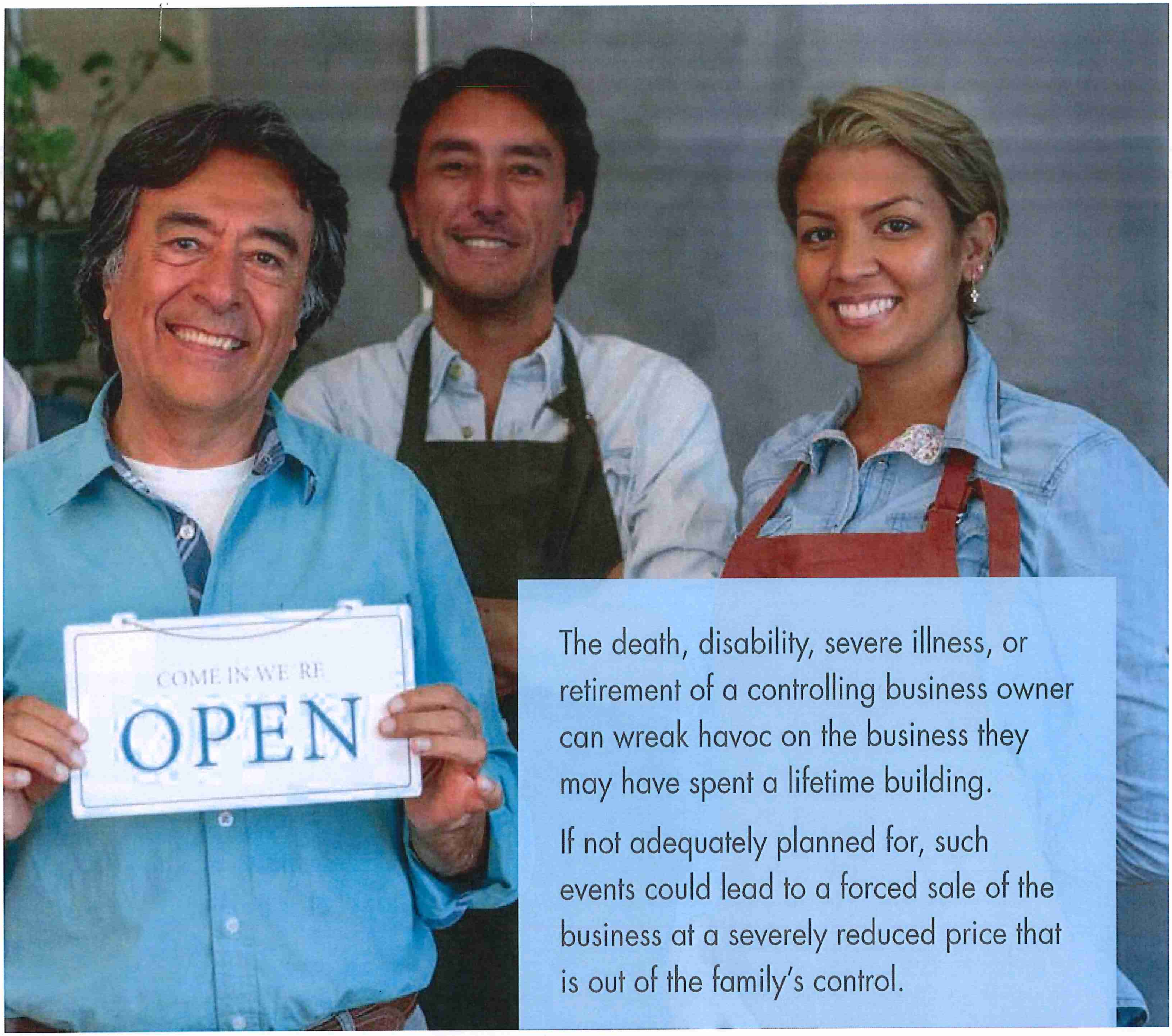


The death, disability, severe illness, or retirement of a controlling business owner can wreak havoc on the business they may have spent a lifetime building.

If not adequately planned for, such events could lead to a forced sale of the business at a severely reduced price that is out of the family's control.

