



AMG Financial Services

Presents

Life Settlements

Life Settlements

Our Product is Simple.

We provide a solid financial tool to people who want a safe, stable, easy to understand financial tool that is not subject to stock market volatility or interest rates and provides them above average returns.

History

Life Settlements have existed for more than 100 years, but until recently were often arranged privately between friends and family members.

Life Settlement Companies were founded to meet the needs of individuals who have life insurance they no longer want or need, that can legally be sold to a new owner who will collect the benefit when the insured passes away.

What is a Life Settlement?

A Life Settlement is the purchase of the Financial Benefits of an individual's life insurance policy.

Simply put, the insured are individuals who have determined they have excess life insurance, who will receive more than the Cash Surrender Value by selling their personal property, (a life insurance policy) on the open market.

Each insured has a Medically Determinable Life Expectancy.

How Can I Own Someone Else's Life Insurance?

Life Insurance is Personal Property. Just like you sell your used property, anyone can sell their life insurance policy.

As the new owner you now have the full right to name someone as the new beneficiary. It's just like owning life insurance on yourself except here the insured is someone other than you.

When that person passes away your named beneficiary will receive the death benefit.

Why Do People Sell Their Policies?

Financial Planners, Estate Attorneys, Tax Attorneys, CPA's, or Insurance Agents counsel their clients to take advantage of selling their excess life insurance.

- They have become wealthy enough to “self-insure”
- Change in Tax or Estate status
- Change in business ownership,
- Key Man Insurance policy not needed
- Death of the policy's beneficiary
- Change in family status: Children get married, move out
- Desire to donate to a favorite charity
- Insured may realize profit by selling vs. cash-surrender value
- Illness forces sale for financial/employment reasons

Finding The Right Policy

AMG Financial Services finds you a policy that meets your financial needs. All policies sold to clients exist as a policy that has been sold as a Life Settlement.

Each policy will have a Life Expectancy Certificate that provides you a medically qualified opinion of the insured's prognosis of life expectancy.

Each policy is written by an "A" rated or better USA Life Insurance Company who contracts to pay the Death Benefit to the current owner's beneficiary.

You, along with a Third Party Administrator, will review all documentation regarding the policy to your satisfaction.

Ownership Purchase Agreements

The supplier of Life Settlements to AMG Financial Services has developed proprietary purchase contracts designed to identify a specific owner of a specific policy for purchase to avoid substitution of policies.

These contracts detail how the funds are escrowed and disbursed.

Premium notices are sent to the owner of the policy for payment.

Insurance Policy Contract

Each policy's terms are reviewed to identify any potential problems and ensure transfer of ownership. Some terms can be exclusions regarding transferring of policies, policy lapses, exceptions, etc.

Some of the policies are owed by trust and not individuals. Also reviewed is the Irrevocable Life Insurance Trust Agreement to make sure the policy can be transferred.

Beneficiary Release Contracts

Proprietary contracts will be drafted specifically for you and serve as legal contracts designed to identify the beneficiary who would expect to benefit from the death of the insured.

Our staff will obtain the appropriate Power of Attorney from all parties to allow the insurance representative of AMG Financial Services to act on behalf of the parties in the transaction to effect the purchase of a life insurance policy.

The insurance company will confirm policy details in writing with copies of the necessary forms for policy owner and beneficiary changes.

How Medical Underwriting is Performed

Life Expectancy is the average number of years remaining in a person's life at a particular age, based on a scientific review of their past medical history and their current medical status, as determined by Board Certified Medical Professionals and Actuarial Life Tables.

Actuarial Life Tables

Actuarial Life Tables have been established by the **Life Insurance Industry actuaries**. They collect and analyze life expectancies for the US population, based on a 100+ year history of deaths occurring on an annual basis. These tables have a deviation error of less than .005%

Medical Release Form

All individuals insured by the policy of interest must agree to sign all necessary medical release forms for all medical records and information pertaining to their recent health status and past physical condition.

This release shall remain valid for the life time of the insured and further, that the insured agrees to periodic reviews of their current health status by the policy owner or their agent.

Who Performs the Life Expectancy

Life Expectancies are performed by certified medical laboratories or by board certified physicians who are independent contractors that are industry recognized specialists.

