HB 6611

. TESTIMONY SUBMITTED TO THE INSURANCE & REAL ESTATE COMMITTEE

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EPOCH LIFE INSURANCE FINANCING TRUST SECURITIES "LIFTs"

"EPOCH has discovered how to bring the US municipal world access to global capital markets."

"EPOCH LIFTs can become the baseline permanent financing mechanism for the municipal and state universe."

Epoch "LIFTs" were designed to fill a large and potentially permanent hole in the investment selection pool available to major pension funds and Not-For-Profit endowments. This hole is caused by a severe shortage of long-dated, high yield, fixed income securities available in the marketplace, thus making it very difficult for managers to "duration match" against long term liabilities, such as similarly long-dated pension payout obligations. This situation adds to the plight of underfunded plans.

Epoch "LIFTs" securities fill the void in that they have a duration of 27 years, a minimum ROI of 10%, and best of all, are collateralized by the perfect longevity hedge, new life insurance policies placed voluntarily on retired state workers aged 67-79 and averaging 73 years old. Thus an actuarially-determined structure with a 27 year maturity gives a duration match to all pensioners aged 67-100. In addition, the LIFTs will carry an "A" rating by a national rating agency and are issued as a Rule 144A security in order to enhance liquidity.

A major companion benefit of "LIFTs" lies in the funding of the collateral. Because each policy is both fully underwritten and fully premium funded and contains a "return of premium rider" (ROP), the additional income that accrues at the "maturity" of each policy makes it possible to pay the state a substantial payout during the year in which the "maturity" occurs. For the LIFTs securities holder, these annual payouts (commencing after year 5) come to approximately 25% of the face value of each LIFTs security. (See chart in presentation) (Amortized over 27 years, the average floating rate is 19%)

Therefore, assuming a state can make policies on a 400+ retiree group available as LIFTs collateral, and at minimal or no cost to the retiree group, a LIFTs security can make a 22 year stream of income AVERAGING $40 MILLION PER YEAR, a portion of which returns to the state.

All parties to the transaction are winners. Life carriers such as AXA, ING, Principal, Pacific Life, Transamerica, etc. receive a guaranteed and predictable stream of premium income while the state receives a long term guaranteed income, and the institutional LIFTs note holder receives a rated, non-correlating, high yield, long term and locked-in return on investment.

Statistical Analysis

Each LIFTs Security

- $160 Million initial investment
- $1 Billion Face Value minimum per tranche
- Rated "A" by DBRS
- 10% ROI
- 24% Cash on Cash Return on Zero Coupon/ pass through structure
- All securities Issued by national Broker/Dealer via prospectus
- All cash flows directed and protected by a first line national trust bank
- Rule 144A eligible
- List of Carriers : Acadia, AVIV, Guardian, ING, Principal, Pacific Life, AXA, TransAmerica, John Hancock, AIG

Retiree Requirements

1. M/F age 67-79 (400-500 retirees per tranche)
2. Standard or Preferred issue
3. $2.5 Million face value per retiree plus ROP Rider
4. Applicant & Beneficiary-- state or municipality
5. Each policy individually underwritten and contained in ILIT