Buy-Sell Agreement Reviews

American National Insurance Company
American National Life Insurance Company of New York

AMERICAN NATIONAL

10562

Every business owner or partner will eventually leave the business.

When that happens, the business should be prepared to transition to new ownership whether that is to existing owners, children in the business, key employees, or through a sale of the business. A Buy-Sell Agreement can provide an orderly road map as to how this will take place and under what terms it will occur. However, a Buy-Sell Agreement is only as good as its funding. If there is an agreement to have an owner bought out but no mechanism for funding the buyout, all the best made plans will fail.

What is a Buy-Sell Agreement?

A Buy-Sell Agreement is a contractual agreement that restricts the transfer of shares in a business. Usually, Buy-Sell Agreements provide the business or other shareholders the option to purchase the business interest of any owner who dies, retires, or becomes permanently disabled.

Often, the buyer is required to buy and the seller is required to sell under the agreement. In other situations it is set up so the other owners merely have the right of first refusal. In still other cases, the remaining owners have the first right to buy shares of the exiting partner and for any share they do not redeem, the company is required to purchase the remainder of the shares. In this way, each owner or their estate is restricted from selling shares to anyone other than the remaining owners or the company. It could also avoid a situation in which the remaining owners are in business with the deceased owner's family.

Buy-Sell Agreements can be setup in several different ways to meet the needs of the business. Different Buy-Sell Agreement structures are illustrated later in the brochure.

Advantages of a Buy-Sell Agreement Funded with Life Insurance

- Helps create a market for a closely held business.
- Assures continuation of the business that the owners worked so hard to create.
- Establishes a purchase price for each owner's interest in the business and, if the agreement is between non-family members, establishes the value of the business for estate planning purposes.
- Restricts outsiders from obtaining an interest in the business or control of the business.
- Allows co-owners the ability to purchase the exiting owner's interest.
- Insurance death benefit provides estate liquidity and cash to beneficiaries not involved in the business.
- The potential for Accumulation Value in an insurance policy provides a means of paying for interest if owner becomes disabled, retires, or leaves the business.
- Helps to avoid family disputes.
- Avoids disruption of the business after an owner's death.

Key Considerations of a Buy-Sell Agreement

- The agreement must be funded to be effective.
- If insurance is used as the funding vehicle, premium payments must be made to keep the life insurance policy in force, otherwise the life insurance policy will lapse.

Why Should a Buy-Sell Agreement be Reviewed?

1. The value of every company changes yearly. In order to reflect an accurate transition if the Buy-Sell is implemented, an accurate valuation is needed to avoid challenges to the Buy-Sell Agreement's legitimacy.
2. Goals may have changed since the initial implementation of the Buy-Sell Agreement.
3. Life insurance product features have changed dramatically over the past several years offering benefits which were previously unavailable such as coverage for terminal, critical, and chronic illness.

Does the funding of your current Buy-Sell Life Insurance Plan do any of the following?

Offer accelerated benefit options for terminal illness?	☐ YES	☐ NO
Offer accelerated benefit options for critical illness?	☐ YES	☐ NO
Offer accelerated benefit options for chronic illness?	☐ YES	☐ NO
Increase in value as your business value increases?	☐ YES	☐ NO
Pay an income tax-free lump sum at the death of an owner?	☐ YES	☐ NO
Offer to continue paying premiums automatically during a disability?	☐ YES	☐ NO
Offer a stream of income that may supplement retirement income of an owner?	☐ YES	☐ NO
Offer a stream of income to buy out an owner?	☐ YES	☐ NO

If any of these questions were answered NO, talk to your agent about obtaining a review of your current Buy-Sell Agreement at no cost to you.