They utilize medical science and known industry actuarial methods in their evaluation models.

Sample Life Expectancy Certificate

AmScot Medical Labs, Inc. Life Expectancy Certificate

Date: 04/26/01

Patient: ~~XXXXXXXX, XXXXXXXX XXXXXXXX~~

SS#: 3~~00~~-2~~4~~-3~~00~~7

D.O.B.: 02/11/1936

Age: 65

Sex: MALE

Primary Diagnosis:

CAD, S/P MYOCARDIAL INFARCT
S/P CABG, DM, HYPERLIPIDEMIA

REVIEW

SUBJECT IS A 65-YEAR-OLD MALE WITH MULTIPLE HEALTH PROBLEMS RELATED TO ISCHEMIC HEART DISEASE. GIVEN THE AGE OF THE SUBJECT, HIS MEDICAL PROBLEMS AND RISK FACTORS THE LIFE EXPECTANCY WOULD BE 36 MONTHS.


Signed DR. IRENA SHEYN, M.D. (F.C.A.P)

Please note: A life Expectancy cannot be precisely determined for any specific patient, but rather is the average life expectancy of a large group of patients with similar clinical and individual profiles. No one can guarantee or warrant the accuracy of any patient's precise life expectancy.

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Life Expectancy Factors

- Age
- Sex
- Race
- Past medical history
- Family medical history
- Alcohol
- Weight
- Smoking
- Education
- Geography
- Occupation
- Marital status
- Physical activity

Actual Life Settlements Clients Have Purchased



•Premiums must be paid to continue the Policy in force. Typical premiums are estimated at 4% annually of the Policy Face. All projected returns are based on the Insured's Life Expectancy.

Nationwide Network

The insurance partner of AMG Financial Services has developed a national relationship with policy brokers who can provide a range of \$20,000,000 to \$40,000,000+ a month in face value of policies.

They developed proprietary financial software to evaluate policies.

Due to our strict purchasing requirements, not all policies are accepted. Typically we find one out of 10 that meet all our requirements for purchasing.

Projected Returns on Life Settlements

What amount of return do you expect to receive in today's market?

5%, 8%, 10%, 15%, 20% or more?

A Life Settlement's Contracted Return is typically 22% to 40% annualized return.

Dependant upon the specific policy you choose, your return may be more or less.

An Actual Policy Scenario

Insured:	An 85 Year Old Female
Certified Life Expectancy:	3 Years
Premiums Paid Up For:	4 Years
Face Value of Policy:	\$ 500,000
Purchase Price:	\$ 250,000
Annualized Simple Interest Return:	33.3%

An Actual Policy Scenario

Insured:	An 74 Year Old Male
Certified Life Expectancy:	4 Years
Premiums Paid Up For:	No Premiums
Face Value of Policy:	\$ 1,000,000
Purchase Price:	\$ 380,000
Annualized Simple Interest Return:	40.0%

The Policy You Purchase

- You become the owner
- You name the beneficiary(s)
- You hold the actual policy
- You can change the beneficiary as often as desired
- The policy is Non-Contestable with the suicide clause removed.
- The policy issued by a US insurance company rated “A” or better by A. M. Best.

Our Responsibility

- Verification of coverage/fraud prevention.
- Medical evaluations from Certified Medical Laboratories or Board Certified Physicians.
- Administrate all policy changes to make you the owner and irrevocable beneficiary.
- Provide all closing documents to you including the documents necessary to transfer the life insurance policy into your name.
- Take possession of Life Settlement Policy.

Life Settlements as a Financial Tool

The flexibility of Life Settlements as a financial tool is limited only by your imagination

- Purchase real property
- Collateral on loans
- College fund
- Estate planning
- Charitable giving
- Settle claims
- Build net worth
- Guarantee investor funds
- Insurance for uninsurable people
- Increase church building funds
- Incentives for key people
- Fund employee benefits
- Reduce tax liability
- Reinsurance

Estate Planning

“Reducing Obstacles to Building Wealth”

July/August 2001 Offshore Finance USA

The three main impediments to building wealth

- 1 poor investment performance
- 2 inflation
- 3 taxes

Tax-free death benefits: generally, there are no income or capital gain taxes on a death benefit paid to a named beneficiary. Estate taxes may apply, depending on the ownership of the policy.

