Welcome Life Securities, LLC
4755 Technology Way • Suite 202 • Boca Raton, FL 33431
Tel: (561) 826-0299 • Fax: (561) 892-7786

SUPPLEMENT TO CLIENT RELATIONSHIP SUMMARY

Business Authority:

- Act in the capacity of a Life Settlement and Viatical Settlement Broker

Compensation / Fees:

- The fee charged by Welcome Life Securities, LLC ("WLS") is consistent with **FINRA Rule 2120** (which encompasses FINRA Rules 2121, 2122, and 2124) and is comprised of a transactional compensation that is based on multiple factors involved the sale of a life insurance policy in the secondary market (see page 2 below), and an expense reimbursement for any out of pocket costs paid for by WLS that includes but is not limited to medical records retrieval, third party life expectancy reports, and an overnight document delivery/administration charge. The maximum compensation for your transaction is the lesser amount of six percent (6%) of the net death benefit of the life insurance policy or thirty percent (30%) of the created value negotiated by WLS, which is defined as the gross purchase price negotiated by WLS minus the policy's cash surrender value.

Minimum Transaction Size (Net Death Benefit of Life Insurance Policy):

- An individual or joint Variable Life Insurance Policy with a Net Death Benefit of $50,000

Potential Conflicts of Interest:

WLS conducts an auction based negotiation with Viatical / Life Settlement Providers, which are licensed and/or authorized by the Department of Insurance or Department of Financial Services in the home state of the life insurance policy owner, to purchase life insurance policies in the secondary market. WLS makes representations as to the best prices offered for and the potential buyers of your life insurance policy, which we have identified through our negotiation process. WLS is only compensated if a transaction is completed between the policy owner and the provider. Additionally, the higher the dollar amount that is negotiated by WLS for the sale of the policy, the higher the possible compensation/fee that WLS could earn. WLS is only compensated and reimbursed for its expenses if the transaction closes. WLS may also serve as an intermediary facilitating an institutional trade on this policy after the sale and/or WLS may have an institutional client that invests in a fund that is buying the policy on the secondary or tertiary market. All potential conflicts are disclosed to the policy owner within the *Notice of Disclosure & Confirmation of Viatical/Life Settlement Transaction*, which is provided to you prior to or with the purchase and sales contracts drafted by the Provider (buyer).

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FOR THE BROKERING OF VARIABLE LIFE SETTLEMENT TRANSACTIONS

Welcome Life Securities, LLC is compensated in compliance with **FINRA Rule 2120** (which encompasses FINRA Rules 2121, 2122, and 2124) for securities transactions related to variable life settlements.

The firm considers a number of relevant factors when determining fair and reasonable compensation, some of which are outlined within FINRA Rule 2121. Such factors are analyzed on a case-by-case basis, since each transaction is unique and involves a very different set of circumstances and complexities. Such relevant factors may include, but are not limited to:

