



CDO Capital, Inc.

CDO Capital (CDOC) is a specialized investment banking firm. The intensity of our focus on the utilization of life insurance assets and the depth of our management team's expertise enables CDOC to produce advanced solutions when traditional methods do not meet our clients' needs and goals. We provide innovative investment and financing structures that include securitized instruments based upon life insurance assets allowing for superior returns while mitigating risk. The CDOC collaboration by an exceptional group of experienced investment banking and insurance industry participants creates value for both clients and investors. The broad experience of the CDOC team allows for exceptional structuring and implementation. CDOC was formed in early 2007 to address the need for an improved structure for the use of insurance assets for both borrowers and the financial community. CDOC is headquartered in San Diego, California.

Mission Statement

Our purpose is to help our clients and investors meet their goals. Our success is based upon excellence and integrity in what we do.

The Company

CDOC allows clients to use life insurance assets to fulfill their financing and investing needs and goals. The option to use these assets has been severely lacking from traditional providers of financial and investment banking services. CDOC has combined superior expertise in the life insurance assets market with traditional investment banking experience and skills to provide a platform for a broad variety of transactions involving debt, equity and quasi-equity in an equally broad variety of industries. CDOC has created proprietary securitization instruments that allow debt investors to capture above market rates of return without taking on typical market risks that include interest rate volatility, stock market fluctuation, and systemic dislocations in the financial markets. CDOC securitized instruments are not dependent on third party underwriting or valuation errors and, most importantly, such products have virtually no default risk.

Securitization is currently being applied across a wide spectrum of asset classes from a variety of sources and with a wide diversity of characteristics. These new instruments offer attractive alternatives to traditional forms of short and long term financing available in the marketplace. Securitization has increasingly become an accepted and preferred method of financing as indicated by the enormous growth of various programs including commercial and residential mortgage backed instruments, commercial and individual loan portfolios and the securitization of cash flows from stable sources. Participants in CDOC structured transactions benefit from the self-liquidating nature of the life insurance assets. As a result, there is certainty of event and payment expectation, as well as, the certainty of amount and a reasonable certainty of the ultimate receipt of funds from the life insurance assets.

It is in the securitization of cash flows that CDOC excels. CDOC has created a ubiquitous, core structure that may be used across many disciplines by many types of investors and borrowers/debtors to fulfill specific needs. The core product may take the form of a note, bond, surety, trust or unit trust using life insurance assets. The securitization of life insurance instruments into an asset backed security or collateralized debt obligation, that includes their cash flows and attendant expenses, is a new use of the asset class.

The in-depth experience of the CDOC team in the acquisition and management of a wide range of insurance assets enables CDOC to develop a variety of innovative solutions to meet individual client and project needs. Experience with this asset class is of great importance and represents a special area of competence not possessed by traditional investment banking providers. CDOC uses its knowledge to create a product that provides for broad statistical reliability through diversification across all asset characteristics. Securitization allows investment flexibility in a simplified format that facilitates both investment and resale transferability.

Historically, large institutional investors have dominated the purchase and use of these life insurance assets. Their sophistication has allowed them to be comfortable with the excellent underlying characteristics of these assets, such as certainty of return of principal and a predictable rate of return component, while not sharing economic and market risks of traditional alternatives.

CDOC has taken a traditional investment view of this asset class and structured products around the actual characteristics of the underlying asset. Attempts by others to force artificial outcomes and timing into a structured instrument have failed consistently. As a result, CDOC does not create over-leveraged instruments in order to increase yield while conversely dramatically increasing risk to investors. CDOC does not create shortened maturity instruments in order to force short, date certain returns based upon risky or flawed timing assumptions. On the contrary, CDOC products use a large cash reserve component, conservative time horizons and standard market rates for all calculations. This process yields exceptional returns while minimizing risk.

Unique to CDOC is the use of its' securitized products to originate financing options for middle market (\$50 million to \$500 million in revenues) clients seeking financing alternatives. CDOC originates senior asset based loans, cash flow loans and enterprise value loans ranging from \$10 million to \$100 million or more. CDOC has created a unique structure that virtually eliminates risk to investors while still providing above market returns. The benefits of the unique structure are equally attractive to the borrowers. The company receiving funding through this structure will benefit by not being required to provide equity or personal guarantees to qualify for funding. Using the CDOC structure the borrowers' equity is preserved for future or concurrent financing from other lending resources. Every company receiving funding from CDOC must generate sufficient current EBITA to amortize the CDOC debt instrument. CDOC can use their instruments and structuring methods for various types of debt financing which include mergers and acquisitions, leveraged buyouts, private equity, as well as asset based financing such as real estate, oil and gas, mineral extraction and other marketable hard assets.

Overview Of Life Settlements

The past decade has seen the emergence of life settlements as a viable financial instrument to be used in a variety ways by the mainstream investment community. Large financial institutions such as Berkshire Hathaway, AIG, HSBC, Credit Suisse, Merrill Lynch, UBS and numerous hedge funds, among many financial institutions, have used the attractive characteristics of life settlements to enhance performance and to facilitate the completion of other transactions. Many have used life settlements as an alternative to coupon based investments with enhanced returns. Only since 2004 has the pure securitization of these assets been used.

