

**iSQUARE** OFFSHORE  
FUND



# iSQUARE OFFSHORE FUND

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## OBJECTIVES:

Generate strong risk-adjusted returns (**target 15% a.a**) with almost **no correlation** to the broader financial markets and **very low volatility**; iSquare **provides access** for investors to this restricted, proprietary and institutional market.

**Engage in the Lending for Life Insurance Premiums on newly issued policies, for 25 months (contentability period) on A+ rated Insurance Companies, using the secondary market as a way out.**

## CHARACTERISTICS:

Unique niche arbitrage strategy → **takes advantage of the INEFFICIENT PRICING of L.I.P.** (Life Insurance Policies) for SENIORS (+75 years), **open to investors**, with a conservative approach.

Structured as a **LENDING facility to premiums of L.I.P.** that are deeply discounted versus their value in the Secondary LIP Market;

**Targets US High Net Worth Seniors** → can use L.I.P. for estate tax planning reasons;

**Proprietary modeling & scrutinizing process** → select suitable candidates considering actuarial characteristics supported by Independent Third Party LE (Life Expectancy) estimations and secondary market price estimations, resulting in transactions with 50% LTV (Loan To Value) or better (very conservative coverage);

Uses a **exclusive developed legal structure** → **Recourse loan structured**, guaranteed by the LIP + the full assets of the insured;

**Its NOT Viaticals nor Life Settlement kind of Investment !**

**No bad fillings on investors about taking advantage on someone else's death !**

**Asset Back Lending (but Real Estate!) Deeply Collateralized on a Superior Class of Lending Risk free Loans ;**



# iSQUARE OFFSHORE FUND

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## CHARACTERISTICS:

Insured gets a NEW LIP with **24 months coverage for free** or have the **option to keep the policy by paying the loan**;

Each transaction generates loan income accrued at [ Prime + Spread] + origination fees + structuring fees, and carries the **potential for a robust excess return** (surprise on the upside !).

## STRATEGY BASED ON:

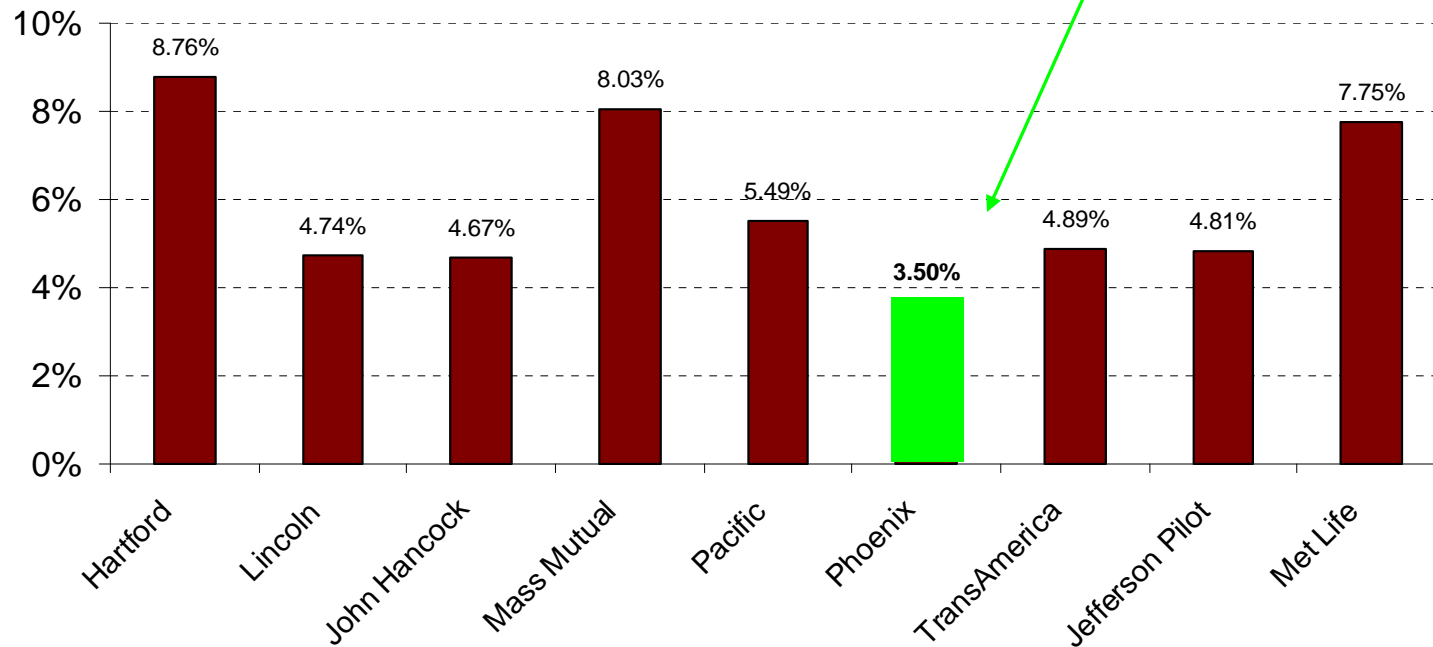
- Inefficiencies in Actuarial Science that pervade the Life Insurance industry;
- Historical High Lapse rate (85%-90%) meaning yearly 1.1 Tri USD ;
- Overshadow of mortality rates on actuarial tables;
- Structural variance of pricing in the Insurance Industry;
- Expectations of increasing insurable population (Demographic Trend);
- Short term decision process of Insurance Industry driven by Wall Street earnings expectations & Bonus;
- Utilizes Growing Secondary Market of LIP (US 45 Bi Market in 2007) **as a way out** ;



