

Who am I?

- President of 50 year old distribution company with 45 Billion of real insurance enforce for real people and families with real needs for the product. Employ 20 people in St. Paul.
- Work through 117 independently owned firms and offer insurance products from 22 companies
- Started settlement operation in 2004, Evaluated approximately 3,000 policies for settlement and settled 350 Since that point.
- Published Author only Textbook on this subject.

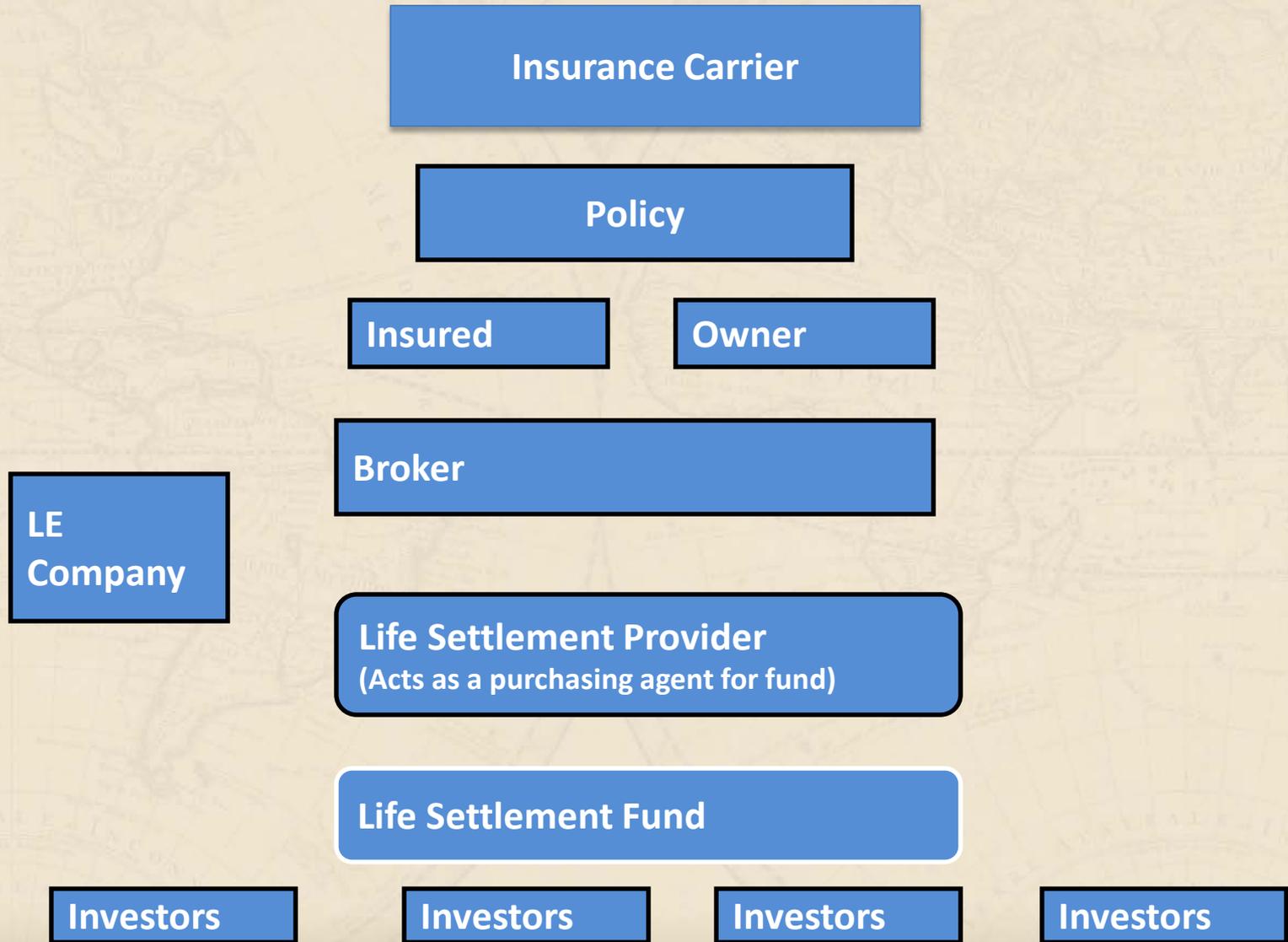
Why do I care?