**Robert Burkarth, vice president
Prudential Securities, Inc
New York, NY**

- Always seek tax advice from your personal advisors, each persons circumstance may vary.
- Not a paid advertisement, or inducement to evade taxes.

Real Estate Purchase Example

Problem

- Land cost too high
- Appraised below owner's price point
- Need for expansion of current capital
- Need to expand number of potential sites

Solution

- Life Settlement
- Life Settlement
- Life Settlement
- Life Settlement

Life Settlement Solution

Financial Model

	Cash Needed	Appraised Collateral
Office Plaza	\$ 1,104,000	\$ 1,425,000
DuPont Airport Pub	1,100,000	2,000,000
Trinity Road Restaurant	2,350,000	3,000,000
Opening/Conversion Expense	500,000	-
Purchase LifePolicy(\$10mm@14%)	1,400,000	\$10,000,000
LS Premium Reserve @ 4% (2 yrs)	800,000	800,000
Bond Wrap @ 6% of Face LS	600,000	-
Prisimm Acquisition (5 restaurants)	2,000,000	
Working Capital	<u>146,000</u>	<u></u>
Totals	\$10,000,000	\$17,225,000

LTV = 58%

Loan Secured by Collateral, Life Settlement Insurance Policy and Bond Wrap that will guarantee payment of loan before term. EBITDA on 7 restaurants will fund loan payments until paid in full at a ratio of 2:1. At present, AMG Financial Services does not secure for clients the financing through banks but we will collaborate with your bank to collateralize loans using life settlements.

Retention of Key Personnel

- **Life Settlements offers a unique opportunity to provide current capital expansion in order to retain Key Personnel.**
- **Payment of bonuses, incentive payments, or performance rewards is limited only by one's imagination.**
- **\$100,000 in a Bonus Pool can be expanded to over \$250,000 along with favorable tax benefits.**
- **Deferring of current bonuses to future payments allows the recipient to enjoy flexibility in tax planning**

Investment Portfolio

The rule of large numbers reflects how we can benefit from owning several policies in the form of a “*Portfolio*”.

When we own more than one policy the likelihood of a policy maturing increases. Therefore the more policies we own the more likely the event of a policy maturing.

We now have enhanced the probability of the maturity of our total portfolio.

Land Purchase

- **1,000 Acres**
- **Land Cost - \$450,000**
- **Bank Loan -\$750,000**
- **Term 6 Years**
- **Interest rate prime +**
- **Collateral = Land + Life Settlements**
- **Loan Proceeds - \$750,000**
- **- 450,000 Land**
- **- 200,000 Purchase Life Settlements**
- **- 100,000 Premium Escrow & Surety Bond**

The Life Settlements and the Surety Bond will pay off the loan. You borrow enough cash to buy the land, buy the Life Settlements with the covering bond, and cover the premium payments on the Life Settlement. Loan is paid off on/or before the term. At present, AMG Financial Services, does not securitize life settlements but we are able to arrange buyback guarantees.

In The News

Senior **Market** A D V I S O R

SMA March, 2002

“Reining in the Viatical Rep”

