition. Most importantly, you and your clients will benefit from your exposure to the SLS asset class.

Efficiency in on-boarding new products, requires plugging into a turnkey platform that keeps you effectively working in your business, instead of working on your business. A strategic relationship with California Life Settlements can help you accomplish just that. The Senior Life Settlements story is a unique alternative to gain mind-share in your market and wallet share with your existing client base as well as with new clients.

## PROCESS FLOW & CHAIN OF CUSTODY



### California Life Settlements Subscription Process & Investor Capital Chain of Custody

**Step 1:** Investors execute California Life Settlements’ subscription agreement.

**Step 2:** Investors transmit funds to the Escrow Facility for the Acquisition Cost which includes the purchase price to the policy seller and the allocation of premium reserves in an amount equal to the median life expectancy assessment plus a margin of 24 months.

**Step 3:** The Escrow Facility assists with execution of the transaction with the policy sellers to acquire their life insurance policies and to allocate funds for the Premium Reserve.

**Step 4:** California Life Settlements LLC (managing member) and the Securities Intermediary collectively are the custodian of the Senior Life Settlement policy/portfolio.

A Securities Intermediary is designated to provide custody and oversight services of the Senior Life Settlement Portfolio. The full amount of Premium equal to LE + 24 months is transferred to the Premium Reserve Account.

**Step 5:** The Escrow Facility directs funds to the Issuer’s operating account to cover California’s fees in its entirety for the life cycle of the investment.

**Step 6:** Step 6: Optima Life Settlements (in conjunction with CLS and the Securities Intermediary) provide insured tracking, premium verification and trustee services throughout the portfolio’s lifecycle.



CALIFORNIA  
LIFE  
SETTLEMENTS

17011 Beach Blvd, Suite 900  
Huntington Beach, CA. 92647

(657) 254-4300

[info@califeselements.com](mailto:info@califeselements.com)

[www.califeselements.com](http://www.califeselements.com)