- Protect the availability and cost of real Insurance for real people with real needs.
- To block a cost shift for this insurance that will occur if a small number of Wall Street hedge funds are allowed to unjustly profit at the expense of companies that write this insurance
- Because rewarding these hedge funds for participating in fraud undermines the rule of law and creates an unjust result

Fortress knew most the policies in portfolio were premium finance/STOLI

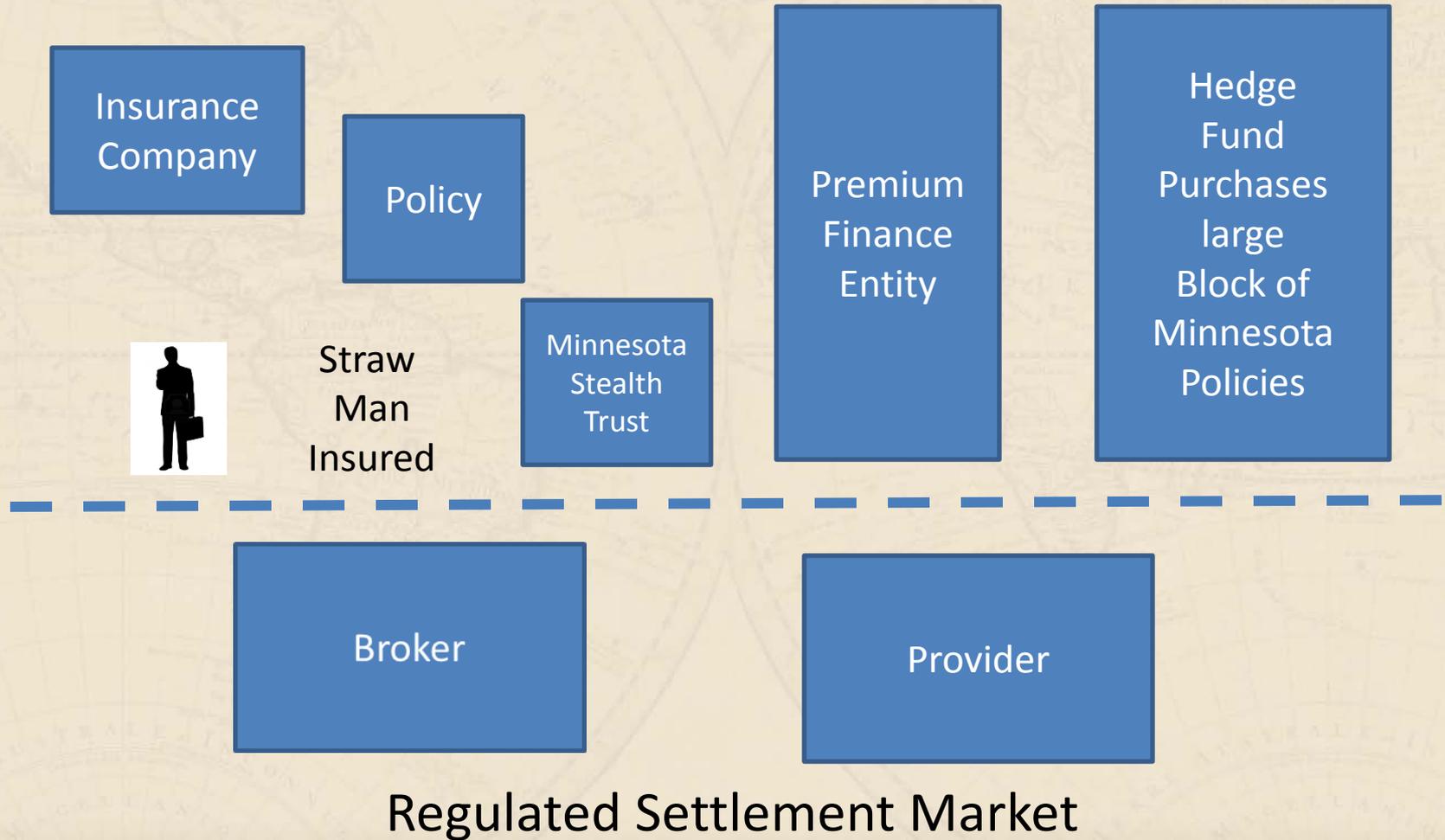
- These policies were created with intent to settle
- Many of the policies involved sophisticated fraud on the application that made them more difficult to detect both at application, change of ownership and claim.
- It is easy for the funds buying these policies to identify these policies from seasoned settlements
- Fortress told its investors that they were buying policies with all the indicia of STOLI and warned them of risks