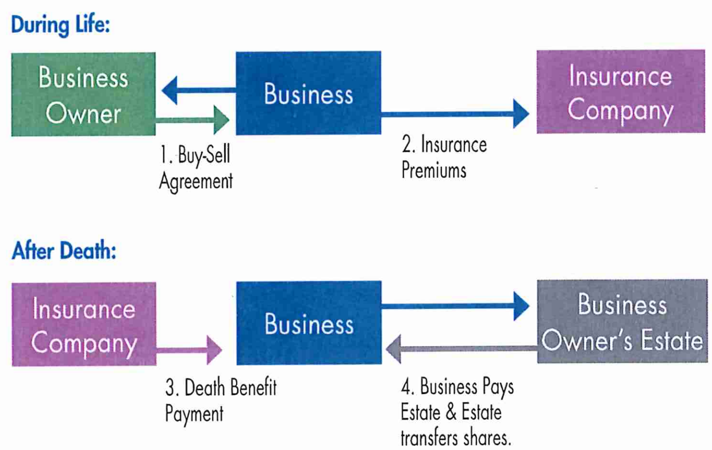
Types of Buy-Sell Agreements Funded with Life Insurance

Entity Purchase

(or "stock redemption arrangement")

A contract is created between the owners and the business in which the business agrees to purchase the shares of an owner that has to leave the business, and each owner agrees that they will sell their shares to the business.

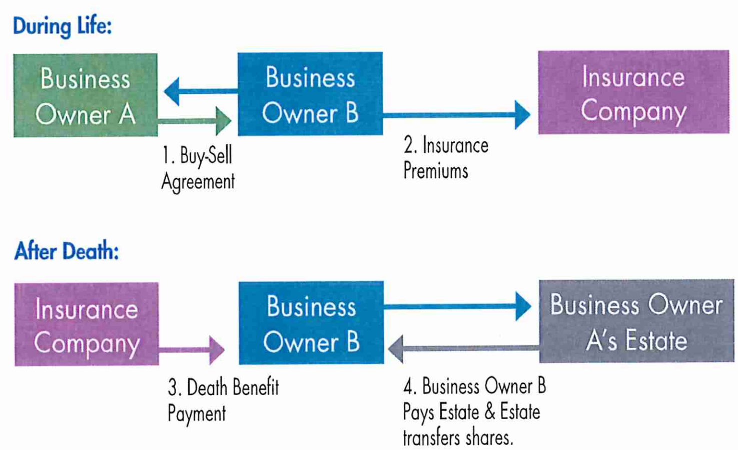
When life insurance is used to fund the agreement, the business purchases policies on each owner. At death, the business receives the death benefit and uses it to purchase the owner's share of the business from the estate.



Cross Purchase

A contract is created between the owners in which the owners agree to purchase the shares of an owner that has to leave the business and each owner agrees that they will sell their shares to the remaining owner(s).

When life insurance is used to fund the agreement, the owners purchase policies on each of the other owners. At death, the remaining owner(s) receive the death benefit(s) and use it to purchase the deceased owner's share of the business from the estate.



Wait and See (Hybrid)

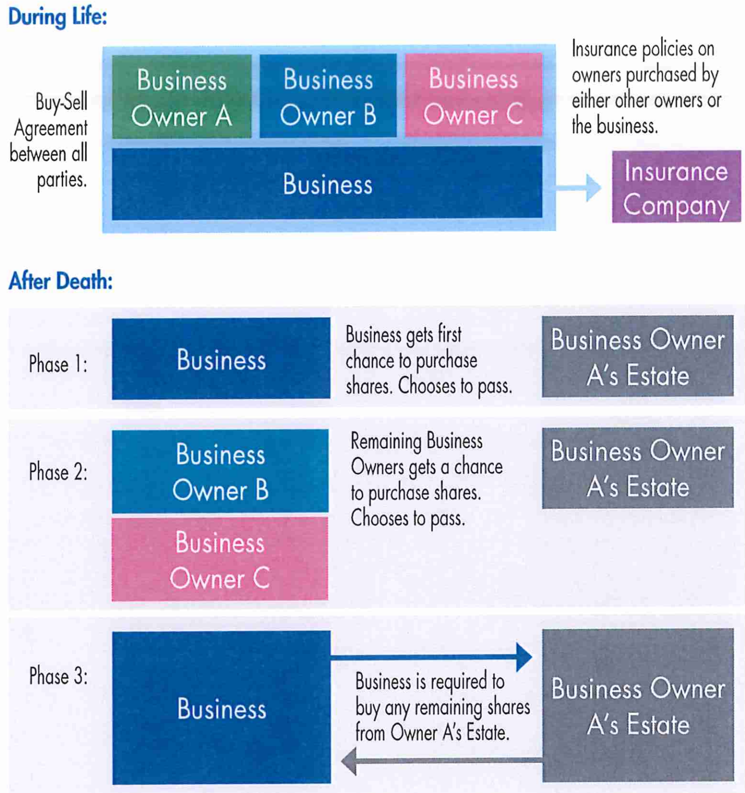
This method could be considered a hybrid of Entity Purchase and Cross Purchase. A contract is created between the owners and the business that can have multiple phases.

