



SOMERSET

WEALTH STRATEGIES

*Secondary Market
Income Annuities*
(SMIA)

Buyer's Guide



PEACE OF MIND THROUGH FINANCIAL INDEPENDENCE

At Somerset Wealth Strategies we specialize in protecting our clients' retirement nest egg which is at the very core of our process. While most other advisors focus on a balanced approach of stocks and bonds, coupled with various disciplines for managing your money, we at Somerset believe this balanced approach leaves the equity portion exposed to risk and the fixed portion doomed to underperform once fees are factored in. At Somerset Wealth, our strategies aim to protect your downside on the equity portion of your portfolio. We feel to do otherwise is unacceptable and therefore utilize Secondary Marketplace investments to create what we believe are superior returns and superior safety to other advisors' approaches.

10 Facts to Know

1. **Secondary Market Income Annuities (SMIA) can provide above average returns for the fixed income portion of a balanced portfolio compared to investments of a similar risk.**
2. **SMIAs can be purchased with Pre-tax or After-tax funds.**
3. **SMIA payments are contractually promised, and are not projections. The stream of payments purchased is calculated to provide the interest rate stated over the term of the payments based on the purchase price paid.**
4. **SMIAs have no hidden administrative fees.**
5. **A SMIA will provide payments, according to the purchase agreement, to you and/or your heirs.**
6. **SMIA transactions are not widely known to the general public nor are they easily accessible to individual buyers.**
7. **All SMIAs are scrutinized by a court of law and require court approval.**
8. **Most often, the payment stream is paid directly to the Buyer by a U.S.-Based Insurance Company with a claims paying ability rating that is generally AAA to A rated by Standard and Poor's or the State Lottery Commission.**
9. **SMIAs are paid out in U.S. Dollars. Foreign Buyers may be subject to currency exchange risk.**
10. **Every Buyer's situation is unique. Before making any investment decision, many factors should be considered.**

What is a Secondary Market Income Annuity?



At A Glance

Secondary Market Income Annuities (SMIA) are sold by structured settlement annuitants through a court approved and regulated process to our affiliate partners at a discount in exchange for a lump sum payment.

Somerset Wealth Strategies, in turn, offers these SMIA for resale at a fixed rate of interest and fixed term to astute Buyers such as you. Each transaction is vetted via a rigorous review by our legal counsel.

For simplicity sake, Immediate Annuity Income Streams, Factored Structured Settlements (FSS) and Lottery winnings are collectively referred to as a **SMIA** (“Secondary Market Income Annuity”).

Immediate Annuity Income

These are existing immediate annuities whereby the original purchaser has decided to sell his/her existing payment stream in exchange for a lump sum of cash. This asset is typically not liquid and has no commutable value whereby the investor can “put” it back to the insurance company. So the original purchase looks to the secondary markets to supply the liquidity in exchange for the remaining payments. Unlike FSS and Lottery Winnings, transferring from seller to buyer does not require any type of court approval.

Factored Structured Settlements

Factored Structured Settlements (FSS) exist as a result of a settlement of a lawsuit. An FSS is a contract issued by an insurance company as part of a structured settlement to fund the payment of damages for personal injury to a plaintiff over a period of time. It guarantees the holder or annuitant a payment stream over a fixed term at a fixed rate of interest. Unless otherwise specifically stated, the Fixed Term Annuity is paid regardless of whether the measuring life is alive or deceased, meaning these payments are Not life contingent.

Lottery Prizes

Lottery prizes are routinely offered to the winners as an annuitized payment. The deferred payout generally involves the payment of a prize over as much as a thirty-year period with installment payments made on an annual basis to the lottery winner.

Typically, a state lottery will fulfill its obligation to make the annuitized payments by the segregation and purchase of treasury securities that correlate to the maturity dates of the installment payments due to the winner. In other cases, the lottery may purchase annuities or guaranteed investment contracts issued by highly rated, nationally recognized life insurance companies such as The Prudential Insurance Company of America. Through SMIA’s, the Buyer acquires the right to receive lottery payments directly from the state lottery, in place of the original winner, by contracting with the winner to provide that winner with a lump sum of cash today. These assignments are court ordered and acknowledged by the particular state lottery commission. This practice has occurred for over two decades and there is no known instance of a default in payments under this process.



Is this Investment Right For Me?

If you are looking for an investment that can provide above average returns for the fixed income portion of a balanced portfolio, and are in a financial position to hold an illiquid investment with a specific income/return structure, you should consider a SMIA.

What are the benefits of purchasing a Secondary Market Income Annuity?

SMIA's guarantee you a payment stream over a fixed period of time, at a fixed rate of return, so this investment is generally considered to be a good vehicle for "safe money" savings. Insurance companies invest the funds primarily in government securities and high-grade corporate bonds which provide guaranteed interest rates. Somerset WS only offers SMIA from insurance companies which have the highest Standard & Poor's credit ratings, making the Secondary Market Income Annuities we offer one of the safest forms of fixed term purchases available today.