# iSQUARE CASE EXAMPLE

- 80 Year Old Male
- 10 Year Life Expectancy
- Range of offers from 9 different carriers
- Average Offer: 5.84%

Best Pricing:  
3.5% Annual Premium





# iSQUARE CASE EXAMPLE

(continued)

- 80 Year Old Male
- 10 Year Life Expectancy
- Standard Offer from Phoenix
- Face Value: \$ 1,000,000
- Annual Premiums: \$35,000 (3.5%)
- Theoretical Break-Even: **29 Yrs @ 109**



Age	Yearly Premiums	Cumulative
80	\$ 35,000	\$ 35,000
81	\$ 35,000	\$ 70,000
82	\$ 35,000	\$ 105,000
83	\$ 35,000	\$ 140,000
84	\$ 35,000	\$ 175,000
85	\$ 35,000	\$ 210,000
86	\$ 35,000	\$ 245,000
87	\$ 35,000	\$ 280,000
88	\$ 35,000	\$ 315,000
89	\$ 35,000	\$ 350,000
<b>90</b>	<b>\$ 35,000</b>	<b>\$ 385,000</b>
91	\$ 35,000	\$ 420,000
92	\$ 35,000	\$ 455,000
93	\$ 35,000	\$ 490,000
94	\$ 35,000	\$ 525,000
95	\$ 35,000	\$ 560,000
96	\$ 35,000	\$ 595,000
97	\$ 35,000	\$ 630,000
98	\$ 35,000	\$ 665,000
99	\$ 35,000	\$ 700,000
100	\$ 35,000	\$ 735,000