Phase 1: The business is given the first right to purchase the shares of the owner leaving the business. (similar to an Entity Purchase)

Phase 2: If the business chooses not to purchase the shares within a certain period of time, the remaining business owners agree to purchase the shares of the owner leaving the business. (similar to a Cross Purchase)

Phase 3: If the remaining owners do not purchase the shares, or if they only purchase a portion of the shares, the business is then required to purchase the remaining shares of the owner leaving the business.

How the agreement is funded can determine whether the business or business owners purchase the shares of the owner leaving the business. This method can provide flexibility for both the business and the business owners.



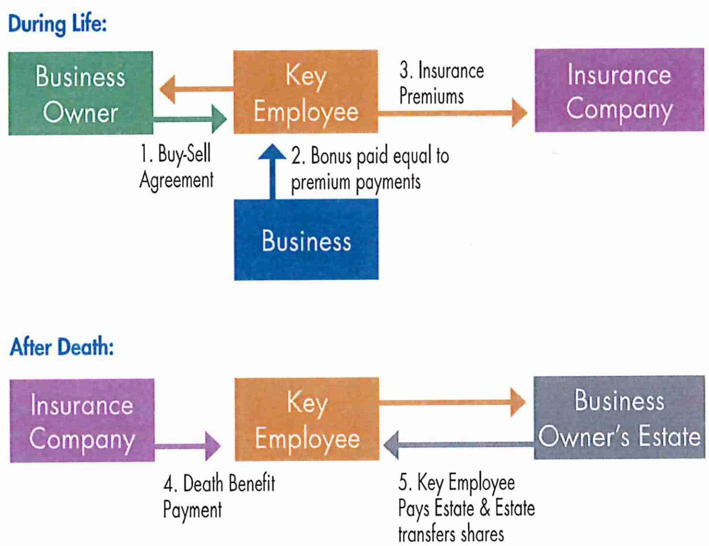
One-Way

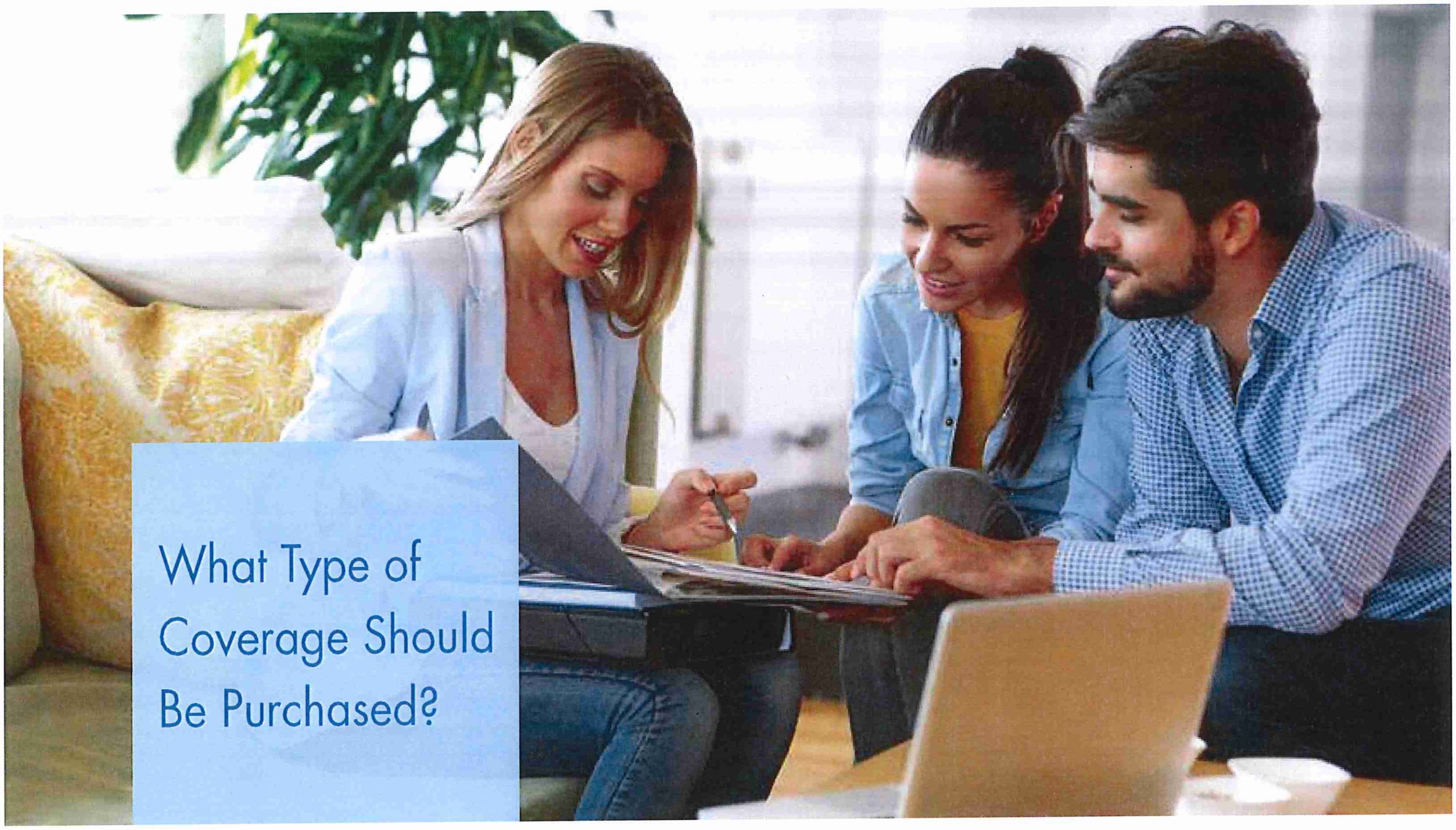
This method is generally used if there is only one owner with a potential buyer that is not an owner.

When life insurance is used to fund the arrangement, the buyer (often a key employee) will purchase, own, and be the beneficiary of a life insurance policy on the life of the business owner. In this situation, because there is generally only one business owner and one designated successor, only one life insurance policy is required to fund the arrangement.

The company will pay an annual bonus to the key employee in the amount of the annual premium to minimize the employee's out-of-pocket expense. The bonus payments may be tax-deductible to the corporation when they are paid, but the payment will also be taxable to the recipient.

At death, the key employee receives the death benefit and uses it to purchase the owner's share of the business from the estate.





Term Life Insurance

Term life insurance is pure insurance protection that pays a predetermined sum if the insured dies during a specified period of time. On the death of the insured, term insurance pays the face value of the policy to the named beneficiary. All premiums paid are used to cover the cost of insurance protection.

The term may be 1, 5, 10, 20 years, or longer and most expire at age 60 or 65. However, unless renewed, the insurance coverage ends when the term of the policy expires. Since this is temporary insurance coverage, it is the least expensive to acquire.

