



PREMIUM FUNDING GROUP

Smart & Strategic & Systematic

Traditional Life Insurance
Structured Financing



Traditional Life Insurance Financing

Loans serve as an effective means of acquiring goods and services for a specific time period. Loans are generally fully collateralized and must be repaid.

Life insurance loans are unique in that they utilize the underlying insurance policy as collateral.

Please remember, life insurance benefits are not FREE.

What is Traditional Financing?

A cost effective alternative method utilized by the affluent marketplace to pay for a life insurance need for a specific period of time and/or strategy.

What are the benefits of financing?

The ability to fund current and future life insurance premiums without hindering current cash flow, financial position, or asset growth.

Who is the ideal client?

A client that has a tangible net-worth in excess of \$5 million and a highly liquid asset portfolio or other acceptable forms of collateral.

What are the typical loan parameters?

- Non-amortizing loan with a balloon payment due at maturity
- Interest payable periodically in advance, arrears, or capitalized
- Renewable term with guaranteed forward commitment

Is PFG limited by Lending or Insurance Company restrictions?

No. PFG has unlimited lending capacity. We have established significant relationships with global financial institutions. PFG is recognized as the premier provider of insurance financing solutions by the industry's top insurance companies.



Frequently Asked Questions

Does the client need to have a minimum net worth?

Yes, the client needs to have a net worth of at least \$5 million

What is the loan commitment term?

Depending on the lender, there is a 1 -5 year initial loan term commitment.

Is there a minimum loan amount?

Yes, there is a minimum loan amount of \$1.25 million over the first 5 years

When is the interest payment due?

Depending on the loan structure, interest may be paid in advance or it may be accrued.

Are there any additional fee's associated with the loan?

There are legal fee's that are incorporated into the loan, generally \$15,000.

What is the interest rate for the loan?

The interest rate is LIBOR + 1.50% - 3.00%, reset annually. Also, there is an option for a fixed rate which is priced at the time of underwriting.

What types of Collateral are acceptable? How are they valued?

While collateral needs to reviewed and valued, accepted collateral is:

- Cash / CD / LOC not discounted
- UL Insurance Policies 90% of Cash Value
- Marketable Securities 50% - 75% discount
- Real Estate case by case

Will you accept insurance policies from any insurance company?

Yes, as long as the insurance company is rated A or better from AM Best, Moody's or Standard & Poor's.

In which states is Traditional Financing Available?

PFG's Traditional Financing is available in all 50 states.

Is Traditional Financing available To Foreign Nationals?

No, Traditional Financing is only available to US Citizens.

Sample Traditional Term Sheet

Terms and Conditions
(for discussion purposes only)
October 1, 2008

This term sheet does not constitute a commitment on the part of the lender. The term sheet is intended as an outline only, and does not purport to summarize all of the terms, conditions, covenants, representation, warranties, and other provisions which would be contained in definitive legal documentation for the proposed transaction.

<u>Borrower:</u>	John Doe 2008 Trust
<u>Guarantor:</u>	John Doe (Borrower and Guarantor hereafter referred to as "Obligor")
<u>Lender:</u>	Bank USA
<u>Insured:</u>	John Doe
<u>Policy Owner:</u>	Same as Borrower
<u>Policy Beneficiary:</u>	Same as Policy Owner
<u>Credit Facility 1:</u>	\$1,848,182 Multiple Draw Term Loan, with advances as follows: \$487,000 initially \$0 in 2009 \$453,694 in 2010 \$453,694 in 2010 \$453,694 in 2011
<u>Credit Facility 2:</u>	\$334,711
<u>Total Facilities:</u>	<u>\$2,182,893</u>
<u>Purpose:</u>	Facility #1: Finance premium for life insurance policies on Insured issued by Approved Insurance Company Facility #2: Finance interest charges due under Facilities 1 and 2
<u>Maturity:</u>	Five years from Loan inception, with a provision to renew for 2 additional five-year periods at Lender's sole discretion. Among others, Lender will take into account the following in its decision to extend the facilities: <ul style="list-style-type: none">• Collateral continues to be acceptable to the Lender in its sole discretion• Insurance company continues to have insurance financial strength rating as determined by Moody's satisfactory to the Lender.

- Borrower and Guarantor's financial conditions continue to remain acceptable to the Lender.
- Interest payments have been current on any other loan that Lender may have entered into with Guarantor during the term of the loan, and are current at Maturity. Furthermore, debt service handling remains satisfactory as evidenced by credit reporting agency acceptable to Lender.

Interest Rate: 1.85% in excess of the London Interbank Offered Rate (“LIBOR”) for interest periods of up to twelve months or fixed rate of interest for the term of the loan (“Fixed Rate”). For indicative purposes, based on today’s prevailing interest rate, Fixed Rate on the loan is 5.85%

Interest Payments: Interest paid monthly in arrears through advances under Facility #2

Collateral: The facilities will be secured by a first priority lien in the following collateral perfected through the filing of financing statements describing such collateral, assignments, deeds of trust or mortgages and, if applicable, the persons owning such collateral may be required to execute a limited guaranty to the extent of such collateral:

1. Life insurance policies with initial death benefit of \$10,000,000 issued by Approved Insurance Carrier on the life of the Insured. Furthermore, we understand that an existing life insurance policy securing the Insured for coverage amount of \$1,600,000 issued by Approved Insurance Carrier will also be pledged as collateral. The Cash Surrender Value and Death Benefit of such life insurance policies shall be assigned to the Lender pursuant to an Assignment of Life Insurance Policy as Collateral, which will be recorded by the insurance companies and acknowledged by the Beneficiary. The insurance companies will confirm that there are no other assignments on or loans against such life insurance policies in effect.
2. Custody Account/other depository instrument with Lender holding any cash or marketable securities as may be required to comply with the Collateral Maintenance covenant at Lender’s standard advance rates.

