Security for the future

To help protect settlement recipients from financial misfortune, a concept called structured settlements was developed in the early 1970's. A structured settlement is an agreement between parties, pursuant to existing Internal Revenue Regulations, which provides tax-free payments for an agreed upon period of time or for the life of the claimant. Structured Settlements are based on a financial plan for immediate cash and future tax-exempt payments which take into consideration the future needs of the injured party. Structured Settlements are also designed by the claimant in order to maximize their settlement by receiving secure and tax-free payments.

Physical, personal injury settlements are considered tax-free by the Internal Revenue Service. With a qualifying structured settlement, the annuitant receives a tax-free accrual of interest for the life, or term, of the annuity.

Most structured settlements include cash for the claimant and for attorney fees, if applicable. The Defendant and/or their Insurer purchases one or more annuities from a highly rated life insurance company, which in turn, makes the scheduled periodic payments.

The guaranteed annuity payments may be made for virtually any length of time, even for the recipient's lifetime. In the event of the individual's death, a guaranteed portion of the settlement may be made to the estate or a named beneficiary such as a relative or child. The plan may even defer funds in cases involving minors or be designated to a beneficiary such as a scholarship fund or religious organization. Inflation can be countered by including periodic increases in the benefit package or providing lump sums at future dates. A structured settlement may be designed to include an educational fund, retirement income, or even mortgage payments.

One of the most important benefits of structured settlements is the protection they offer. Regardless of what happens to the stock market, the economy, or interest rates, the benefits from a structure are guaranteed.

Settlement funds can disappear in a number of ways, including bad investments, loans to friends and relatives, and unwise or frivolous purchases. Because a structured settlement is a guaranteed source of tax-free funds, it is very difficult for even the sophisticated investor to match the guaranteed rate-of-return generated by a structured annuity.

What is a Structured Settlement?
Structured settlements are a unique and innovative method of compensating injury victims ("claimant/plaintiffs") using streams of payments, exempt from gross income taxes, which are tailored to meet the claimants/plaintiff's future medical expenses and basic living needs. Encouraged by the U.S. Congress since 1982, structured settlements are mutually agreed upon between the claimant/plaintiff and the defendant and/or the defendant's insurer at the time of a tort settlement. Structured settlements are a proven, effective solution for the needs of the claimant/plaintiff, and are promoted by judges, attorneys, claims professionals, and the public at large.

• A structured or periodic payment settlement is defined as: "Any series of payments made other than a single lump sum amount, at the time of settlement."

• It is a financial package designed for the plaintiff, and is agreed to be paid by the defendant or its insurer. It is limited only by the ingenuity of those involved. In its most fundamental form, a defendant or its insurer agrees to make future periodic payments to the plaintiff. Once this has been accomplished, in most instances, the defendant then funds his obligation by the purchase of an annuity.

What are the benefits of a Structured Settlement to the claimant/plaintiff?
Structured settlements provide guaranteed streams of income to the claimant/plaintiff that are completely tax-free. The claimant/plaintiff avoids the risk of mismanagement of their funds which can result in financial loss and hardship. This security and stability enables the claimant/plaintiff to have peace of mind, knowing that their payments will be received on the scheduled dates, and further allows them to tailor the annuity to meet their specific life needs in the future. With the use of a lifetime annuity, a claimant/plaintiff can ensure that he/she will never outlive the stream of income as the payments will continue until the time of death.

What are the Federal Tax Rules which govern the use of Structured Settlements?
In the Periodic Payment Settlement Act of 1982, the U.S. Congress adopted specific tax rules to encourage the use of structured settlements to resolve physical injury tort cases. Internal Revenue Code Section 104(a)(2) was amended to clarify that periodic payments constitute damages which are tax-free to the injured party. Furthermore, Internal Revenue Code Section 130 was adopted to provide a process where injured parties could receive a stream of income into the future from a financially secure and experienced institution through a "Qualified Assignment". In order to protect the public, Congress specified in IRC Section 130 the requirements to establish a qualified assignment:

• The Assignee assumes the liability from the defendant and/or their insurer

• The payments are fixed and determinable

• The payments cannot be accelerated, deferred, increased or decreased, or otherwise altered after the agreement is finalized

• The Assignee's obligation is no greater than that of the defendant and/or their insurer at the time the agreement is finalized

• The periodic payments are excludable from the claimant/plaintiff's gross income under IRC Section 104(a)(2)

• The injury must be a result of physical injury or sickness

• A qualified funding asset, i.e. an annuity or U.S. Government obligation, must be used to fund the periodic payments

What is a "Qualified Assignment"?
The defendant and/or the defendant's insurer may transfer the obligations to make the future periodic payments to a third party through the use of a "Qualified Assignment". In this process, the future obligations are transferred from the defendant and/or the defendant's insurer, to an affiliated institution of the life insurance company where the annuity has been placed. Upon the execution of this assignment, the defendant and/or the defendant's insurer can close its books on the case. This assignment is referred to as "Qualified" because it enables the claimant/plaintiff to receive favorable tax treatment under IRC Section 130(c), which will be discussed later. This process benefits the claimant/plaintiff because the assignment company specializes in structured settlements and may offer additional financial security. In addition, this process benefits the defendant and/or the defendant's insurer because it relieves them of future responsibility for the periodic payments.

