



STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
LIFE SETTLEMENTS INTERNATIONAL, LLC

CONDITION:

DECEMBER 31, 2006

DATE OF REPORT:

JUNE 8, 2007

STATE OF NEW YORK INSURANCE DEPARTMENT

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OF THE

LIFE SETTLEMENTS INTERNATIONAL, LLC

AS OF

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EXAMINER:

DENNIS G. BENSON

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

Elliott Spitzer
Governor

Eric Dinallo
Superintendent

June 8, 2007

Honorable Eric Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22560, dated October 30, 2006 and annexed hereto, an examination has been made into the condition and affairs of Life Settlements International, LLC, hereinafter referred to as "the Company," at its home office located at 110 East 59th Street, New York, New York, 10022.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2006 filed annual statement. (See item 5 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2001. This examination covers the period from January 1, 2002 through December 31, 2006. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2006 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2006 to determine whether the Company's 2006 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

- Company history
- Management and control
- Corporate records
- Territory and plan of operation
- Market conduct activities
- Growth of Company
- Business in force by states
- Reinsurance
- Accounts and records
- Financial statements

The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

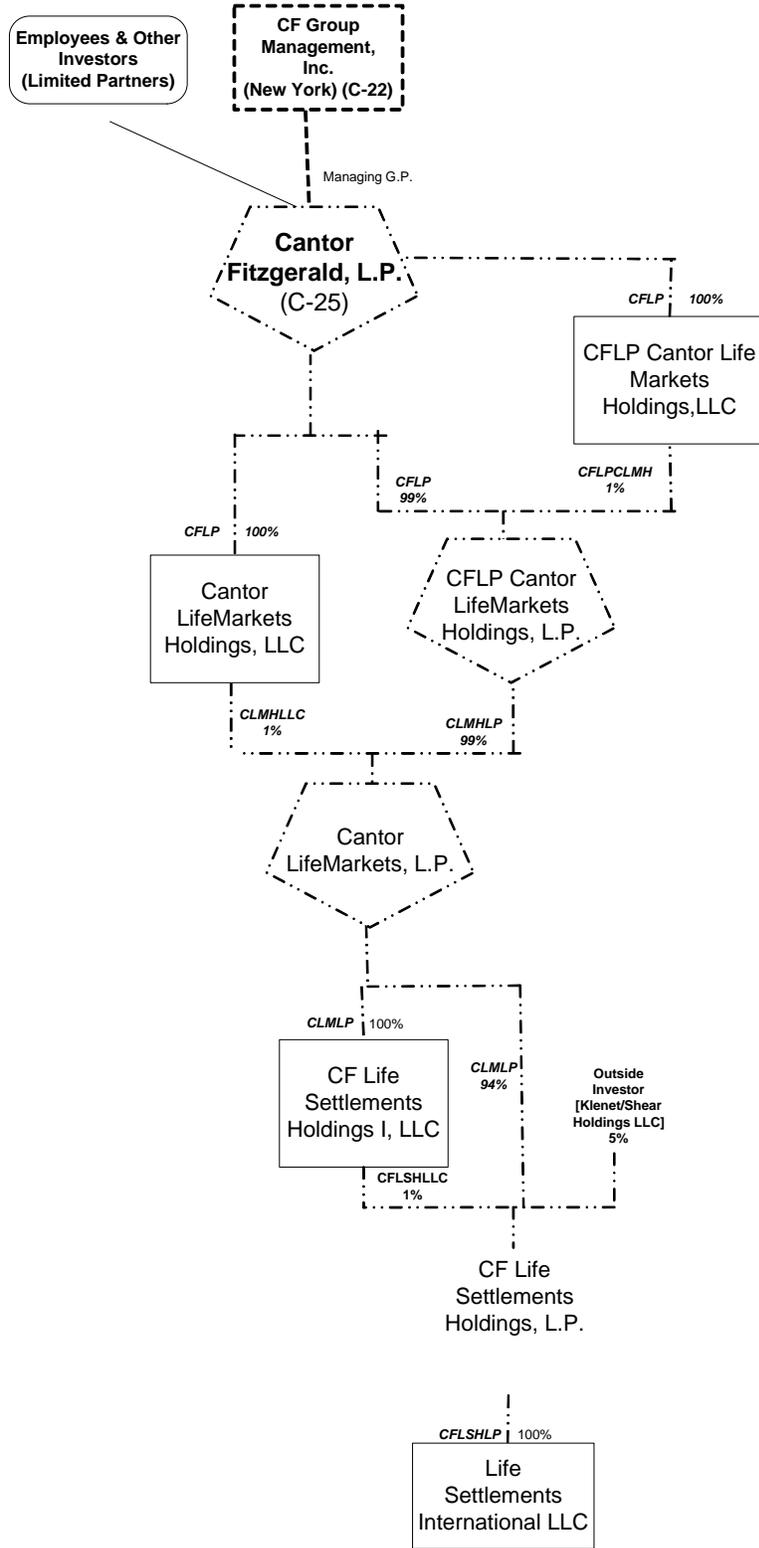
The Company was organized under the laws of Michigan in 1995 under the name of Accelerated Benefits Capital, LLC. The Company was issued a viatical settlement license by the Department on November 30, 1997. The Company operated as Accelerated Benefits Capital, LLC until August of 1998, when it was sold to Enhance Financial Services Group, (“EFS”). EFS renamed the Company Enhance Life Benefits. Mr. Robert Shear, one of the six founding partners of Accelerated Benefits Capital, LLC was hired by EFS to be Enhance Life Benefit’s President and Chief Executive Officer. In October of 2000 EFS sold Enhance Life Benefits to Shear Holdings LLC. Mr. Shear was the sole owner of Shear Holdings, LLC. Part of the sale agreement stipulated that Mr. Shear would have up to one year to change the name of the Company. In July of 2001 Mr. Shear changed the name of Enhance Life Benefits to Life Settlements International, L.L.C., (“LSI”).

