Klark Business Proposals

Standard Program

Klark
Proposal
Software
I N C

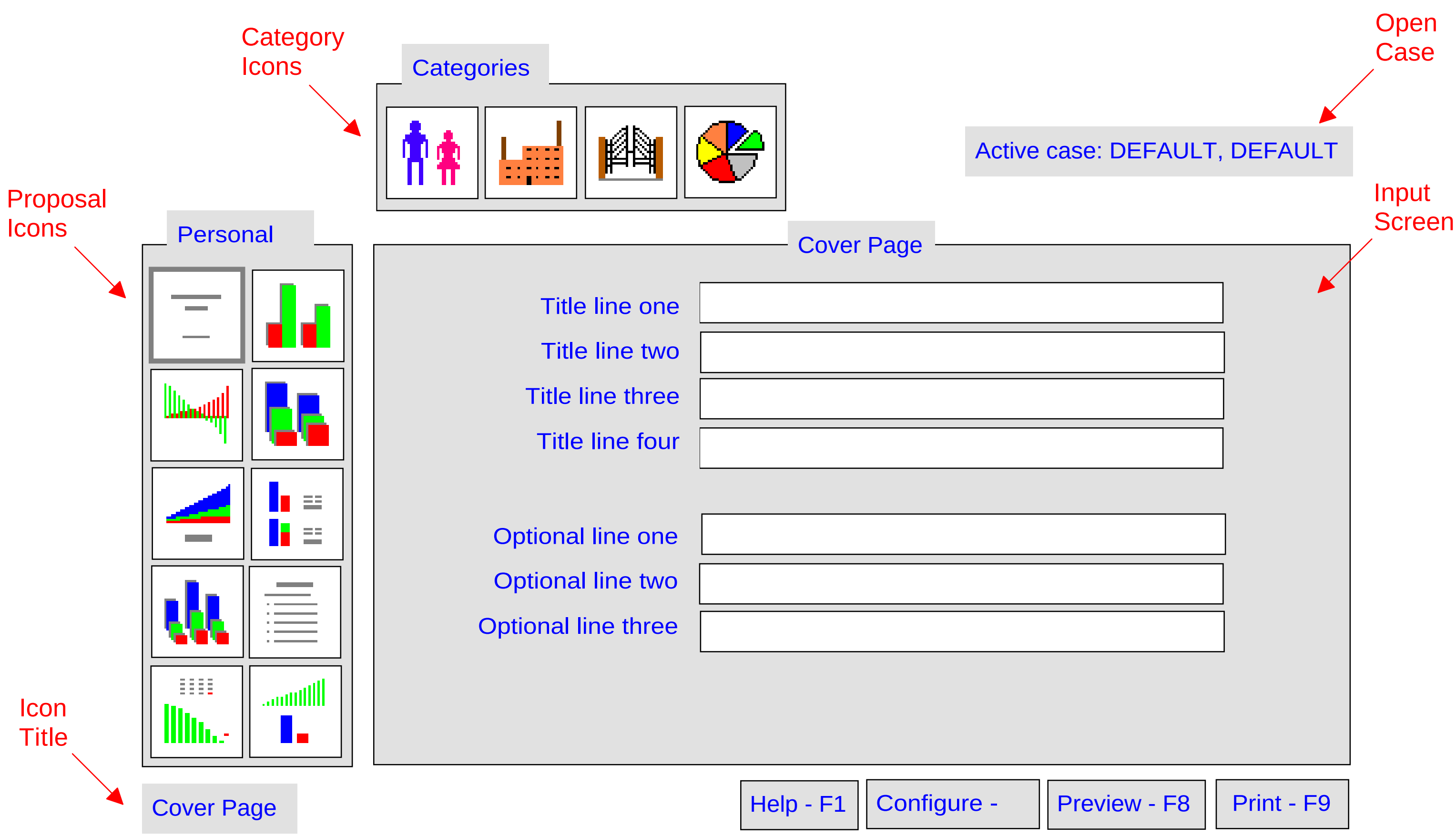
Phone: 800-289-5774
Web: www.klark.com

Klark Software: Using the Main Menu

- Click on a Category icon to configure the main menu for the program desired.

- Placing the mouse pointer on any icon displays its title in the lower left hand corner.
- Holding the mouse pointer on any icon for a few seconds results in a title tag being displayed.
- Use TAB to move between input fields, SHIFT+TAB to back up.
- DEFAULT, DEFAULT loads automatically. Change any inputs and save them to suit your needs.
- Notice the proposal icons (left side) reconfigure to match the category selected: Personal, Business, Estate & Due Diligence

Example: Personal Proposals, Cover Page



Klark Software: Getting Started

Installing the program

- Close all Klark programs that are open.
- Insert the CD-ROM. Installation should start automatically.
- If not, at the Windows desktop, click on "Start" then click on "Run..."
- Type "d:\install" (or the appropriate cd-rom drive letter) and click "Ok"

Klark License Key & Configuration

- At the Windows desktop, click on "Start" then click on "Programs"
- Click on "Klark Proposal Software" and start Klark.
- *If prompted:*

  At the License Key window, enter the information provided and click "Ok"
  Enter "State License number" or "Company label" if applicable to your state
  Adjust "Preview type" as desired
  Click "Ok"

Setting up your printer

- At the Klark main menu, click on "File" then click on "Print ..."
- Designate a color printer and click "Ok"
- If print times seem slow, give us a call. We'll verify your printer is configured correctly.

Case Management

- DEFAULT, DEFAULT loads automatically. Modify it's data to suit your needs. For example, you may want to adjust the "Optional lines" on the "Cover Page." Just enter the information and save the DEFAULT, DEFAULT case.
- At the Klark main menu, click on "File"
- Click on "Open case ..." (you'll notice sample cases already on your system)
- Highlight the case you wish to view and click on "Open"
- Sample inputs will be loaded for each proposal
- Highlight a proposal and press F8 to preview

