



Life Settlements Asset Swap (“LSAS”)

- Property Types:** Any fee simple or debt position secured by real estate as long as the asset has a residual economic value
- Market:** Any domestic or international market
- Deal Size:** No minimum or maximum (more diversification efficiency for larger deals)
- Asset Pricing:** Market value as determined by Prodigious Capital or 3rd party
- Swap Multiple:** Multiply the market value of the asset you company wishes to sell by 3x. That is the approximate face value of the life settlements pool that we will trade you for the asset in question (ex. \$5M equity asset value garners \$15M face value of policies)
- Premium Payments:** The average premium payment per year is approximately 2% to 3% of the outstanding portfolios face value. There is the potential to structure a zero premium payment obligation from the company but this will affect the multiple and timing of the receipt of the principal payments from the life settlement portfolio.
- Company Qualifications:** Any company or individual qualifies
- Liquidation Term:** A typical policy pool can take 7-10 years or longer to liquidate. However, the majority of the principal will be paid out approximately over the first 5 to 8 years, depending on pool structure.
- Accounting For:** As an investor, a life settlement portfolio is valued at the transactional price that it was acquired for (FTB 85-4-1). Although different accounting treatments may be required in certain circumstances a company should consult their accountant whether the transaction price can be construed as the value of the asset being swapped and that the additional gains from the portfolio liquidation are realized over time.
- Motivation:** Although a company has the potential to avoid a balance sheet benefit by entering into a LSAS the key benefits lays in the economic of the deal. With most valuations down across the board it will take a very long time for values to recover to previous highs. Additionally, a liquidation of the asset involves time, discounts and frictional costs. By executing a LSAS investors gain the ability to recoup all of their original investment plus additional monies as well as exiting out of a potentially problem asset into one that has credit like qualities.

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