**38.5%**

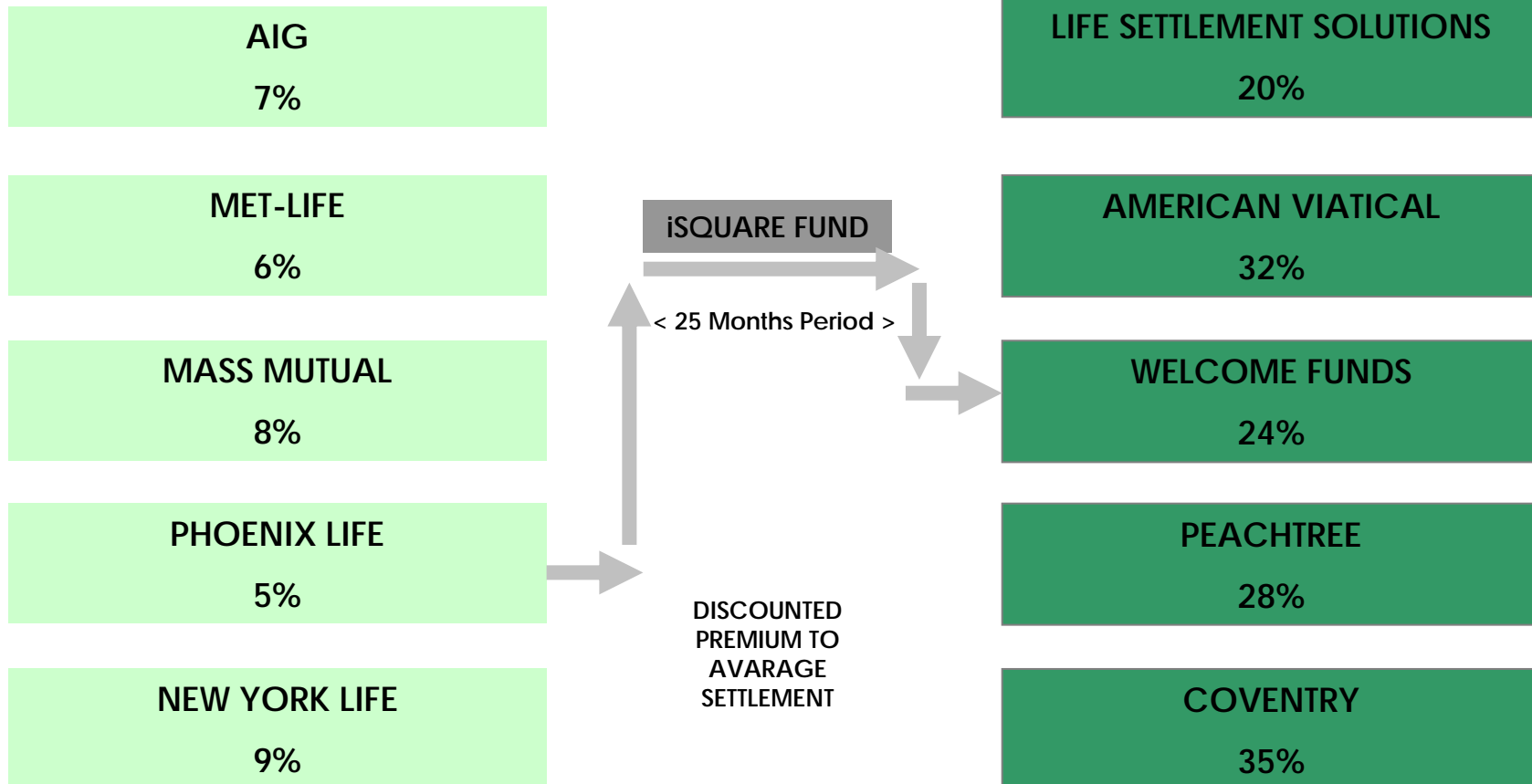


# iSQUARE PREMIUM FINANCE

## POLICY ORIGINATORS (ANNUAL PREMIUM)\*

## SECONDARY MARKET (SETTLEMENT PRICE)\*

\* CALCULATED AS A PERCENTAGE OF POLICY DEATH BENEFIT





# iSQUARE POSSIBLE OUTCOMES

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## REWARDS:

### A: Insured pays back the loan and keep the policie.

- Income from interest, origination & structuring fees.
- Estimated Net Annualized Return on the Transaction (24% - 2,5% -15% perf) ~ **18%**

### B: Insured Defaults on the Loan:

- Income from liquidation of the collateral (LIP) on the secondary market with 50% or better LTV;
- Estimated Net Annualized Return on the Transaction (42% - 2,5% -15% perf) ~ **33%**

### C: Mortality during the Loan Period:

- Income from loan payoff (similar to A: but shorter term);
- Estimated Net Annualized Return on the Transaction (35% - 2,5% -15% perf) ~ **27%**