Klark
Proposal
Software
I N C

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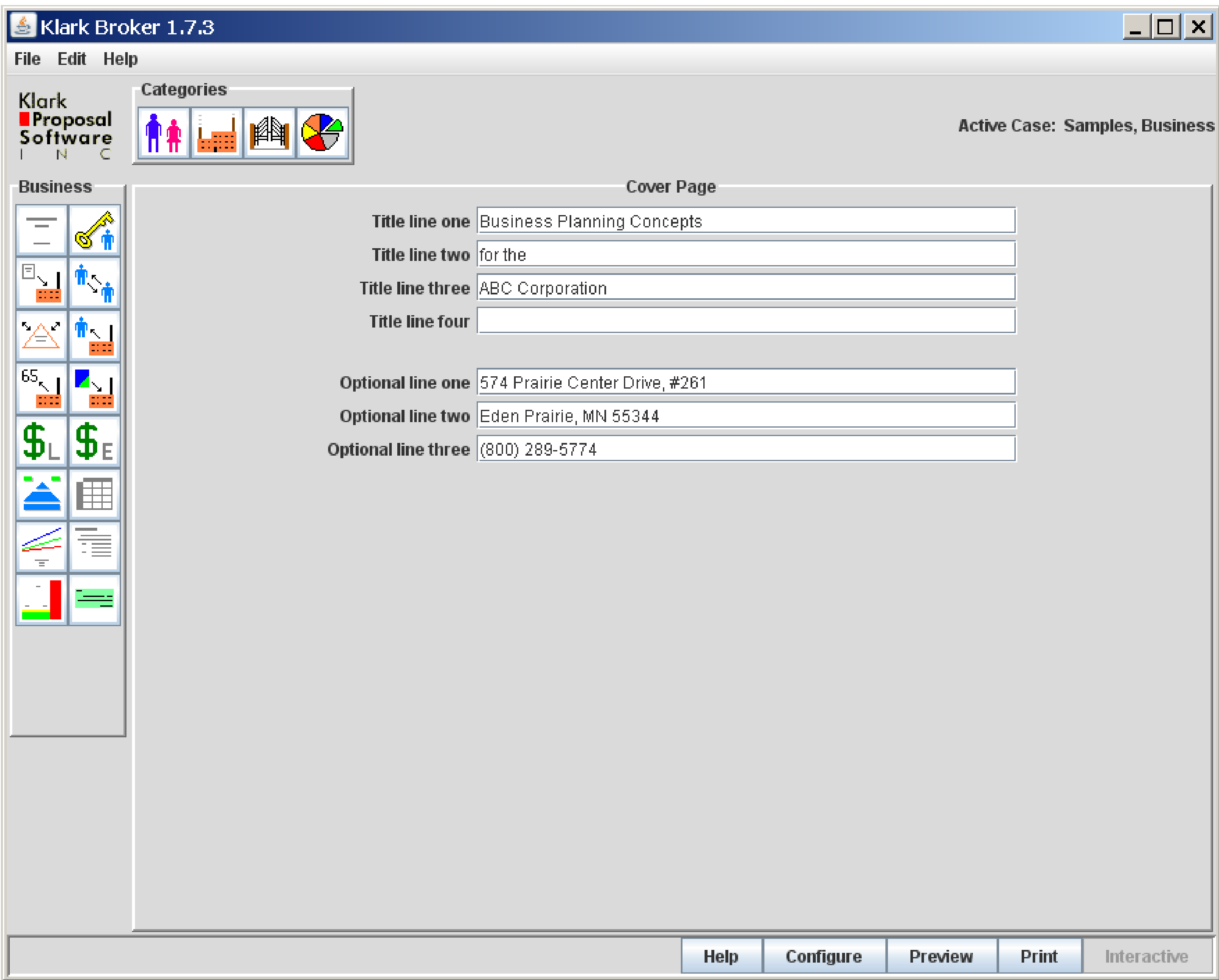
Cover Page - Input Screen

Select the following:



Business Planning Concepts

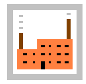
for the

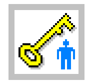
ABC Corporation

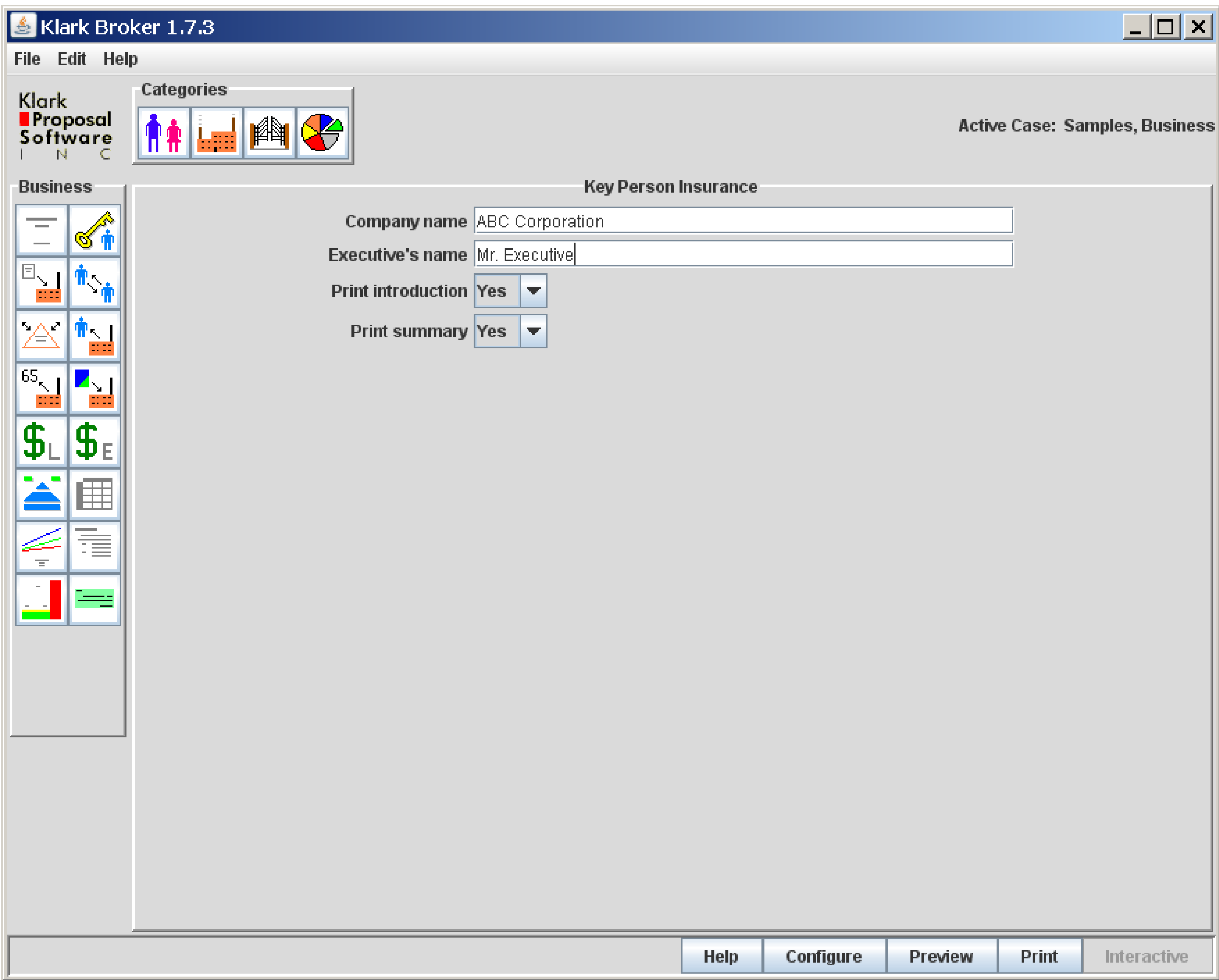
Prepared by
YOUR NAME HERE
574 Prairie Center Drive, #261
Eden Prairie, MN 55344
(800) 289-5774