CDOC believes the securitization process using life settlements is in its very early stages of utilization by the financial community. Previously, zero coupon bonds and "junk" bonds were

used successfully to create new financial vehicles. Life settlements provide a component of certainty that does not exist with “junk bonds”, and a level of return that does not exist with zero coupon bonds. The attractive characteristics of life settlements yield a method of providing above market returns and safe collateral for use in financing transactions that should be more effective than available alternatives. The proper use of the “mortality gain” component of the asset class gives a certainty to transactions without being subject to endemic market risks or the external volatility of other financial instruments.

The conversion of the raw life insurance assets to a securitized transferable instrument, which can be quoted as any other yield instrument, permits investors to participate in the asset class without the burden and hazards of participating in unknown markets in individual lots. The single asset nature of the underlying pool of life insurance instruments is cured in the CDOC instrument through broad diversification of all variables and characteristics.

CDOC uses a laddering of all characteristics including life expectancies, policy underwriters, residence locations as well as a minimum standard of credit rating of policy underwriters by established rating agencies. Statistics play a critical part in the successful use of life settlements. CDOC always carries a statistically sound number of policies in relation to the total dollar amount of the securitized pool and avoids all statistically unsound concentrations of policies. Generally, the principle risk in securitized life settlements is longevity risk. CDOC manages longevity risk by taking a sophisticated approach to “timed” investments and by always matching leverage to risk and timing. CDOC does not purchase policies, known as “Viaticals”, on terminally ill persons.

CDOC is unique in that all structures are created using an actuarial model designed by the United States Treasury Department and used by all governmental agencies including the Social Security Administration. This model is considered the most data driven, conservative and “neutral” available today.

Life Settlements

A life settlement is a contract pursuant to which an individual, usually 70 years of age or older, who owns a life insurance policy (and is generally also insured there under) sells the policy together with rights to receive and collect all death benefit proceeds from the policy that was sold. There are a wide variety of personal reasons for the sale by an owner of the policy including:

1. The yearly premiums are no longer affordable
2. The policy owner has multiple policies and wishes to eliminate one or more
3. The policy owner wishes to replace the policy with a different type of policy such as long-term care
4. The policy owner requires funds for medical care
5. The policy owner wishes to maintain a desired standard of living
6. The policy owner wishes to remove the policy from a trust or estate

The life settlements market is usually referred to as a secondary market for life insurance policies, most typically Universal Life. The life settlements market has increased from approximately \$50 million in transactions in 1990 to a reported \$4 billion in transactions in 2002. In a study done by The Wharton School of Business in 2005 it was projected that

transaction volume would reach \$18 billion in 2006. Industry estimates call for an increase to a potential of \$30 billion per year by the end of this decade.

As the secondary market completes a decade of steady expansion, the number of financial professionals which include wealth advisors, insurance agents and Certified Public Accountants engaging in life settlement transactions continues to grow. Likewise, the number of persons reaching 65 and older is estimated to grow by more than 20% from 2000 to 2010 according to the United States Census Bureau, which, when linked to broader awareness by professional advisors should increase the number of available policies each year. These professional advisors generally are the starting point for an individual to sell a policy in the secondary market. Aggregators of policies provide bids for the insured to consider through these professional advisors and, if accepted, the aggregator purchases the policy for resale in the marketplace.

CDOC purchases the insurance assets it uses for securitized products from various third party aggregators. CDOC has a proprietary network of trusted aggregators from which it purchases policies. Typically, CDOC will have a fixed price contract with each aggregator that provides the conditions of purchase. CDOC uses stringent requirements for all policies purchased including the requirement that the aggregator use CDOC proprietary paperwork for the original purchase from the insured. Aggregators receive a flat price for each policy and must provide required services at their sole expense. CDOC requires aggregators to evaluate each of the following criteria before purchase by the aggregator and ultimately by CDOC.

CDOC performs the following functions before and/or after acquisition:

- A nationwide network to provide policies.
- Developed proprietary financial software to evaluate policies.
- Actuarial data used to review policies.
- Insurance Policy Contract review to ensure transfer of ownership.
- Ownership Purchase Agreements.
- Insured Release Contracts.
- Beneficiary Release Contracts.
- Appropriate Power of Attorney, from all parties.
- Irrevocable Life Insurance Trust Agreements.
- Policy Purchase Agreements.
- Policy Sale Agreements.
- Funding Agreements.
- Escrow Agreements.
- Physical possession of original policy.
- Change of Ownership.
- Change of Beneficiary.
- Notification from Insurance Company.
- Premium Management.

- Death Tracking.
- Policy Claim Submission.
- Payment to Escrow Agent for Disbursement.
- Payment to Lenders.
- Payment to Company.

Should a policy not meet the CDOC strict criteria it will not be acquired by CDOC. Additionally, thorough statistical analysis of groups of policies is performed by CDOC. While CDOC maintains a minimum rating level for issuing insurance carriers, it is important to note that life insurance policies are unilaterally enforceable and are primary obligations of the issuer, taking priority over most other obligations. CDOC is not aware of any legitimate carrier in the United States that has failed to pay a death benefit on a currently paid policy.

CDOC further protects purchased policies by using best of breed industry practices for the servicing of acquired policies. CDOC uses third party experts for the tracking and location of the insured, analysis of premium payment requirements on serviced policies, to determine the most advantageous structure, amount and timing of premium payments, arranging the payment of premiums and the coordination of the collection of insurance proceeds. Finally, CDOC uses independent third party escrow agents and trust companies to hold all investor balances and policy assets underlying its' securitized instruments until contractual distribution.

The use of independent third party experts ensures the integrity of each investment instrument created by CDOC.