## RISKS:

### D: Contest (Fraud, Suicide, Regulatory, Disappearance of Second Market).

- Historically 1-2% of the cases.
- Principal Protection
- Recision Law
- Estimated Net Annualized Return on the Transaction (3% - 2,5% -15% perf) ~ **0%**

### Other Risks:

- Fluctuations in the value of the collateral (LIP) on the secondary market;
- Projected Value (25 months) heavily dependent on life expectancy of insured;
- If LE expands during the 25 months period then LTV decreases proportionally;
- Changes in Regulation or Taxation of Life Insurance Secondary Market ;

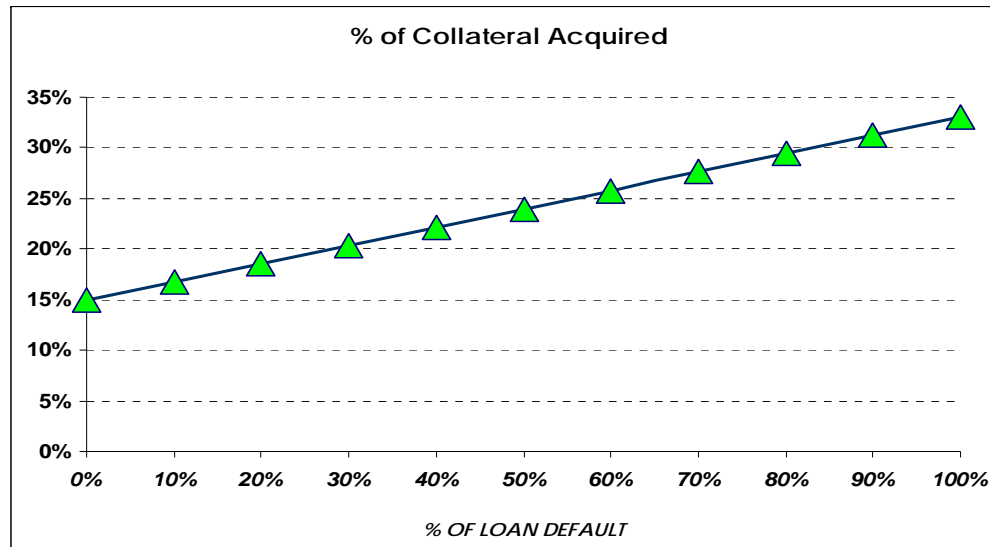


# iSQUARE RETURN

*Lending + Structuring fees provides  
consistent and strong return on investment*

*+*

*Liquidation of Collateral on Secondary Market can  
generate robust excess returns*





# L.I.P. MARKET

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Considering L.I.P. as an **ASSET**:

The strategy provides liquidity and promotes the uncovering of hidden asset value (L.I.P.) for the consumers (Insured).

L.I.P. was the only major asset without a large secondary market for the owners (ex: house, cars, mortgage, securities)

***Life Insurance Policy is a Private Property – you can or should be able to sell it !***

Other Players of Lending LIP Premiums and LIP Secondary Market:

- AIG Credit;
- CitiBank;
- HSBC;
- Deutsche Bank;
- Warren Buffett ;
- Credit Suisse.

***But only to their own proprietary portfolio!***

**Isquare provides access for investors to this restricted proprietary institutional fund.**



# iSQUARE PROFORMA

The Fund seeks to generate strong risk-adjusted returns with no correlation to the broader financial markets by taking advantage of the inefficient pricing of life insurance policies on seniors. After evaluating suitable candidates based on a rigorous review of actuarial characteristics supported by independent third-party life expectancy underwriting, the Fund engages in the lending of life insurance premiums on newly issued policies. All transactions utilize a recourse loan structure guaranteed by the policy and the full assets of the insured. Each transaction should generate income through origination fees, loan income, accrued at Prime +2%, and carry the potential for a robust excess return from the liquidation of acquired collateral on the secondary market in cases of loan default. The Fund's premium financing program is distributed directly by life insurance agents to their existing clientele that meet our stringent actuarial guidelines.