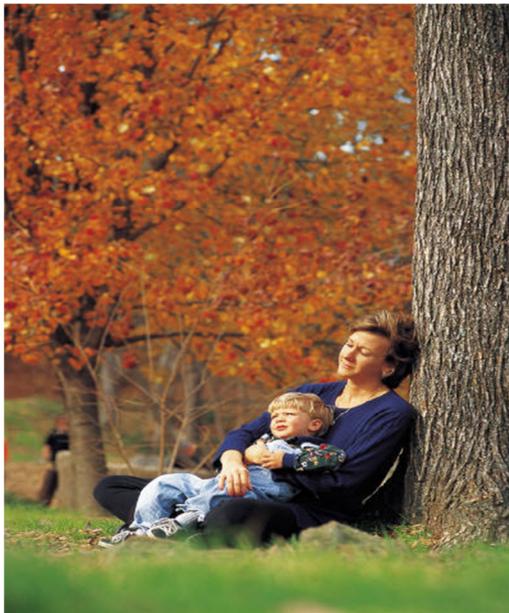
Can I sell the payment stream at a later date?

Once you purchase a Secondary Market Income Annuity, you must hold it to the completion of its term. SMIA's offered by Somerset WS are generally not liquid or marketable. The transfer court order states there are no further assignment rights.

What are the risks?

Like other financial products, Secondary Market Income Annuities are not risk-free. As a Buyer, you must determine whether a SMIA meets your risk tolerance and purchase objectives. The following are risks generally associated with Secondary Market Income Annuities:

- The security of the SMIA is directly related to the financial health of the insurance company that issued the annuity and its ability to pay claims as well as the terms of the court order that accompanies each transaction. The court may not approve the transfer of the SMIA so the sale to you may not be completed.



- SMIA's are not deposits and are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other federal government agency. They may be partially guaranteed by State Guaranty Associations but Somerset Wealth Strategies makes no representations or warranties in this regard.

- SMIA's are subject to interest rate risk. Market interest rates may rise while the rate of return on the SMIA is locked in. Fixed income purchases with longer terms to maturity are usually more sensitive to changes in interest rates. One method of hedging interest rate risk during a volatile rate period is to build an annuity ladder by buying a series of SMIA's over an extended period of time, thereby averaging the rates of return.

- SMIA's typically must be held to term and therefore are not liquid purchases.

10 Should-Ask Questions:

- Is this Investment right for me?
- What are the benefits of purchasing a Secondary Market Income Annuity?
- Can I sell the payment stream at a later date?
- What are the risks?
- How do I become a Buyer?
- What are the income tax considerations for me as a Buyer?
- Who makes the payments to me?
- What benefit do I gain by working with Somerset WS to arrange the purchase of these Secondary Market Income Annuities?
- What is the typical term and purchase amount?
- Why are rates of return on the Structured Settlements generally higher than similar annuities?



Who makes the payments to me?

SMIA payments are paid directly to you by a U.S. based insurance company with a credit rating that is generally AAA to A rated by Standard & Poor's. In the case of Lottery offers, payments are paid directly to you from the state lottery. The purchase and sale of annuity payments is governed by state law and must be approved by a court which issues an order redirecting payments to you, the Buyer. A judge will review the proposed transfer and only issue the court order if it is in the best interests of the Existing Annuitant. Unless specifically stated, the annuity payments are not life contingent.

What benefit do I gain by working with SomersetWS to arrange the purchase of these Secondary Market Income Annuities?

Each transaction SomersetWS handles is vetted via a rigorous attorney review. As the leading provider of Secondary Market Income Annuities, our due diligence and individual attention to each case sets us apart from the rest in protecting you, the customer. Our transaction process has been designed to protect the Buyer.

What is the typical term and purchase amount?

The present value of a Secondary Market Income Annuity is generally between \$50,000 and \$150,000 but can be higher or lower. Terms can range from 1 to 35 years but typically are 5 to 20 years.

Why are rates of return on the SMIA's higher than those offered on annuities purchased directly from insurance companies today?

The rate of return on a SMIA is typically higher than the rate available on annuities newly purchased directly from insurance companies today because a SMIA has been previously owned with attributes such as payment term and payment amounts that cannot be changed. Additionally, a SMIA is transferred for the present value of future income payments. The present value is determined by what the Existing Annuitant, or the Seller, will accept and what a Buyer will pay.





Five Tips:

1. Ask questions.
2. Know your financial goals.
3. Use only funds you can afford to have committed for the duration of the terms of the settlement.
4. Be flexible.
5. Relax- you've just made a great decision for the future.