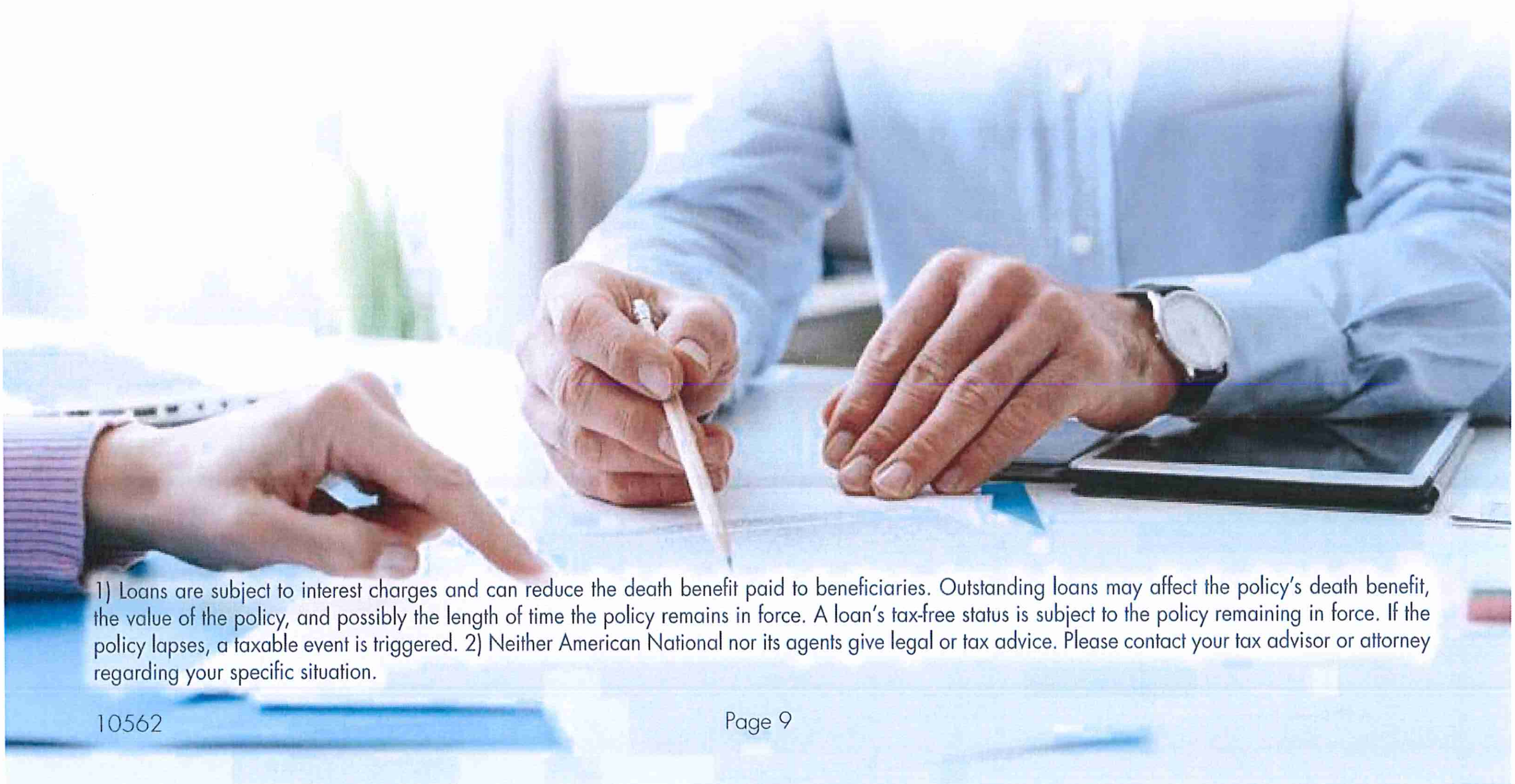
Main characteristics of term life insurance:
✔ Temporary insurance protection.
✔ Low cost.
✔ No cash value.
✔ Generally a level death benefit.
✔ Usually renewable.
✔ Convertible to permanent life insurance.

Permanent Life Insurance

Permanent life insurance provides lifetime insurance protection which does not expire as long as the premiums are paid. Most permanent policies offer a savings component combined with the insurance coverage. This component, in turn, causes premiums to be higher than those of term insurance. The savings component may offer a fixed interest rate or may be in the form of an indexed rate that is related to the performance of an exchange such as the S&P 500®. This savings portion of the policy allows the policy owner to build cash value within the policy which can be distributed at sometime in the future.

Main characteristics of permanent life insurance:
✔ Permanent insurance protection.
✔ More expensive to own.
✔ Builds accumulation value.
✔ May have an increasing death benefit.
✔ Tax-free loans are permitted against the policy.[1]
✔ Favorable tax treatment of policy earnings.[2]
✔ Level or flexible premiums.

For a comprehensive Buy-Sell solution, permanent life should be selected to enable the policy owner to use the cash value during retirement years as a buy out distribution to the retiring business owner.



1) Loans are subject to interest charges and can reduce the death benefit paid to beneficiaries. Outstanding loans may affect the policy's death benefit, the value of the policy, and possibly the length of time the policy remains in force. A loan's tax-free status is subject to the policy remaining in force. If the policy lapses, a taxable event is triggered. 2) Neither American National nor its agents give legal or tax advice. Please contact your tax advisor or attorney regarding your specific situation.