Shear Holdings, LLC (along with LSI), was acquired by RHK Holdings, Inc. in November of 2004. LSI at this point is operating only as a life settlement company, no longer doing any viatical settlement business. Life settlements are the purchase of senior life insurance policies, and are outside the scope of Article 78 of the New York Insurance Law. On October 27, 2006 CF Life Settlements Holdings, L.P. acquired 100% of the equity of LSI from RHK Holdings, Inc. CF Life Settlement Holdings, L.P. is an affiliate of Cantor Fitzgerald, L. P.

B. Holding Company

The Company, a limited liability Delaware company, is a wholly owned subsidiary of CF Life Settlements Holdings, L.P., a Delaware limited partnership. CF Life Settlements Holdings, L.P. is in turn a wholly owned subsidiary of CF Life Settlements Holdings I, LLC, a Delaware limited liability holding company. The ultimate parent of the Company is CF Group Management Inc., a New York management corporation.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2006 follows:



C. Management

The Company's limited liability agreement provides that the management of the Company to be vested in the member. The sole member is CF Holdings, L.P. The limited liability agreement provides for the member to hire and appoint managers and officers as deemed necessary.

The Company was unable to provide the examiner with the minutes of the meetings of the board of directors and its committees, which occurred prior to October 28, 2006. Documents pertaining to meetings prior October 28th, 2006 were not provided to the current management when ownership was transferred from RHK Holdings, Inc. The corporate records including board and board committee meeting minutes are the property of the Company and should be retained by the corporate entity.

The examiner recommends that the Company maintain all of its corporate records at its home office. The examiner also recommends that the Company attempt to obtain its corporate records from the previous owner and document such attempts.

The following is a listing of the principal officers of the Company as of December 31, 2006:

<u>Name</u>	<u>Title</u>
Stuart A. Hersch*	President & Chief Executive Officer
Stephen M. Merkel	Executive Vice President, General Counsel & Secretary
Douglas R. Barnard	Chief Financial Officer

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

The Company is authorized to purchase life insurance policies as defined in Section 7801(a) of the New York Insurance Law.

The Company is licensed to transact business in 11 states, namely Arkansas, California, Connecticut, Illinois, Kansas, Maryland, Mississippi, New York, North Carolina, North Dakota, and Texas. The Company also transacts such business nationwide, in jurisdictions where no license is required.