Collateral Maintenance: Subject to a 30-day cure period (2 days in the event of default other than collateral shortfall), the sum of the following shall equal or exceed the principal amount of the Loan outstanding plus accrued interest: 100% of the cash surrender value of the life insurance policies plus the amount of cash deposit and/or marketable securities margined according to the Lenders’s advance rates:

<u>Category</u>	<u>Advance Rates</u>
Cash / CD / LOC	100%
US Treasury Bills	95%
US Treasury Notes & Bonds	90% Obligations of
US Gov’t Agencies	85% Municipal & Corp. Bonds
rated Baa	80%
Common Stocks	70%
Mutual Funds	70%

Note: The additional collateral requirement during the term of the loan is estimated at \$918,000 based on a) the three policies illustrations provided to Lender reflecting non-guaranteed rates of return and b) projected interest expense on the loan both of which are subject to change with interest rate on the loan to be reset annually or locked in 3 days before closing and policy rates of return and cost of insurance adjusted at the insurance company's discretion.

Prepayment::

Optional prepayments permitted at any time. Mandatory prepayments required upon the death of the Insured and as necessary to comply with the Collateral Maintenance requirements. All prepayments shall be subject to LIBOR breakage costs, if any, and additional penalties listed below:

If the loans are pre-paid in the first three years, the following fees shall be applicable:

- 3% of the amount prepaid in the 1st year
- 2% of the amount prepaid in the 2nd year
- 1% of the amount prepaid in the 3rd year

Representations And Warranties:

Customary for transactions of this nature, including those relating to organization, power, authorization, enforceability, execution, delivery and performance; consents and approvals; no violation of law, organizational documents or existing agreements; no litigation; ownership and value of policies; security interests; payment of taxes; financial condition; no material adverse change; and full disclosure

Covenant:

Guarantor to maintain minimum net worth of \$10 million with net worth defined as total assets minus direct and contingent liabilities. Guarantor to maintain \$2 million in unencumbered liquid assets defined as assets which can be converted into cash within three (3) busi-

ness

days. Assets eligible for compliance with above test must be held individually by Guarantor and/or in entities over which Guarantor maintain access or control and not be subject to any liens or restricted in any way or valued to the extent of any equity in such assets, net of liens or restrictions.

Reporting Requirements:

- 1) Annual personal financial statements of Guarantor together with supporting bank and brokerage statements to be provided within 90 days of the end of each calendar year.
- 2) Annual tax returns of Guarantor together with any extension filings promptly after filed but no later than 30 days after date filed.
- 3) Annual updated in-force life insurance illustrations.
- 4) Notices of all material events.
- 5) Such other information requested by the Lender from time to time.

Other Covenants:

Customary for transactions of this nature, including those relating to keeping of books and records; access by the Lender; maintenance of existence; payment of obligations; compliance with law; use of proceeds; no Liens on Collateral; no mergers or sale of all assets; no amendment of organizational documents; maintenance of insurance policies; and

Events of Default:

Customary for transactions of this nature, including those relating to failure to make payments; material representations; failure to comply with covenants; failure to pay material indebtedness; cross default to any other loan Lender may have made to Guarantor; bankruptcy, material judgements; failure of collateral; material adverse change ; death of any individual obligor; and:

The insurance financial strength rating of the insurance company drops below A2 as determined by Moody's or equivalent credit ratings by Standard & Poor.

Documentation:

Credit agreement, promissory note, pledge and security agreements, deed of trust or mortgage, opinion of Borrower's counsel in a form approved by Lender's counsel, control agreement, UCC financing statements, assignment of life insurance policies, custody agreement and other documents to be prepared by legal counsel to the Lender and in a form to be acceptable to the Lender. Definitive financing agreements will include provisions providing for indemnities for capital adequacy and certain taxes.

Expenses:

The Borrower shall pay costs and expenses incurred by the Lender in connection with the Lender's review, due diligence and closing of the Loan, including fees and expenses of counsel to the Lender in connection with the negotiation and preparation of the Loan documentation, the costs of any audit, and inspection fees, whether or not the Loan actually closes.

Expiration:

The terms suggested in this proposal will be considered by the Lender for a period of 10 days from the date of this proposal, subject to the modification by the Lender at any time.

Acknowledged and Agreed:

Insured:

Signature

Date

Example of Third Party Verification Letter

Accountants' Compilation Report

John & Jane Doe
123 Main Street
New York NY 10017

We have compiled the accompanying statement of financial condition of John and Jane Doe, the individuals, as of December 31, 2008, in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a financial statement information that is the representation of the individuals whose financial statement is presented. We have not audited or reviewed the financial statement referred to above and, accordingly, do not express an opinion or any other form of assurance on it.

This report is intended solely for the information of the individuals, Premium Funding Group, and the Insured advisor and is not intended to be and should not be used by anyone other than the specified parties.

Example of Balance Sheet

Assets	Liabilities
Fixed Property	Mortgage
Vehicles	Installment sales/lease
Furniture & fittings	Loans from standard banks
Business Interests	Loans from other financial institutions
Other Assets	Owing on credit cards
Cash Value of Life ins. Policies	Bills payable
Loans	Sundry creditors
Investments	Liability for income tax
Listed Shares	Other Liabilities
Trading Assets	Contingent Liabilities
Bank credit balances/deposits	
Cash on Hand	
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Total Assets	Total Liabilities

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www.pfgllc.com

pfg@pfgllc.com

11 East 44th Street
7th Floor
New York, New York 10017

(212) 818-1238
(212) 818-1299 Fax

901 Brickell Key Boulevard
Suite 2906
Miami, Florida 33131

(646) 723-1949
(305) 373-6006 Fax