Key Person Insurance - Input Screen

Select the following:







Key Person Insurance: Introduction

Prepared by YOUR NAME HERE

Most businesses don't think twice about insuring the physical assets of the business; although valuable to the company, they are replaceable. Without proper management, any business entity can be doomed to failure. When the success of a company is vulnerable to the loss of one or more key personnel, insuring the risk is only logical.

Andrew Carnegie once said:

> "You can tear down my buildings and destroy my machines, but leave me my men and I will rebuild my business."

Many companies purchase life insurance on their key people. This helps minimize the economic loss due to a key person's premature death.

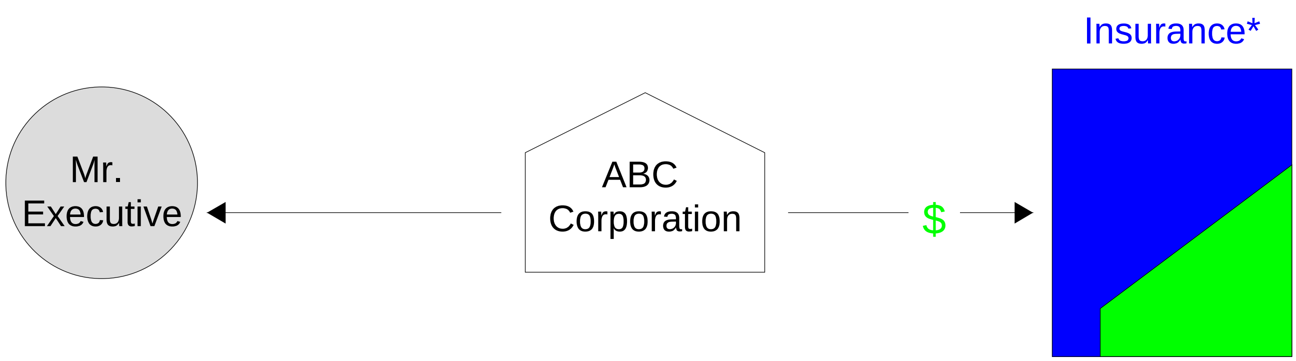
How does it work ? The company is owner, payor and beneficiary of a life insurance policy covering the key person. In the event of the key person's death, the company receives the death benefit that may be used to attract or train a qualified replacement, reinforce the company's financial stability or pay a survivor benefit.

Please consult with your legal or tax advisor for specific advice.

Key Person Insurance: ABC Corporation

Prepared by YOUR NAME HERE

While Alive



How It Works

- Company purchases life insurance on the key person.
- Company is the owner, payer and beneficiary.

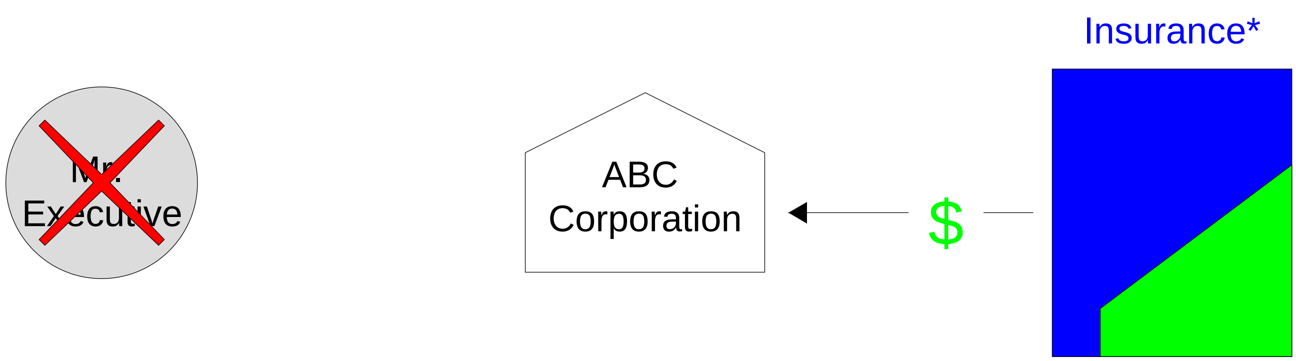
** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

Please consult with your legal or tax advisor for specific advice.

Key Person Insurance: ABC Corporation

Prepared by YOUR NAME HERE

Upon Death



What Happens

- Company receives death benefit** from life insurance policy.
- Proceeds may be used to:
  - Hire and/or train new executive.
  - Reinforce company's financial stability.
  - Pay a survivor income benefit.

* *The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

** *Under some circumstances, the proceeds received by a C Corporation may be subject to Alternative Minimum Taxes (AMT). Due to the "employer owned life insurance" rules of I.R.C. Section 101(j), the death benefit is generally income taxed unless the employer fulfills certain written "notice and consent" requirements with the insured before the policy is issued.*

Please consult with your legal or tax advisor for specific advice.

Key Person Insurance: Summary

Prepared by YOUR NAME HERE

<u>Advantages</u>

Upon the death of Mr. Executive:

- Helps offset the negative impact to sales and profits.
- Makes funds available to hire and train a replacement.
- Helps assure customers and employees the company will continue to operate.
- Demonstrates to shareholders, creditors and competition the character and foresight of present management.
- Minimizes the interruption of short term cash flow.

Mr. Executive lives until retirement:

- Permanent life insurance cash values may be carried as an asset on the company books.
- Permanent life insurance cash values may help informally fund non-qualified retirement plans, including deferred compensation plans.