PROCEDURE FOR BUYING OUR PRODUCTS

- Cases are available for purchase via regular submission of cases via the Somerset Offer Sheet. These cases are available on a first come-first serve basis. If you see a particular offer on our offer list that interests you, call your advisor to reserve the offer immediately. Once the offer is submitted, that case is taken off the market and is reserved exclusively for you.
- Provide Buyer information – to comply with all federal laws and regulations and to help fight the funding of terrorism and money laundering activities, Somerset Wealth Strategies must obtain, verify, and record information that identifies each person or legal entity who opens an account via our SMIA Purchaser Information Worksheet
 - Nothing in this document shall be considered a solicitation to buy or an offer to sell a SMIA, or any other product or service, to any person in any jurisdiction where such offer, solicitation, purchase, or sale would be unlawful. To be eligible to buy a SMIA, a foreign Buyer must have a U.S. Address, U.S. Tax ID, and U.S. bank account.
- Execute an Investor Agreement. This Agreement sets out the terms of the relationship between you, the Buyer, and Somerset Wealth Strategies and the transaction process.
- These transactions are court ordered and the judicial process can take between 30 and 90 days to complete. We will notify you of the court date for judicial approval of the assignment – which means we will soon be able to fund and close this case in your name.
- Funding is usually done in two stages:
 - A \$5,000 deposit at the time the Buyer executes an Investor Agreement with Somerset Wealth Strategies.
 - 100% of the SMIA purchase is required 15 days prior to the court date. The funds will be submitted to our outside attorney's client trust account to be held there until the closing of the transaction.
- Once the court has reviewed and approved the assignment and we have received confirmation from the insurance carrier that the assigned payment(s) are now to be paid directly to you, the Buyer, our team of legal experts will underwrite the file based upon a set criteria to assure the Buyer is receiving an absolute assignment without encumbrance.
- Upon closing **-we** will provide the Buyer with an Investor Closing Book.

Definition of Terms

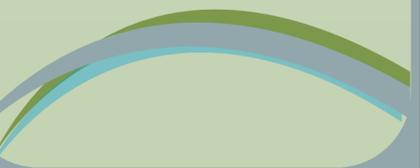
- **All amounts** – are expressed in U.S. Dollars
- **Annuitant** – refers to the person who sells the payment rights to a “structured settlement” annuity in return for a present value, lump sum cash payment. Such person is usually a personal injury victim awarded annuity payment rights as part of a structured settlement of his or her injury claim.
- **Average Life** – refers to the length of time that will pass before one-half of a debt obligation under a fixed term annuity has been retired.
- **Buyer** – the purchaser of the Secondary Market Income Annuity.
- **Collateral File** - contains all of the supporting documents for the SMIA. Retained by SomersetWS.
- **Credit Rating** – refers to the credit rating of the insurance company paying the Fixed Term Annuity as determined by Standard and Poor’s.
- **Investor Closing Book**- Contains the documents showing your ownership in the assigned payments.
- **Liquidity** – refers to the speed and ease with which an asset can be converted into cash.
- **Lottery prizes**- State lottery prizes are offered to the winners as an annuitized payment.
- **Present Value**- is the value on a given date of a future payment or series of future payments, discounted to reflect the time value of money and other factors such as investment risk.
- **Secondary Market Income Annuity** – SMIA – consists of Immediate Annuity Income Streams, Factored Structured Settlements and Lottery winnings.
- **Structured Settlement** – at its fundamental level, is a settlement of a lawsuit. Ultimately it is a financial or insurance arrangement in which an individual accepts payments over a period of years to resolve a legal claim that often involves a personal injury. This type of payment plan is often in the form of a structured settlement annuity, issued by a highly-rated insurance company.
- **Term** – refers to the length of time before all principal and interest are paid under the fixed term annuity.
- **We, us, our and Somerset Wealth Strategies, Inc.** refers to Somerset Wealth Strategies, Inc. and its associates.

Every investor’s situation is unique. Before making any investment decision, many factors, including investment goals, risk tolerance, and time horizon should be considered. Investing involves risk s, and profits or losses may be incurred regardless of strategy selected. The foregoing is neither a recommendation to buy or sell any individual security or any combination of securities nor a solicitation to purchase a SMIA. Please consult with a tax professional to understand the possible tax implications associated with the purchase of a SMIA. SMIA’s are generally considered long-term investments that are available from your financial professional. All guarantees are based on the claims-paying ability of the issuing company.

Our Responsibilities to you, the Buyer:

Overall business and operation of the SMIA transfer and sale process including:

- Completing the annuity transfer process, including obtaining a transfer court order, in accordance with U.S. State and Federal laws.
- Overseeing the transfer due diligence process as set out in the Sale and Assignment Agreement.
- Making sure all transactions receive legal review prior to closing on the case.
- Safeguarding the Buyer’s funds until the transaction closing.
- Closing the purchase of annuity payment rights with you, the Buyer, and providing a Closing Book containing the Court Order, Stipulation or Acknowledgment Letter, Amortization Schedule and the Structured Settlement Agreement/Benefits Letter.



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