



CAPITAL GROWTH PLANNING, INC.

A Diversified Financial Services Corporation

Established 1969



“INSURED” DEBT STRUCTURE USING THE (“LIBACSM”) BUSINESS PROCESS

(Patent Pending – U.S. Serial No. 12/322,259)

GENERAL OVERVIEW

PRIVATE & CONFIDENTIAL INFORMATION

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THE LIBACSM “INSURED” DEBT INVESTMENT STRUCTURE OVERVIEW

Note, Loan, or Bond structures (collectively referred to hereafter as “Debt Structures”) that use the LIBACSM business process (Patent pending – U.S. Serial No. 12/322,259; Publication No. US-2009-0198630-A1; Publication Date: August 6, 2009) will almost always have structured maturities of fifteen (15) to thirty (30) years. There are two basic types of Debt Structures, Self-liquidating Debt Structures and structures using a Hedge Contract guaranteeing a date specific maturity, each of which are described below in more detail. Regardless as to which type of structure is used, each fully “insures” the payment of principal over the term of the debt. The debt financing may be completed through a private or registered offering (each an “Offering”) by the borrower (referred to herein as the “Issuer”) or structured as a direct purchase whereby the financing entity uses the LIBACSM Assets to protect (insure) its planned investment in the borrower. We recommend a minimum financing of \$50,000,000 to \$100,000,000 so there is a sufficient number of settled life insurance policies (each a “Policy”) within the Portfolio of LIBACSM Assets to provide proper diversification and thereby smooth out the statistical curve of expected Policy maturity dates and thereby increase the reliability of expected principal payments from matured Policies. If the Company is public, or has plans to go public, a debt-to-equity conversion feature may be designed for nearly any type of Debt Structure. Regardless of the type of Debt Structure used, the Portfolio of LIBACSM Assets are always “fully funded” up-front in a cumulative amount of Policy face values equal to or greater than the total debt principal being financed. Under all Debt Structures, the Issuer pledges (assigns) the LIBACSM Assets as security for the debt, possibly along with other assets being acquired as part of the financing. The collateral of the LIBACSM Assets, and the note(s) or bond(s) evidencing the debt, are all subject to an Indentured Trust (“IT”) where a bank, such as Wells Fargo NA or Christiana Bank & Trust Company, serves as the trustee of the IT. As Policies that are part of the LIBACSM Assets mature, the indentured trustee collects the death benefits and makes principal payments to the debt holders. Said another way, the LIBACSM Assets provide a primary or secondary source for debt principal repayment. This is significant for several reasons. First and foremost, creating an appreciating asset specifically designed to pay all or a substantial part of the principal borrowed dramatically reduces the cost of financing. Second, most debt financings are underwritten based upon the Issuer’s ability to pay both interest and principal over the term of the debt and the strength of any collateral provided by the Issuer. Since LIBACSM Structures by their very design create collateral to be used for the full or partial self-liquidation of debt principal, Issuers and their projects may now be underwritten based only on the Issuer’s ability to pay the declining interest payments and/or *partial* principal payments, if any. Lastly, most traditional large debt financings require recourse to specific assets and in many situations the Issuer is unable to provide such collateral, e.g., situations like a U.S. or foreign infrastructure project on leased land or projects involving no taxing authority. In each of these cases the Portfolio of LIBACSM Assets provides an asset(s) to assure the lender will at least receive repayment of the debt principal. The following provides a more detailed explanation of the two types of Debt Structures that may utilize the LIBACSM business process.

Self-liquidating Debt Structures:

Self-liquidating Debt Structures (“SLDS”) can be designed with structured maturity dates from fifteen (15) to thirty (30) years, usually with quarterly interest payments. Generally, SLDS with a maturity date of between fifteen (15) and twenty-five (25) years will require the Issuer to make scheduled quarterly interest and principal payments during the debt term to supplement the expected principal payments from LIBACSM Policy maturities. Regardless of the exact structure used, the LIBACSM Assets will always act to guarantee full principal repayment. Also, because LIBACSM Policy maturities occur throughout the term of the debt repayment period, interest payments on Debt Structure will decrease, over time, at an accelerated rate, making the financing cost for SLDS less expensive than other traditional debt financings. To fully understand the mechanics behind this new financing structure and how it compares to the costs of traditional debt financings, we recommended a review of one of the Company’s SLDS pro forma models. Most LIBACSM Asset structures (unless otherwise designed) will use life insurance policies issued on insureds having an average life expectancy (“LE”) of fifteen (15) years. Thus, by definition, over a fifteen (15) year period the parties should expect that about one-half of the Portfolio of LIBACSM Assets (the “Policies”) will mature and for thirty (30) year programs, the parties should expect all of the Policies to have matured, resulting in a full repayment of principal.