<u>Disadvantages</u>

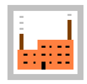
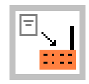
Funded with life insurance:

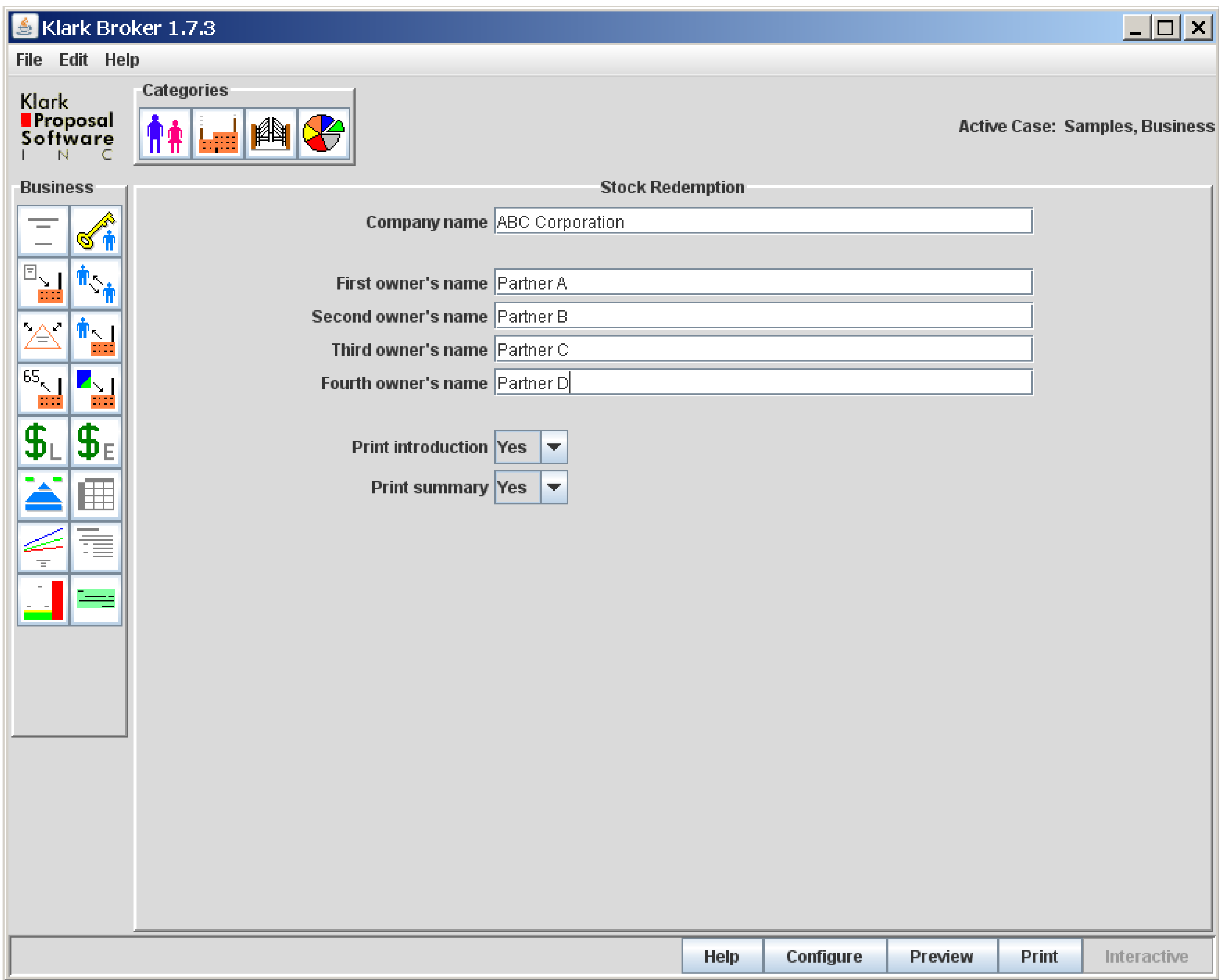
- Premiums are not tax deductible.
- Premiums reduce the amount of cash available for other purposes.
- Provide executive with notice and obtain consent of business owned policy per I.R.C. Section 101(j).
- Employer annually files Form 8925 disclosing amount of business owned life insurance on key person's life.
- C Corporation receiving death benefit may have proceeds subject to Corporate Alternative Minimum Tax.

Please consult with your legal or tax advisor for specific advice.

Stock Redemption - Input Screen

Select the following:



Stock Redemption: Introduction

Prepared by YOUR NAME HERE

A stock redemption agreement is a plan that provides for an orderly transfer of ownership when a business owner dies. The agreement requires the surviving owners to buy out the deceased owner's business interest.

Unfunded, the agreement creates an obligation to buy the stock without death benefit proceeds after a shareholder has died. However, funded with life insurance, an agreement can help solve many problems that arise with the death of a shareholder. A funded agreement helps accomplish the following:

1. Create an automatic market for each owner's interest.
2. Help predetermine the selling price of each owner's share of the business.
3. Help establish the value of each unrelated shareholder's business interest for estate tax purposes if I.R.C. Section 2703 tests are met.
4. Help assure creditors and employees of the continuation of the business.
5. Provide the money to fund the agreement precisely when needed.

How does it work ? Generally, the owners agree in writing that life insurance will be purchased on their lives in an amount equal to the value of their stock. The company purchases the life insurance and designates itself as the owner, payer and beneficiary of the policy.