Regulated Settlement Market



STOLI Shadow Settlement Market

A buy-pass of the regulated market



Seasoned Settlement or STOLI



- Policies originated 2005-2008
- Beneficial interest in trust (Minnesota, South Dakota, Delaware)
- Sold quickly after issue
- Universal Life
- Premium history shows financed
- Life Expectancy prior to issue
- Large Face amount
- Agents on application like Antenello

Seasoned Settlements vs. STOLI

• Regulated Market

- Policies purchased for traditional needs which changed prompting the sale
- Conducted through brokers and providers under NAIC / NCOIL Model statutes –protections for consumers
- Highly regulated transaction
- Insurable Interest transparent to carriers at time of change of ownership

• Shadow Market

- Policies intended at outset indirect ownership of speculators w/o insurable interest
- Often sale of beneficial interests in trusts as opposed to policies
- Clustered in states like Minnesota and South Dakota that were favorable to STOLI transactions “stealth trusts”
- Little regulation or consumer protection
- Transactions bypass regulation
- Highly speculative investments

Premium Finance Loan and Life Insurance Origination Programs are Susceptible to Practices Which Can Invalidate the Underlying Life Insurance Policy

.....Moreover, because the Portfolio consists of groupings of Policies that were originated in the same or a similar manner and in a limited number of states (in particular, California, Minnesota, Wisconsin and South Dakota although the insured may reside in other states), there is a heightened risk that an adverse court decision or other challenge or determination by a regulatory or other interested party

2. They Purchased Premium Financed Policies

LIMA LS PLC

From their Listing Particulars dated 12 August 2012

Premium Finance Loan and Life Insurance Origination Programs are Susceptible to Practices Which Can Invalidate the Underlying Life Insurance Policy

Most of the Policies that are likely to be included in the Portfolio are expected to have been originated through a number of premium finance loan and other origination programs. The Issuer cannot predict whether a state regulator, insurance carrier or other party will assert that any of the Policies in the Portfolio should be treated as having been issued as part of a STOLI transaction or otherwise were issued in contravention of applicable insurable interest laws.

LIMA LS PLC

From their Listing Particulars dated 12 August 2012

The Issuer has engaged the services of Fortress Investment Group (UK) Ltd (the "Portfolio Adviser") to perform certain advisory functions

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4. GARBAGE COLLECTION of our Industry

- Buying up distressed portfolios
- Paid pennies on premium dollar
- Lock in Profits if legislation passes



- **Fortress May Snag Two More Distressed Portfolios**

April 21, 2011 3:00 AM ET

Fortress Investment Group shocked the life settlement market when it snatched the \$6.2 billion **KBC Financial Products** portfolio out from under **Apollo Global Management** last October for just more than \$330 million, making what is considered the single biggest purchase of a distressed portfolio so far.

- **KBC Sells Portfolio to Fortress Investment**

November 18, 2010 3:00 AM ET

KBC Group said Nov. 10 it had signed an agreement with funds managed by **Fortress Investment Group** affiliates to sell them a life settlement portfolio held by **KBC Financial Products**.

The press statement did not disclose the purchase price for the \$6.2 billion portfolio and no one was immediately available in the firm's Brussels office for comment.

- **Fortress Buys SageCrest Portfolio for \$35M in Bankruptcy Auction**

May 06, 2011 8:00 PM ET

Fortress Investment Group, a New York-based global investment management firm, has won a bankruptcy auction for the **SageCrest** portfolio by putting in the winning bid of \$35 million.

The 123-policy portfolio with a face value of about \$500 million included a mix of premium-financed and traditional policies. Fortress was one of four bidders.

- **Fortress Takes Ownership of HM Ruby Portfolio**

June 16, 2011 3:00 AM ET

Fortress Investment Group has taken ownership of the \$1.36 billion **HM Ruby Fund** portfolio, according to a person knowledgeable about the situation. The fund manager, **Himelsein Mandel Fund Management**, had defaulted on a \$65 million loan from Fortress on Dec. 10, forcing Fortress to put up the 195-policy portfolio for auction. The auction closed June 2. HM Ruby owed Fortress between \$80 million and \$89 million for principal and interest and premium payments since the hedge fund defaulted on the loan. people with knowledge of the matter previously said.