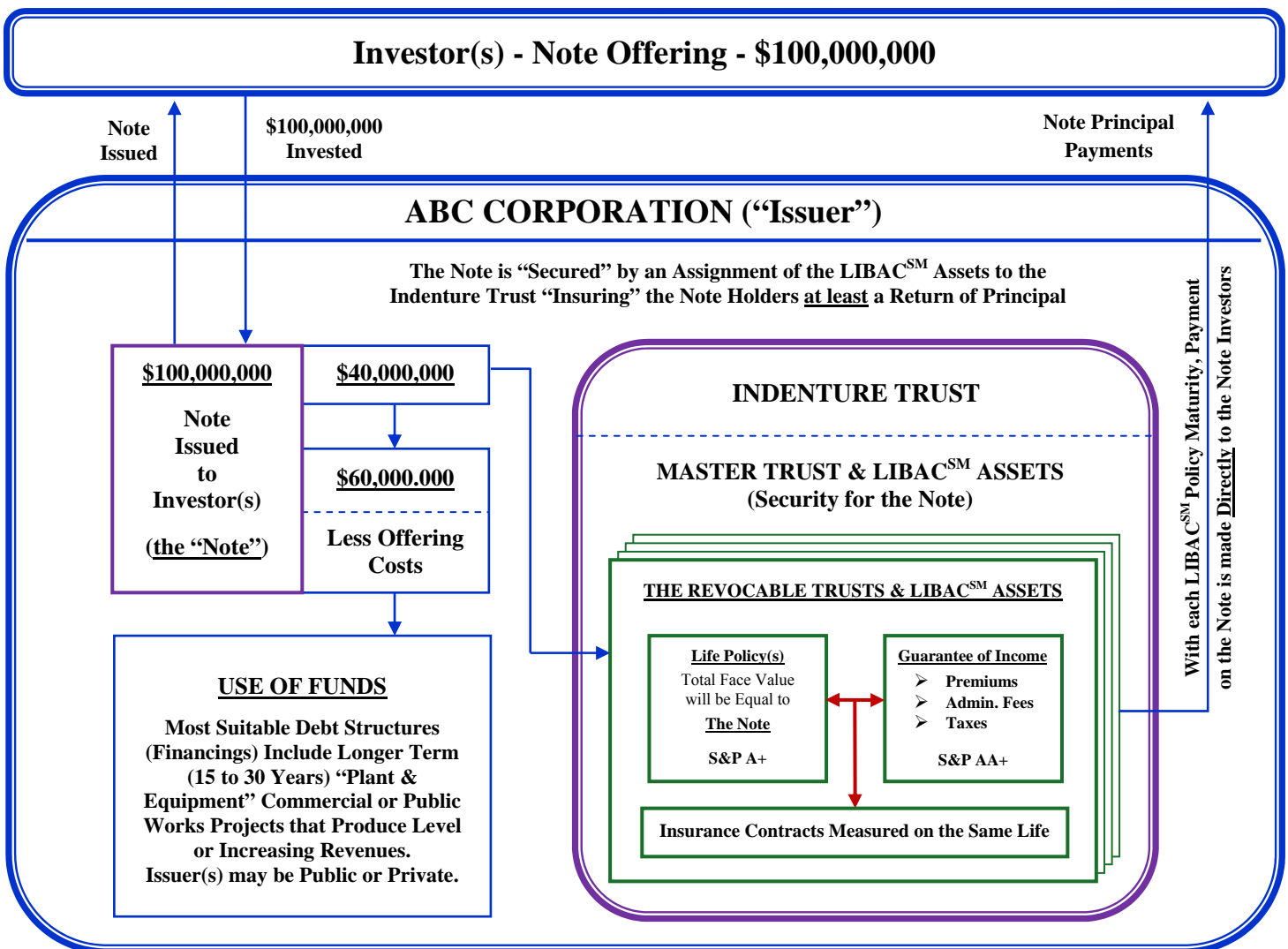
For fifteen (15) to twenty-five (25) year debt terms, the parties should expect only partial principal repayment from Policy maturities (50% or 85%, respectively), thus requiring varying levels of principal payments by the Issuer during the repayment period to assure investors the full repayment of debt principal during the term of the debt. Depending on the financing, CGP will provide (for modeling purposes) a schedule of expected principal payments to be made by the Issuer for shorter debt terms, i.e., 15 to 25 years. This pro forma will illustrate the anticipated payment schedule by using actuarial estimates for expected Policy maturities to estimate the reducing periodic (quarterly) principal and interest payments to be made by the Issuer. Each quarter the schedule of interest and principal payments is recalculated to reflect actual Policy maturities versus the estimated maturities contained in the initial schedule.

For a thirty (30) year SLDS, no principal payment schedule is required, since it is assumed full repayment of debt principal will occur from the Policies in the Portfolio of LIBACSM Assets maturing over the 30 year debt period. Said another way - the Portfolio of LIBACSM Assets will be the primary and expected source of principal repayment. Please contact CGP to request one or more of its standardized SLDS pro forma models.

Debt Structures using a Date Certain Maturity Hedge Contract:

For Debt Structures that must simulate a Bond (i.e., requiring interest only payments with a date certain settlement of the Bond principal), CGP may arrange the addition of a residual hedge contract to be issued by a European Life Insurance Company (the “Hedge Provider”) guaranteeing the purchase of all the Policies (at full face value) that have not matured by the maturity date. Thus, during the term of the Bond, Policy maturities act to reduce the principal owed and on the maturity date the Hedge Provider has contracted to pay the principal balance remaining; essentially guaranteeing payment of the remaining Bond principal on the maturity date. This LIBACSM hedge contract structure is available only to pre-qualified financings with 15 to 20 year maturities. The residual hedge makes this debt financing more expensive when compared to standard SLDS structures because it requires an additional upfront payment of about eight percent (8%) of the total principal amount of the financing, and unlike SLDS structures (of the same term), the Issuer does not receive the economic benefit of the remaining LIBACSM Assets on the maturity date. This structure is suitable for most creditworthy (pre-approved) Issuers that require a Bond oriented date certain, firm settlement amount.

A SAMPLE LIBACSM “INSURED” DEBT TRANSACTION





Subsidiaries

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CAPITAL GROWTH INSURANCE SERVICES, INC.

CAPITAL GROWTH REALTY, INC.

CAPITAL ADMINISTRATIVE SERVICES, INC.

CAPITAL LIFE ASSETS, INC.

INSURED CAPITAL MANAGEMENT, INC.

LIFE FUNDING PARTNERS, INC.

Affiliated Companies

CAPITAL PROTECTION, INC.

CGP FOUNDERS GROUP, LLC

CAPITAL GROWTH PLANNING, INC.

A Diversified Financial Services Corporation Established 1969

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