During the examination period, the Company did not transact any new business. Currently, the Company is active in the purchase of senior life insurance policies, Life Settlements, which are outside the scope of Article 78 of the New York Insurance Law.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review. These amounts have not been audited by the examiner and are for presentation purposes only.

	December 31, <u>2002</u>	December 31, <u>2006</u>	<u>Increase</u>
Assets	<u>\$204,705</u>	<u>\$1,694,530</u>	<u>\$1,489,825</u>
Liabilities	<u>\$ 49,691</u>	<u>\$ 185,471</u>	<u>\$ 135,780</u>
Partner's capital	\$155,014	\$3,763,793	3,608,779
Retained Earnings	<u>0</u>	<u>(2,254,735)</u>	<u>(2,254,735)</u>
Total capital and owner's equity	<u>\$155,014</u>	<u>\$1,509,058</u>	<u>\$1,354,044</u>
Total liabilities, capital and owner's equity	<u>\$204,705</u>	<u>\$1,694,530</u>	<u>\$1,489,824</u>

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and owner's equity as of December 31, 2006, as contained in the Company's 2006 filed annual statement and a condensed summary of operations for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2006 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND OWNER'S EQUITY AS OF DECEMBER 31, 2006

Assets

Assets	\$ <u>1,694,530</u>
Total assets	\$ <u>1,694,530</u>

Liabilities, and Owner's equity

Payable to parent, subsidiaries and affiliates	\$ 69,629
Rent Payable	111,375
Accounts Payable	<u>4,467</u>
Total liabilities	\$ <u>185,471</u>
Owner's equity	\$3,763,793
Retained earnings	<u>(2,254,735)</u>
Total owner's equity	\$ <u>1,509,058</u>
Total liabilities, and owner's equity	\$ <u>1,694,530</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Option and Referral Fees	\$210,000	\$175,000	\$ 0	\$ 0	\$ 0
Service Fees	90	0	0	0	0
Investment income	3,716	4,665	1,502	1,004	2,282
Miscellaneous income	<u>0</u>	<u>0</u>	<u>75,000</u>	<u>0</u>	<u>63,000</u>
Total income	<u>\$213,806</u>	<u>\$179,665</u>	<u>\$ 76,502</u>	<u>\$ 1,004</u>	<u>\$ 65,282</u>
General expenses	<u>254,915</u>	<u>115,272</u>	<u>170,341</u>	<u>858,446</u>	<u>1,184,212</u>
Total deductions	<u>\$254,915</u>	<u>\$115,272</u>	<u>\$170,341</u>	<u>\$ 858,446</u>	<u>\$ 1,184,212</u>
Net income	<u>\$ (41,109)</u>	<u>\$ 64,393</u>	<u>\$ (93,839)</u>	<u>\$(857,442)</u>	<u>\$(1,118,930)</u>

The Company began to actively market its business throughout Europe, which added dramatically to the Company's general expenses.

6. MARKET CONDUCT ACTIVITIES

The examiner did not review the various elements of the Company's market conduct activities affecting viators to determine compliance with applicable statutes and regulations and the operating rules of the Company, because the Company was not actively engaged in this form of business during the period under examination.

A. Advertising and Sales Activities

The Company did not advertise nor did it have any sales activities during the period under examination.

B. Underwriting and Policy Forms

The examiner did not review any new underwriting files, nor policy forms, because the Company was not engaged in the viatical settlement business during the period under examination.

C. Treatment of Policyholders

The examiner did not review the treatment of policyholders because the Company was not engaged in the viatical settlement business during the period under examination.

7. SUMMARY AND CONCLUSIONS

Following are recommendations and comments contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company did not provide the examiner with the minutes of the meetings of the board of directors and its committees, prior to October 28, 2006.	6
B	The examiner recommends that the Company maintain all of its corporate records at its home office. The examiner also recommends that the Company attempt to obtain its corporate records from the previous owner and document such attempts.	6

APPOINTMENT NO. 22560

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

DENNIS BENSEN

as a proper person to examine into the affairs of the

LIFE SETTLEMENTS INTERNATIONAL, LLC

and to make a report to me in writing of the condition of the said

COMPANY

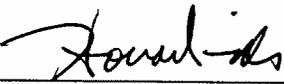
with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 30th day of October, 2006



HOWARD MILLS
Superintendent of Insurance


Superintendent