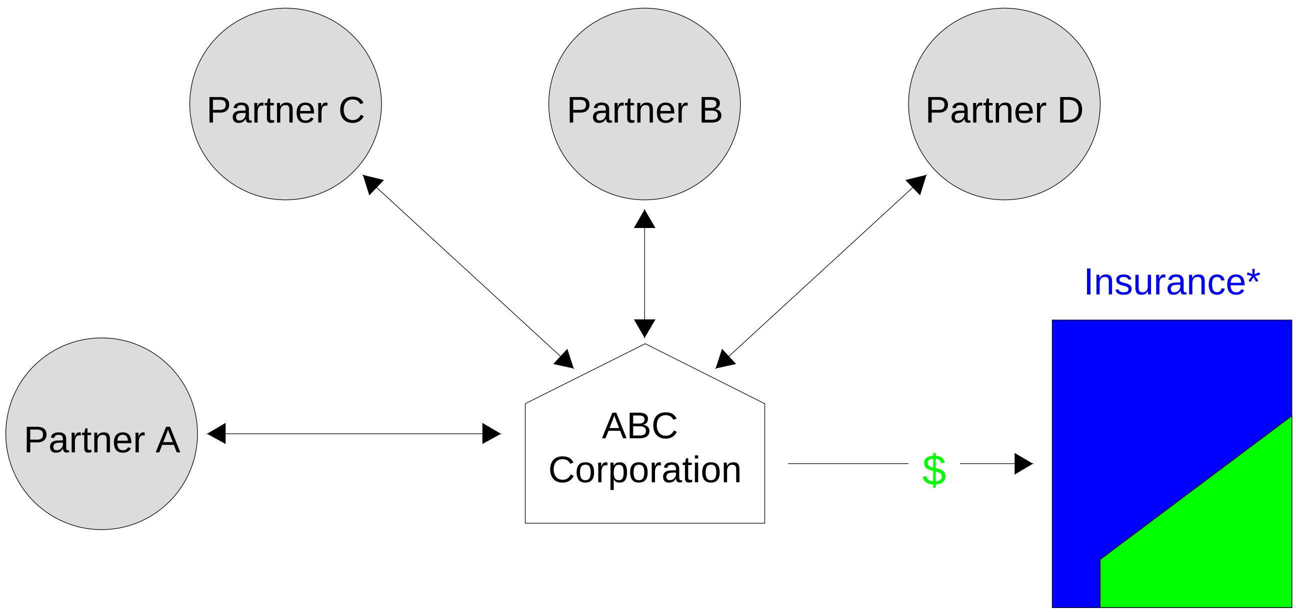
In the event of a shareholder's death, the death benefit will be paid to the corporation. The corporation then purchases the deceased shareholder's stock at the previously determined buy-out price.

Please consult with your legal or tax advisor for specific advice.

Stock Redemption: ABC Corporation

Prepared by YOUR NAME HERE

Under Redemption Agreement



How It Works

- Owners and company consent to buy-sell agreement.
- Company funds the agreement with life insurance on the owners.
- Company is the owner, payer and beneficiary of the policy on each owner's life.

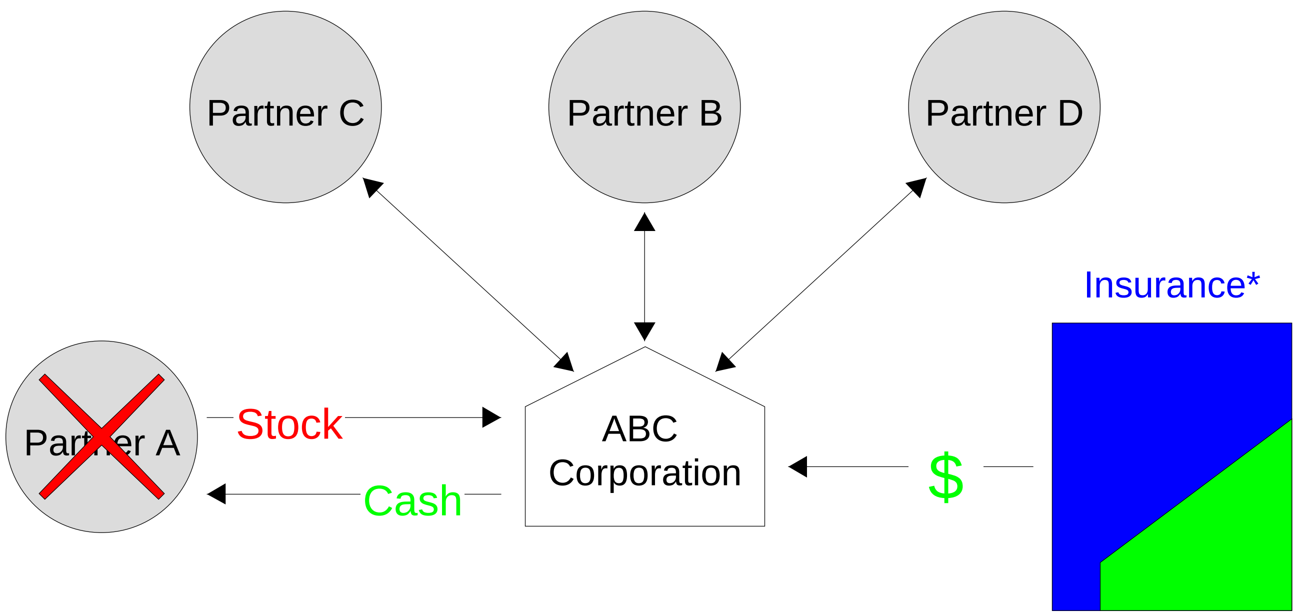
** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

Please consult with your legal or tax advisor for specific advice.

Stock Redemption: ABC Corporation

Prepared by YOUR NAME HERE

Upon Death of A Stockholder



What Happens

- Company receives death benefit from life insurance policy**.
- Deceased's ownership is purchased from the estate by corporation per the agreement.
- Stock is redeemed by corporation as treasury stock, increasing the value of outstanding stock for the current owners.

* *The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

** *Under some circumstances, the proceeds received by a C Corporation may be subject to Alternative Minimum Taxes (AMT). Due to the "employer owned life insurance" rules of I.R.C. Section 101(j), the death benefit is generally income taxed unless the employer fulfills certain written "notice and consent" requirements with the insured before the policy is issued.*

Please consult with your legal or tax advisor for specific advice.

Stock Redemption: Summary

Prepared by YOUR NAME HERE

Advantages

An entity purchase agreement can:

- Assure all owners of a market for their interest.
- Minimize potential conflicts about the purchase price and ownership issues.
- Prevent the surviving owners from becoming co-owners with a deceased shareholder's beneficiary.
- Help establish the value of the business for estate tax purposes, if the I.R.C. Section 2703 tests are met.

Funded with life insurance:

- The event that triggers the problem also triggers the solution.
- The deceased's family members need not rely on the continued success of the business in order to be compensated for their interest.
- Permanent life insurance cash values may be carried as an asset on the company books.
- Tax free death proceeds provide a cost effective way to fund the buy-out cost.*

Disadvantages

An entity purchase agreement can:

- Incur administrative legal expenses.

Funded with life insurance:

- Premiums are not tax deductible.
- Premiums reduce the amount of cash available for other purposes.