In what types of cases can a Structured Settlement be used?
The traditional tax-free structured settlement can be used in any case resulting in physical injury or sickness to the claimant/plaintiff as a result of a tort action. It can also be used in wrongful death actions, where surviving family members are involved in litigation. In most states, traditional structured settlements can also be used in Worker's Compensation cases; however, the use of Qualified Assignments needs to be evaluated on a case-by-case basis due to specific state and federal regulations.
Cases involving minors should always consider the use of a structured settlement, as it provides payments to coincide with important life events such as college, the need to purchase reliable transportation, a home and start a family.

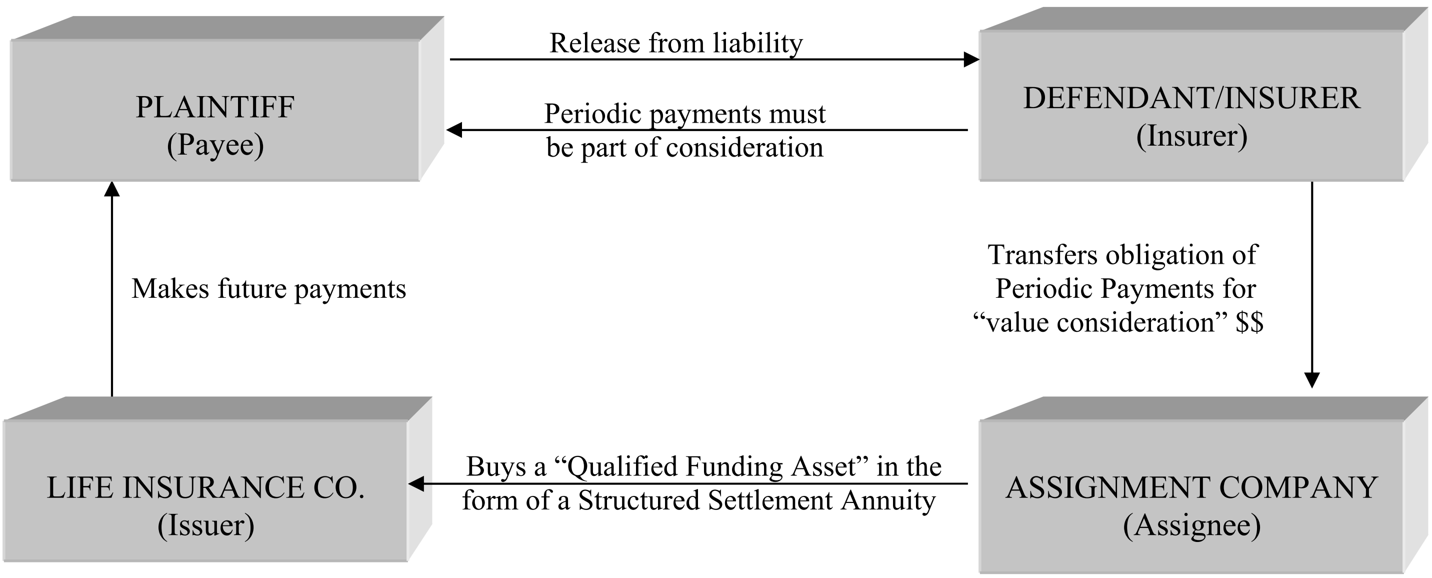
How do I know that I am getting the best annuity available?
With access to every life insurance company in the structured settlement marketplace, VanFleet Settlements guarantees that the best annuity rates will be provided to the claimant/plaintiff along with the name and ratings information of the life insurance company where the annuity would be placed. In addition, VanFleet Settlements will provide you and your attorney with benefit comparisons of the other similarly rated life insurance companies.

What would happen to my Structured Settlement and annuity payments in the event of my death?
Most annuities guarantee benefits whether the claimant/plaintiff is living when a payment is due or not. Even annuities that provide a lifetime income can be established to provide a guaranteed period for a certain minimum number of years. For example, an annuity providing monthly payments for life with a guarantee period of 20 years would pay for at least the first 20 years. If the claimant/plaintiff were to die after five years, the monthly benefits would continue to the claimant/plaintiff's beneficiary for the remaining 15 years of the guaranteed period. If the claimant/plaintiff lives past the first 20 years, the monthly payments would continue until his/her death. Period certain annuities and lump sum payments are guaranteed regardless of whether the claimant/plaintiff is living or not; any payments to be made after the death of the claimant/plaintiff would be paid in full on the scheduled dates to the designated beneficiary.

What happens if the life insurance company my annuity is placed with goes out of business?
Structured Settlements are perhaps the most secure and conservative investment vehicle available to claimants, thus the universal support for the product by all parties. While the primary obligation to make the identified payments falls upon the life insurance company to which premium was submitted, secondary guarantees are in place to ensure funding in the event that the primary company becomes insolvent. In the unlikely event that the primary life company were to default, payments would be assumed by the secondary company, ensuring structured settlement payments are made on time.

VANFLEET SETTLEMENTS, LLC

STRUCTURED SETTLEMENT FLOW CHART



VANFLEET SETTLEMENTS
PO Box 4627 ▪ Cave Creek, AZ 85327 ▪ Phone 602-793-3525 ▪ Fax 602-396-4000
sara@vanfleetsettlements.com