Accelerated Benefit Riders

Sometimes a business owner chooses to leave their business because they are diagnosed with an illness. When choosing life insurance to fund a Buy-Sell Agreement, consider the additional peace of mind that American National's Accelerated Benefit Riders (ABRs) for Terminal, Critical, and Chronic Illness can provide.

ABRs provide the potential to receive a partial or full accelerated life insurance benefit if the insured experiences a qualifying medical condition. This benefit is an unrestricted cash payment offered at no additional premium.[1]

Terminal Illness Rider

Provides for the payment of an accelerated benefit if an eligible insured has an illness or chronic condition that is expected to result in death within 24 Months.[1]

Critical Illness Rider

Provides for the payment of an accelerated benefit if an eligible insured experiences a critical illness. Covered critical illness includes 16 different illnesses (13 in CA; Not available in NY).

Chronic Illness Rider

Provides for the payment of an accelerated benefit if an eligible insured is unable to perform two out of six activities of daily living (2 of 6 ADLs) or experiences severe cognitive impairment.

1) See ABR Disclosure on the following page.

The S&P 500 Index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by American National Insurance Company. S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by American National Insurance Company. American National Insurance Company's products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

Accelerated Benefit Rider Notice:
Policy Form Series: ABR14-TM; ABR14-CT; ABR14-CH; ABR14-TM(NY); ABR14-CH(NY) (Forms may vary by state). Have your agent refer to rider forms for a complete list of illnesses and definitions. Some states may limit the definition of terminal illness to conditions that are expected to result in death within 12 months. The riders are offered at no additional premium. However, the accelerated payment will be less than the requested death benefit because it will be reduced by an actuarial discount and an administrative fee of up to $500. The amount of the reduction is primarily dependent on American National's determination of the insured's life expectancy at the time of election. Outstanding Policy Loans will reduce the amount of the benefit payment. The accelerated death benefit is an unrestricted cash payment. The Chronic and Terminal rider are intended to receive favorable tax treatment under 101(g) of the IRC. Receipt of a benefit could be a taxable event. You should consult a tax advisor regarding the tax status of any benefit paid under these riders. Receipt of Accelerated Benefits may affect your eligibility for Medicaid, supplemental security income, or other governmental benefits or entitlements. Before accelerating any benefit you should consult an advisor to determine the impact on your eligibility. Accelerated Benefit Riders are not replacements for Long Term Care Insurance. **This is a life insurance benefit that also gives you the option to accelerate some or all of the death benefit in the event that you meet the criteria for a qualifying event described in the policy. This policy or certificate does not provide long-term care insurance subject to California long-term care insurance law. The policy or certificate is not a California Partnership for Long-Term Care program policy. This policy or certificate is not a Medicare supplement policy.** Accelerated benefit riders ("ABR") and long-term care insurance ("LTCI") provide different types of benefits. An ABR allows the insured to gain access to a portion of the life insurance policy's death benefit while living and may be used for any purpose. LTCI provides reimbursement for necessary care received due to the inability to perform activities of daily living or cognitive impairment. Coverage may include reimbursement for the cost of a nursing home, assisted living, home health care, homemaker services, adult day care, hospice services, or respite care for the primary caretaker. The benefits may be conditioned on certain requirements or meeting an elimination period or limited by type of service, the number of days, or a maximum dollar limit. Benefits under some ABRs and all LTCI are conditioned upon the insured not being able to perform two or more of the activities of daily living or being cognitively impaired. California: See form 10741-CM for a more detailed comparison of benefits provided by an ABR and LTCI.

New York Chronic Illness Rider: This product is a life insurance policy that accelerates the death benefit on account of chronic illness and is not a health insurance policy providing long-term care insurance subject to the minimum requirements of New York Law, does not qualify for the New York State Long Term Care Partnership program, and is not a Medicare supplement policy.

American National Insurance Company, headquartered in Galveston, Texas is licensed to conduct business in all states except New York. Business is conducted in New York by American National Life Insurance Company of New York, headquartered in Glenmont, New York. Each company has financial responsibility only for the products and services it issues.