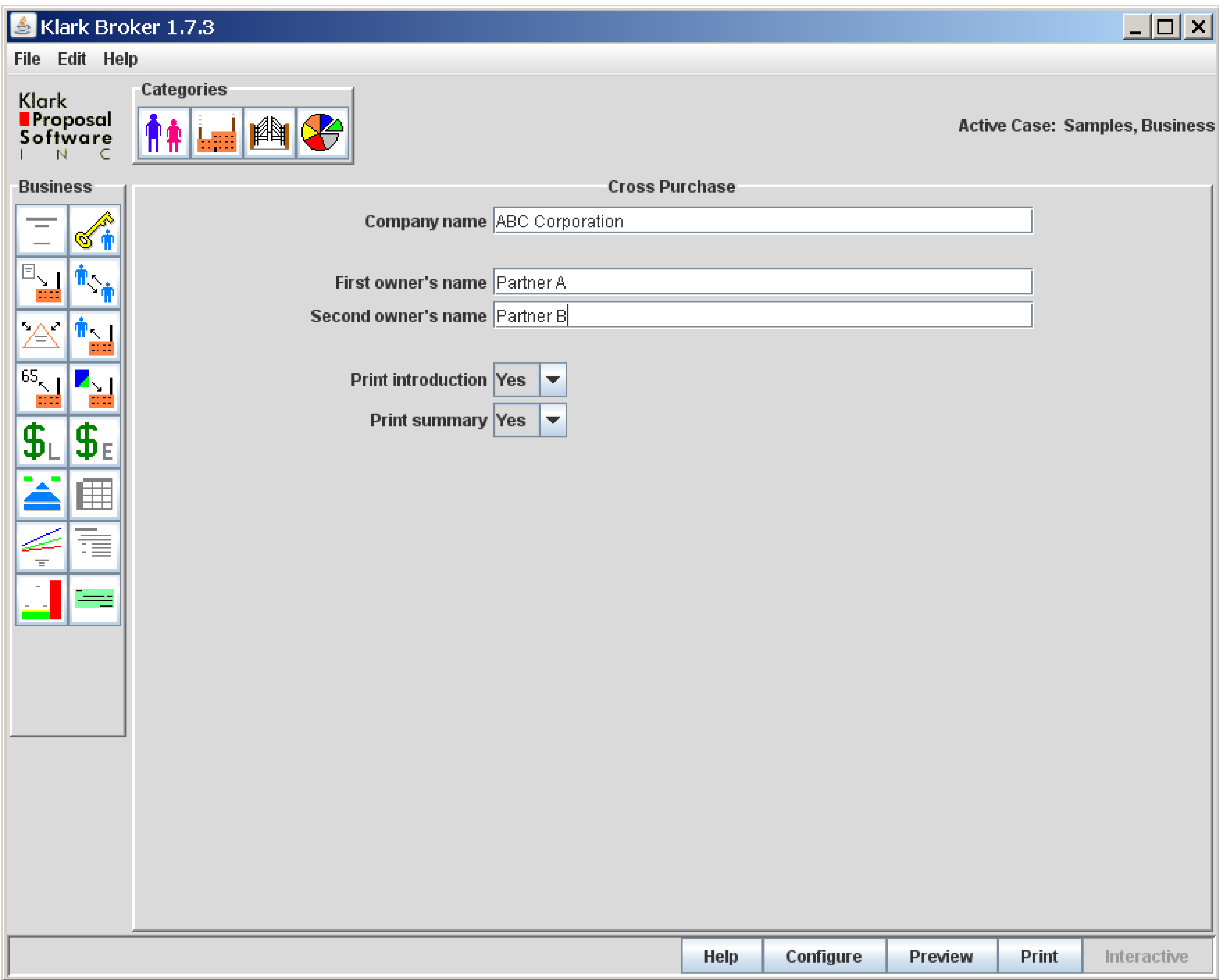
For C Corporations, the surviving stockholder's basis remains the same when the business purchases the deceased's interest.

** I.R.C. Section 101(j) rules must be met to allow a tax free death benefit.*

Please consult with your legal or tax advisor for specific advice.

Cross Purchase - Input Screen

Select the following:



Cross Purchase: Introduction

Prepared by YOUR NAME HERE

A cross purchase agreement is a plan that provides for an orderly transfer of ownership when a business owner dies. The agreement requires the surviving owners to buy out the deceased owner's business interest.

Unfunded, the agreement creates an obligation to buy the business interest without death benefit proceeds after a business owner has died. However, funded with life insurance, an agreement can help solve many problems that arise with the death of a business owner. A funded agreement can:

1. Create an automatic market for each owner's interest.
2. Predetermine the selling price of each owner's share of the business.
3. Establish the value of each unrelated shareholder's business interest for estate tax purposes if I.R.C. Section 2703 tests are met.
4. Help assure creditors and employees of the continuation of the business.
5. Provide the money to fund the agreement precisely when needed.

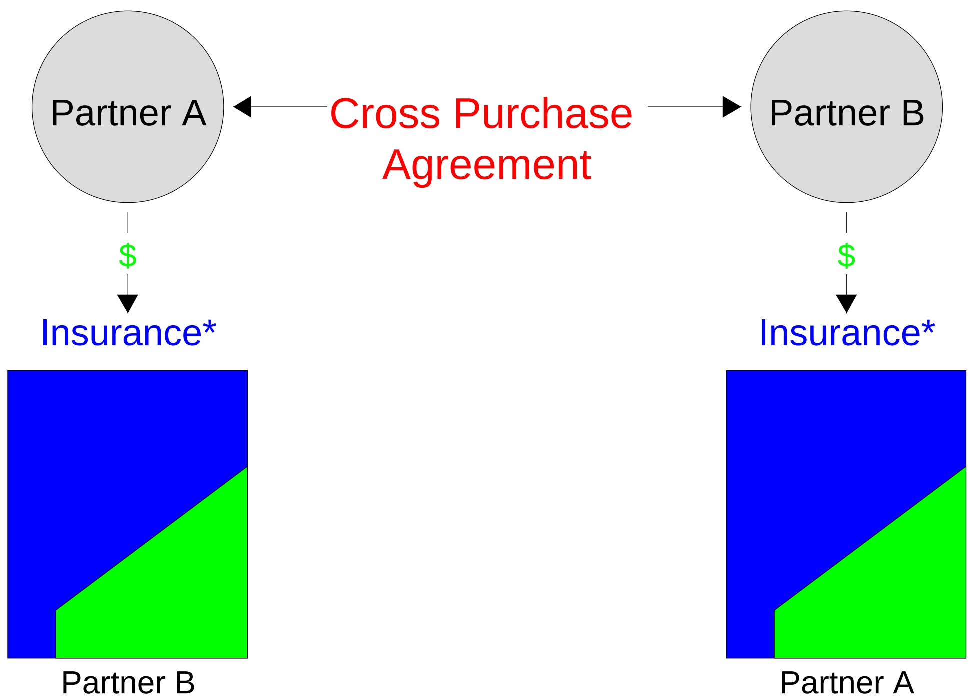
How does it work ? Generally, the owners agree in writing that life insurance will be purchased on their lives in an amount equal to the value of their interest in the business. In the event of an owner's death, the death benefit is used by the surviving owner to purchase the deceased's business interest at the previously determined buy-out price.