## Net Performance pro- forma based on the existing portfolio:

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2006	0,05%	0,12%	0,27%	0,48%	0,55%	0,67%	0,84%	0,96%	1,11%	1,21%	1,45%	1,34%	9,43%
2007	1,21%	1,22%	1,37%	1,12%	1,25%	1,16%	1,29%	1,15%	1,32%	1,28%	1,14%	1,40%	15,97%
2008	1,14%	1,20%	1,30%										3,68%

\*From January 2006 to October 2007 performance is pro-forma based on the existing portfolio

\*\* January 2008 results are estimated

## Portfolio Statistics & Summaries

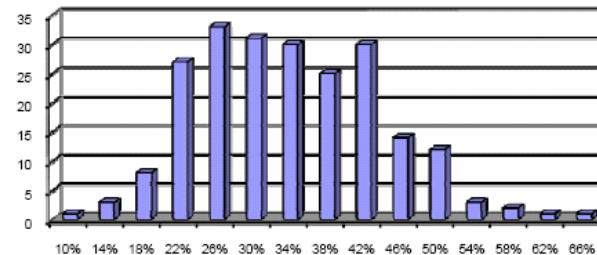
### Loan Overview

- 222 Closed Loans
- 61 Loans in Underwriting
- 24 Current Carriers
- All Carriers rated A or higher

### Insurance Carrier Concentration



LTV @ 10% Histogram



### Means

Age	75.8
LE (years)	10.3
LTV @10%	34%
Death Benefit	\$6,943,266
Loan Principal	\$687,237
Cash Outlay	\$465,111

### Medians

Age	75.5
LE (years)	11.0
LTV @10%	32%
Death Benefit	\$5,000,000
Loan Principal	\$573,628
Cash Outlay	\$364,039

### Totals

Death Benefit	\$1,541,405,000
Loan Principal	\$152,566,705
Cash Outlay	\$103,254,609



# iSQUARE PORTFOLIO DIVERSIFICATION

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Actual Portfolio of Loans to fund policies that meet the rigorous selection process:

- Actually: more than 20 Insurance Companies; more than 150 Transactions (Aug/2007);
- AUM: +100 Mi USD on Loan Principal;
- LTV ~34% (example: 340k loan over a 1.0 M collateral value);
- Loan Principal Avg ~ 1.2 M USD
- Death Benefit Avg ~10,5 M USD
- Age ~76 Years
- Life Expectation ~ 10 Years.

**iSquare will acquire direct participation on this diversified portfolio of loans / policies.**



# iSQUARE SUMMARY

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## Main Futures:

- Target Return: 15% a.a.
- Very LOW correlation with broader financial markets
- Very LOW volatility
- Upside Risk Bonus : Potential robust excess return
- Statistical Arbitrage Strategy with Deep Collateral Asset Back Lending

## Why it's a Conservative Investment:

- NO LEVERAGE ;
- Diversification
- Big protection margin on loans (LTV- Loan to Value <50%)
- Conservative Estimated secondary market value at 10% discount rate (secondary market discount rate= 8 %)

## Competitive Advantages:

- Access & Distribution Network;
- Proprietary Modeling & Algorithms;
- Exclusive Legal Lending Structure;
- Extensive Due Diligence on Credit & Legal for each individual transaction;

## Liquidity:

- Transactions: 25 months
- Fund Subscriptions: Monthly
- Fund Redemptions: Quarterly with 60 days notice ;
- Soft Lock Up : 2% penalty on Year 1  
1% penalty on Year 2
- NAV based on monthly loan & revenues accruals during the life of the loans
- Annual Auditing

## Fees:

- Front Load: default 1% (provision up to 3%)
- Management: 1,5% a.a.
- Performance: 15% a.a., HWM (High Water Mark);



# iSQUARE TERMS

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Name: iSquare Offshore Fund, Ltd. - Class A Shares  
CUSIP: G49665 105  
ISIN: KYG496651053

## Service Providers

- Custodian: HSBC
- Auditor: Rothstein Kass
- Administrator: Beacon Mgmt Ltd
- Offshore Counsel: Ogiers LLP
- Other Counsel: Herrick Feinstein LLP
- Information: GBI Advisors
- Contact: Phone: +1 646 419 4797