



LESTI
Structured
Settlements
Incorporated

Environmental Structured Settlements

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Guaranteed funding of Long Term Stewardship obligations

Potential recapture of funds



Problem

- Lack of a large financial institution to guarantee payment
- Currently difficult to guarantee long term obligations - longer than 10 years
- Owners or consultants do not benefit from new technology or being efficient



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Solution

Environmental Structured Settlement

- Provides guaranteed payments from a Fortune 50 Company
- Can currently guarantee payments for 50 years (looking at longer periods)
- Potential recapture of funds



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Structured Settlements Since 1982

- Oriented towards physical injury torts.
- \$6 billion last year.
- 1995 EPA Memo advocating Structured Settlements



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New and Innovative Assignment Product

- Can now do assignment such that Regulator / Government Authority does not have to own the Annuity.
- First full year of production \$75 million.
- Now almost \$1 billion under contract.
- New entrants eager to enter market



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Security of Transaction

- Annuity Transaction
- U.S. Life Insurance Company issues the Annuity Contract
- U.S. Life Insurance Company guarantees the payments.



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Payments Guaranteed

- Strong Large U.S. Life Insurance Company
 - Issues the annuity contract
 - Guarantees the Assignment Company
 - Rated A+, size XV (the highest) AM Best Company
 - Fortune 50 Company



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Ideal Situations

- Have a Long Term Stewardship requirement and plan
- Post Record of Decision for Superfund and similar sites
- Operations and Maintenance ideal



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Ideal Sites/Situations

- Closure of large industrial sites, nuclear, landfills, mines, etc.
- Change of ownership
- Manage Earnings
- Manage disclosures – SOX, FIN 47 & others
- Cleanup funds already paid from others



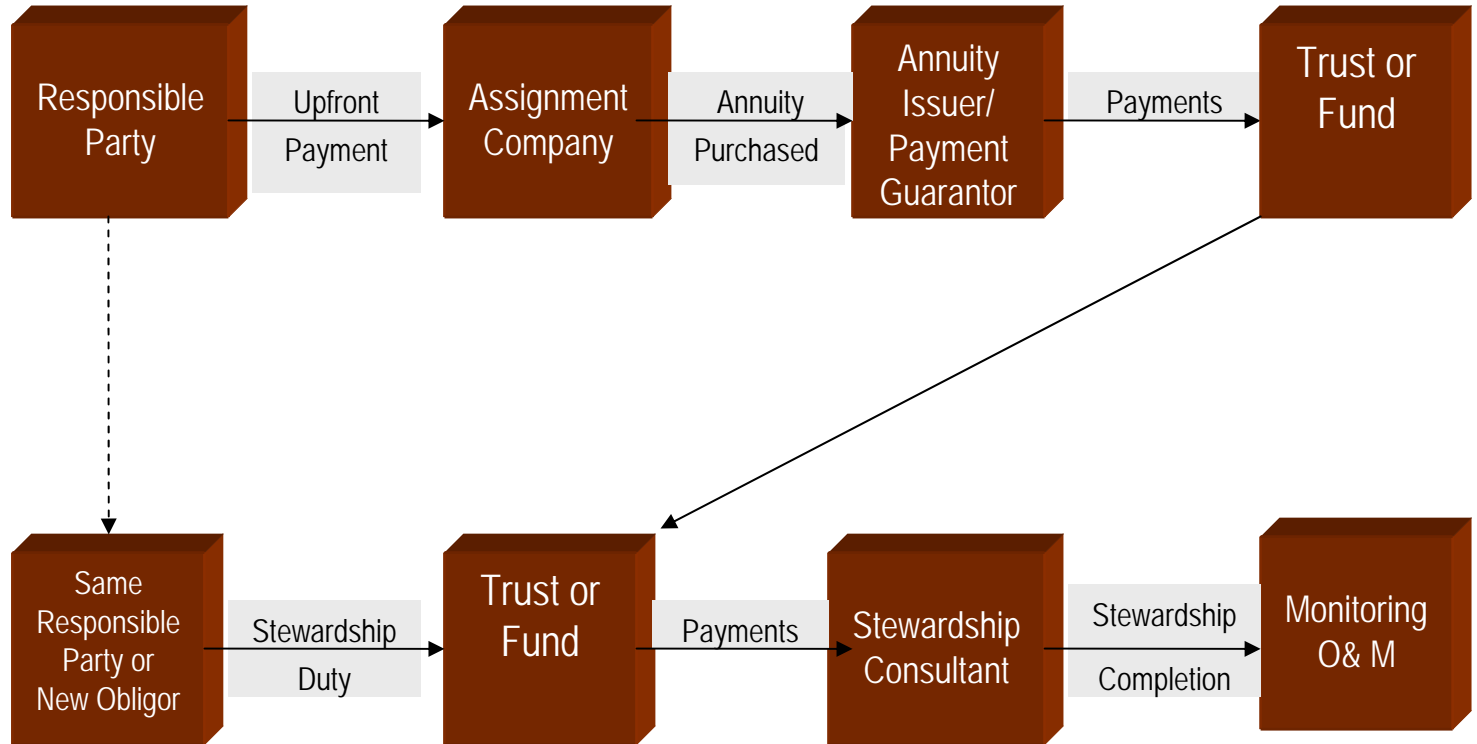
How it Works

1. The payments are agreed upon in Stewardship type agreement.
2. Responsible party assigns obligation to make future payments.
3. Assignee purchases annuity that pays periodic payments.
4. Large US life insurer guarantees assignee.



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Transaction Flow





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Meeting Needs

- **Recapture of funds**

As new technologies/techniques reduce the time and cost of oversight or cleanup
- Owner/Consultant repaid the savings

This gives an inherent incentive to innovate – to use new technology / techniques to reduce cost / time of Long Term Stewardship and cleanup obligation.



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Inherent Incentive to Innovate

- **The “Triple i” concept:**

Marketplace of new cleanup technologies and techniques allows recapture funds

Also application of existing technologies and techniques such as Triad, allows for cleanup savings



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Meeting Regulators' Needs

- **Secure funding**

Large U.S. life insurance company guarantees payments

- **Safe from legislative raiding**

- **Can meet budgetary cycles of funding every 2 or 5 years e.g.**



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Meeting Regulators' Needs

- **Cleanup performed faster**

Inspire new technology / techniques or share cleanup savings specific new technology innovation



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Responsible Parties Needs

- Sarbanes- Oxley “SOX”
- FIN 47
- FASB 143 – Accounting for Asset Retirement Obligations
- Explicit reference to include unasserted legal obligation, I.e. environmental cleanup
- FASB 404 – Independent review of process.



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Responsible Parties Needs

- End of Mothballing assets requiring cleanup
- Manage Risk
 - Sell asset - avoids cleanup risk
 - Keep it and maintain liability – insure against risk
 - Keep asset and assign cleanup risk



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Different than other Insurance Programs

- Strong Large U.S. Life Insurance Company
 - Actual annuity contract issued
 - Payments may be accelerated upon no further action or similar finding.
 - Recapture possible
 - No need to make a claim.



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Different Than Other Insurance Programs

- Strong owner - avoids consulting company ownership
- Includes Guarantee – other firms may not have
- Some firms rated A-, not A+ size XV (the highest) AM Best Company
- Other transactions - no recapture possible – with a guarantor



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Integration

- Works in tandem with Guaranteed Fixed Cost Contracts
- Obtain cost overrun insurance if actual costs are greater than expected
- Best suited for stable sites



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Summary

- Guarantee of future payments - large financial institution
- Pre-fund and guarantee Long Term Institutional Controls up to 50 years
- Potential for fund recapture



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