Please consult with your legal or tax advisor for specific advice.

Cross Purchase: ABC Corporation

Prepared by YOUR NAME HERE

While Alive



How It Works

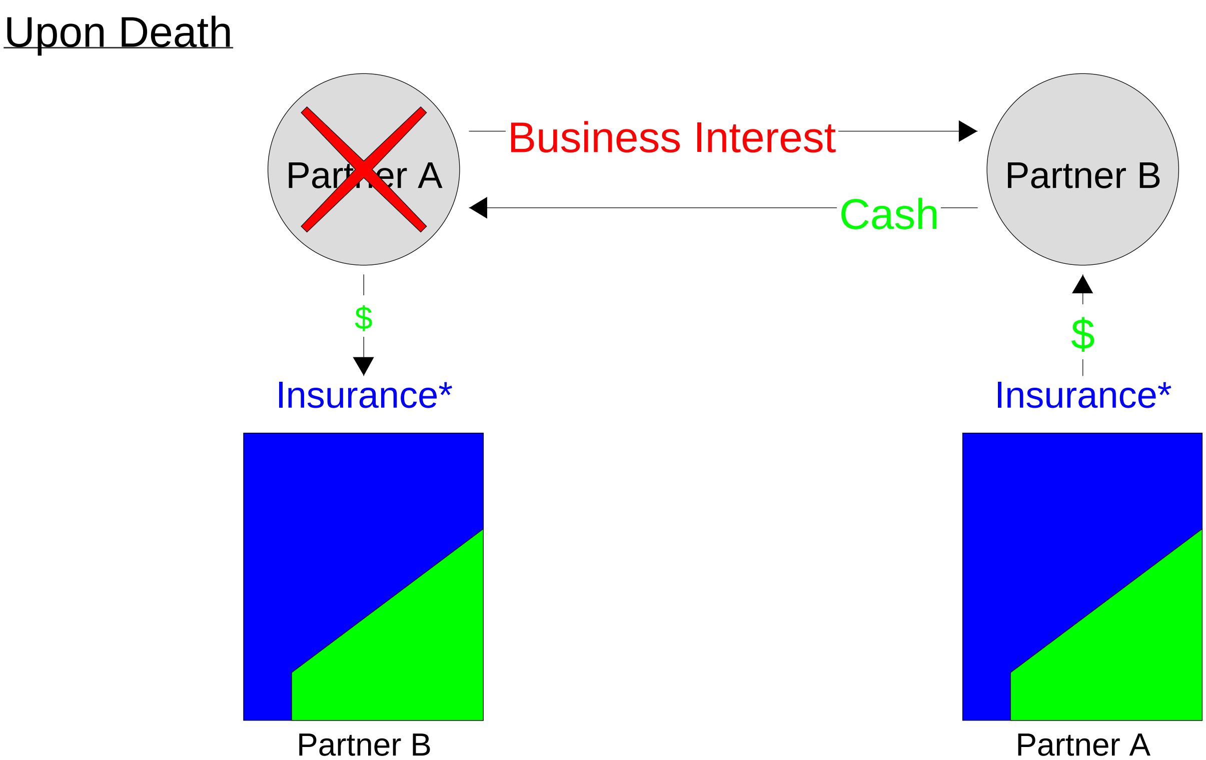
- Owners consent to cross purchase agreement.
- Each owner purchases a life insurance contract on the life of the other business owner, designating himself as policy owner, payer and beneficiary.

** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

Please consult with your legal or tax advisor for specific advice.

Cross Purchase: ABC Corporation

Prepared by YOUR NAME HERE



What Happens

- Surviving owner receives death benefit from life insurance policy.
- Deceased's ownership interest is purchased from the estate by the surviving owner per the agreement.

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Please consult with your legal or tax advisor for specific advice.

Cross Purchase: Summary

Prepared by YOUR NAME HERE

Advantages

A cross purchase agreement can:

- Assure all owners of a market for their interest.
- Help minimize potential conflicts about the purchase price and ownership issues.
- Prevent the surviving owner from becoming a co-owner with a deceased owner's beneficiary.
- Help establish the value of the business for estate tax purposes, if the I.R.C. Section 2703 tests are met.

Funded with life insurance:

- The event that triggers the problem also triggers the solution.
- The deceased's family members need not rely on the continued success of the business in order to be compensated for their interest.
- Tax free death benefit proceeds provide a cost efficient way to fund the cross purchase cost.

The surviving owner's cost basis, in the newly acquired stock, is equal to the purchase price of that stock.

Disadvantages

A cross purchase agreement can:

- Incur administrative legal expenses.
- May become difficult to administer with more than three owners.

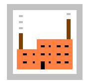
Funded with life insurance:

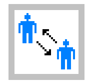
- Premiums are not tax deductible.
- Premiums reduce the amount of cash available for other purposes.