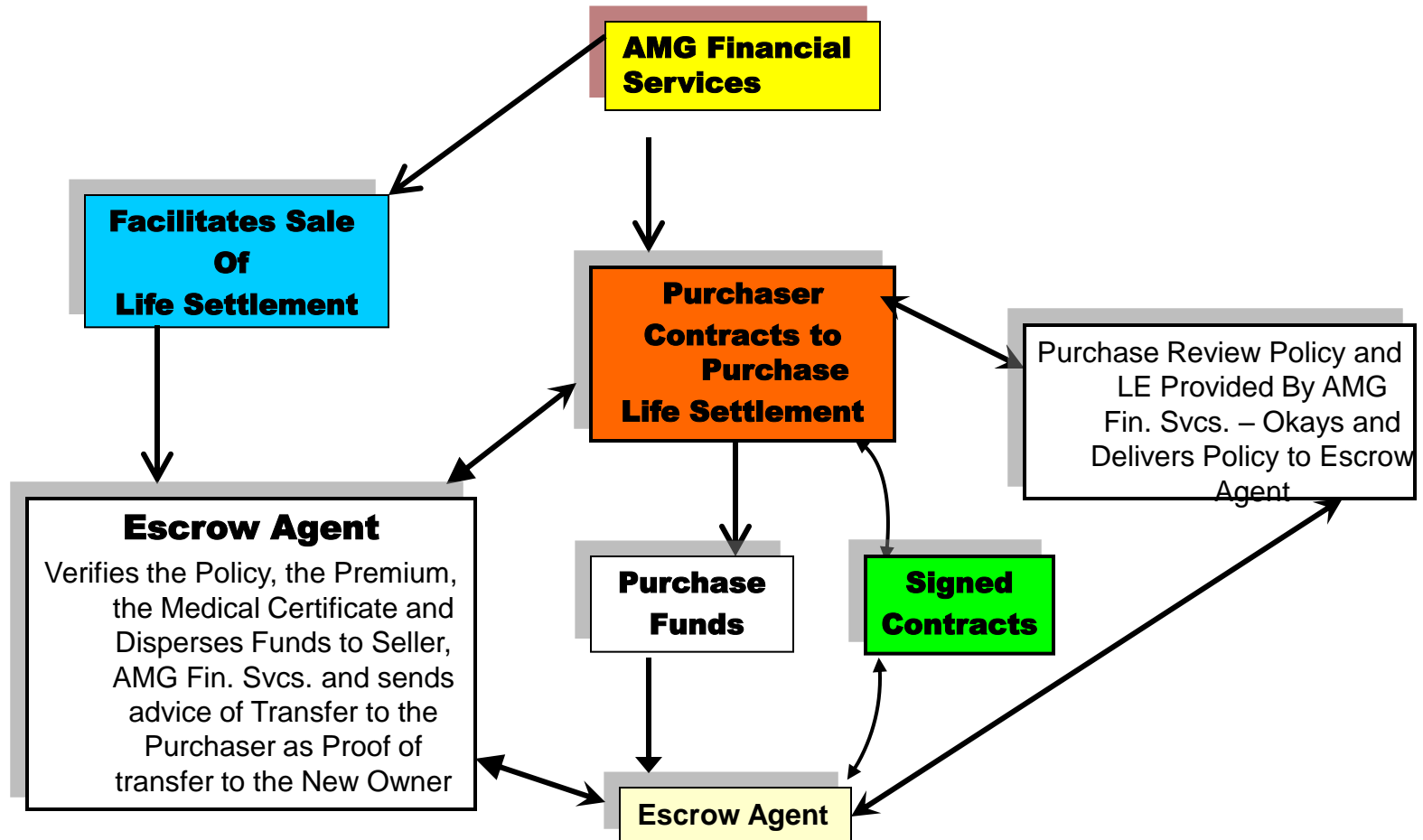
By Mary Hillebrand

If life settlements are good enough for Warren Buffett, shouldn't they be good enough for everyone else? Last October, Gen Re, the global reinsurance and risk management arm of Buffett's Berkshire Hathaway Inc., arranged a financing facility upwards of \$400 million for Living Benefits Financial Services LLC, a life settlements funder in Minnetonka, Minn. Similarly, sources close to Life Equity LLC, of Hudson, Ohio, say that company has also secured a comparable amount from Buffett's group.

A new way of doing business

2002 is starting off on a better foot, some of the bigger life settlement companies say, thanks to new funding arrangements with Gen Re. The reinsurer has brought consistent financial backing and a name that will inspire more confidence in the life settlement business, argues Steve Ballard, CEO of the Norseman Group, a marketing and brokerage company based in Minneapolis. "Berkshire Hathaway/Gen Re adds huge prominence and credibility to this business. It has generated a ton of business and has opened doors that previously weren't open to us."

Purchasing Flow Chart



Your money is retained in a third-party escrow account under your control until every aspect of the purchase is satisfied to your full extend of acceptance.

Benefits

- **Life Settlements avoid the risks of the volatile Stock and Bond Markets.**
- **To our knowledge, no other product gives you the flexibility of Life Settlements.**
- **Nor does any product in the market place today offer the potential returns that a Life Settlement provides.**

Contact Us

Start backing your company revenue, pension plan investments, project funding, real estate development and other monetary concerns with Life Settlements.

Contact us today:

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