1. **The Type of Security Involved**
   - Variable life settlement transactions are considered very complex, time consuming and may justify a higher mark-up than other securities transactions.
2. **The Availability of the Security in the Market**
   - The marketplace for life settlements in general are considered limited, when compared to other securities markets, and is evidenced by the number of available Life Settlement Providers that are licensed in the applicable jurisdiction of the transaction. The number of available buyers that are qualified to purchase life insurance policies from consumers varies from state to state; some states may have only 1 or 2 licensed Providers, while others have over 10.
   - Due to additional securities regulatory requirements involving variable life settlement transactions, the marketplace is further constrained when compared to the fixed life settlement market. Several Licensed Life Settlement Providers are not actively purchasing variable life settlements.
   - Additionally, the applicable variable life settlement marketplace will also vary and be constrained even further on the transitional level based on the following case specific parameters, which may include but is not limited to: policy size, premium amounts, face value of policy, state of jurisdiction, variance in medical underwriting opinions, consumer expectations or requirements, carrier ratings, etc.
3. **Expense of Execution & the Amount of Risk Assumed by the Broker**
   - Most life settlement transactions require the firm to “front” the costs associated with the processing requirements of underwriting, appraising, negotiating, delivering, closing, etc. These costs are assumed by the broker in most if not all cases, while there is no guarantee of actual closing a transaction. Therefore, the expenses and risk assumed by the broker are substantially higher than most other securities transactions that fall under Rule 2120, 2121, 2122 and 2124.
   - Compensation related to the sale of Variable Universal Life Insurance policies (“VUL”) often ranges between forty percent (40%) to sixty percent (60%) of target premium for VULs issued by life insurance companies organized as mutuals or stock subsidiaries of mutual holding companies and one-hundred percent (100%) or greater for VULs issued by life insurance companies organized as stock companies. Such compensation is generally attributable due to the complexity of the selling and underwriting process that accompanies a VUL sale. However, essentially, a life settlement is similar to a combination of "re-underwriting" a VUL product coupled with a private placement for the VUL sale. This clearly demonstrates that a life settlement transaction is more complex than a VUL initial sale, thus justifying higher compensation permitted with respect to VUL initial sales transactions.
4. **The Price of the Security**
   - Compensation will be based on the market value or sales price of the variable life settlement transaction.

- The firm will also take into consideration the applicable Cash Surrender Value (CSV) when determining compensation and the difference between CSV and sales price.

5. **The Amount of Money Involved in a Transaction**
   - Variable life settlement transactions with lower market values may warrant a higher % of mark-up to cover the transactional expenses, which may include but are not limited to, medical records, life expectancy reports, insurance requests, delivery costs, third-party service fees, etc.
6. **Commission Disclosure and Transparency**
   - Variable life settlement transactional compensation is disclosed to the customer prior to the settlement and confirmation is represented by a customer's signature on a transactional summary at the time of acceptance of the transaction.
7. **The Nature of the Member's Business**
   - In order to transact variable life settlement brokerage services, the firm is required to maintain multiple licenses and/or authority with applicable state jurisdictions. Variable life settlement regulations are more complex than both variable life insurance and life settlement requirements due to the multiple levels of regulatory oversight. For example, some states require both an individual member of the firm to be licensed as a life settlement broker as well as the firm. Additionally, in order to obtain authority to become a life settlement broker, both the individual and firm must also be registered as an active life producer or entity in the state. Once those requirements are met, the firm must also be registered as a broker-dealer in the state.
   - The firm knows of no other security product that requires 3 or more levels of independent licensing state and/or federal licensing requirements in order to conduct business; 1) life license for both an individual and entity; 2) life settlement broker license for both an individual and entity; 3) securities registration for both an individual and entity.
   - The cost of maintaining such a high level of licensing authority exceeds that of most broker-dealers conducting securities, life insurance, and annuity business.
8. **Transactional Timeframe**
   - Extended Transactional Timeframe – life settlement transactions in general require a substantially longer timeframe to settle/close when compared to a typical securities transaction. The average timeframe for the entire procedural requirements of the transaction typically run 3-5 months and in some circumstances can run longer. This timeframe includes but is not limited to preliminary evaluations and pricing, comprehensive medical and life insurance underwriting & verifications, bidding and negotiation procedures, contract review and completion, re-verification of pertinent transactional data & documents, and finally settlement.
9. **Value of Services Rendered by the Broker**
   - Due to the limited marketplace available for variable life insurance liquidation and the specific market expertise required to properly transact variable life settlement activity, a knowledgeable and experienced life settlement broker is vital to the value created in the bid solicitation process. Market bids received from Life Settlement Providers vary dramatically and typically increase based on a higher level of competition. Failing to solicit bids from a maximum number of qualified institutional buyers may limit the competitive demand for a policy and may not optimize the value of an asset. Therefore, the value of services provided by an experienced life settlement broker may be significantly higher than the services provided by an inexperienced broker who may not solicit bids from as many Providers due to either a lack of experience, knowledge, or existing contracted institutional relationships. Such inexperience may unknowingly negatively impact the market value of a variable life insurance policy in the secondary market.