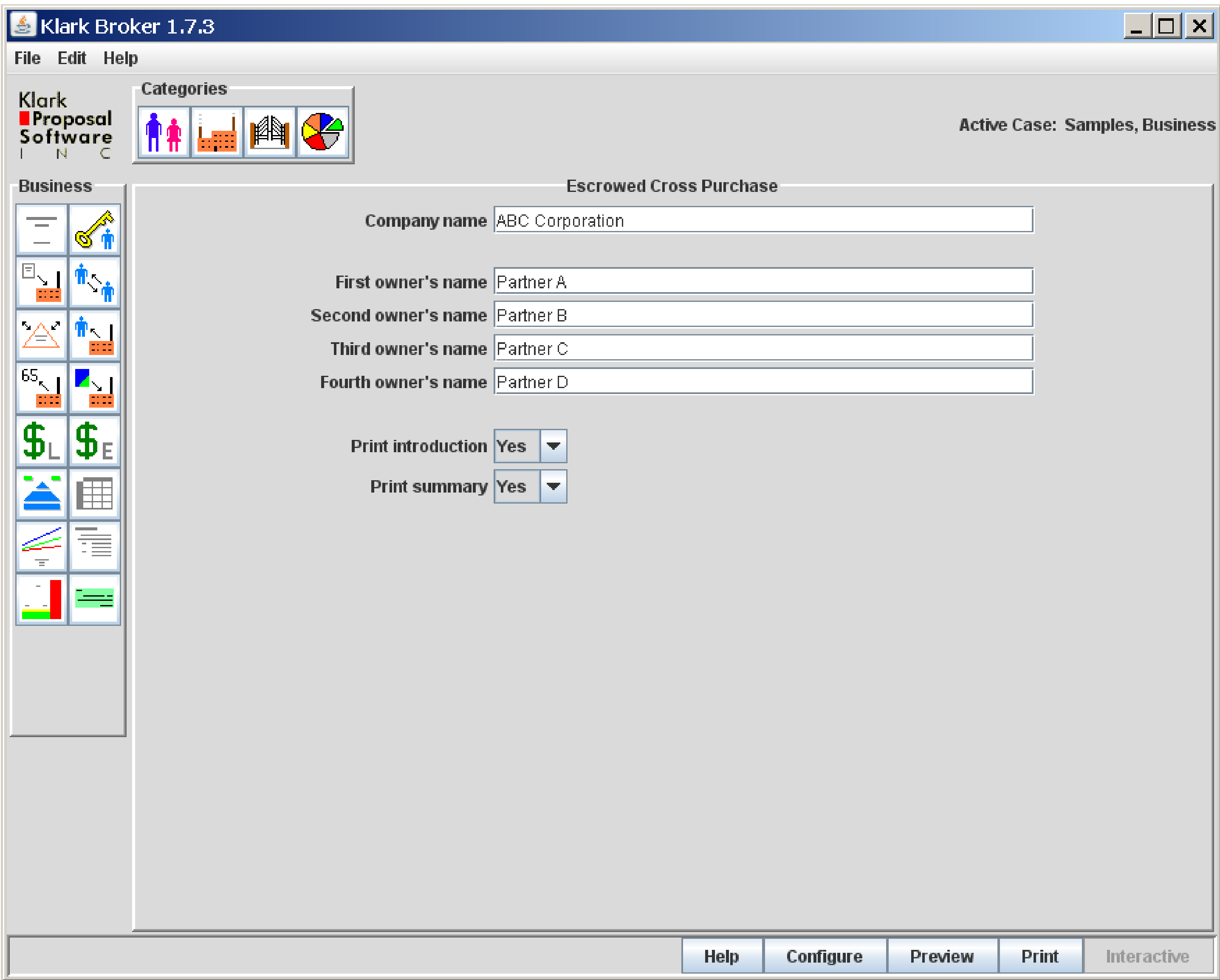
Please consult with your legal or tax advisor for specific advice.

Escrowed Cross Purchase - Input Screen

Select the following:







Escrowed Cross Purchase: Introduction

Prepared by YOUR NAME HERE

An escrowed cross purchase agreement is a plan that provides for an orderly transfer of ownership when a business owner dies.

Unfunded, the business owner creates an obligation to buy the business without the means to do so after a business owner has died. However, funded with life insurance, an agreement can help solve many problems that arise with the death of a business owner. A funded agreement can:

1. Create an automatic market for each owner's interest.
2. Help predetermine the selling price of each owner's share of the business.
3. Help establish the value of each owner's business interest for estate tax purposes if the I.R.C. Section 2703 tests are met.
4. Helps assure creditors and employees of the continuation of the business.
5. Provide the money to fund the agreement precisely when needed.

How does it work ? Generally, the owners enter into a written agreement authorizing a third party, an escrow agent in this case, to hold all shares in the company. The escrow agent is instructed to purchase life insurance on the owners in an amount equal to the value of their stock interest. The escrow agent is the nominal owner, payer and beneficiary of the policy covering each business owner. The true underlying owners and beneficiaries of any one policy are the other, non-insured business owners.

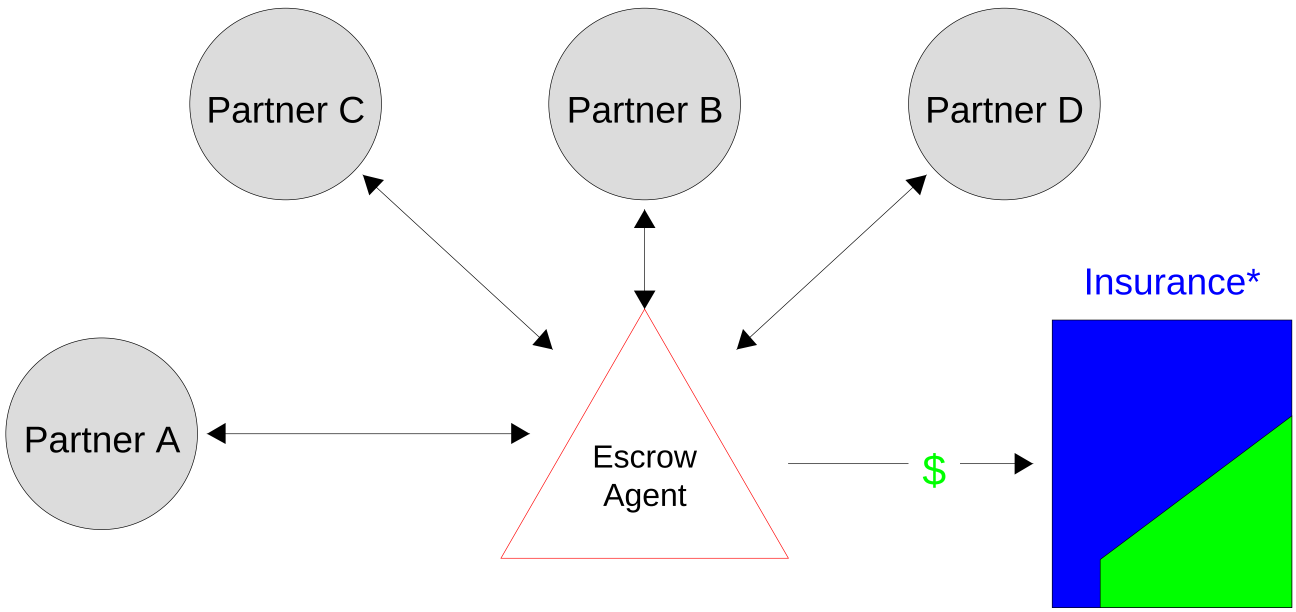
In the event of an owner's death, the death benefit is used by the escrow agent to purchase the deceased's business interest at the previously determined buy-out price.

Please consult with your legal or tax advisor for specific advice.

Escrowed Cross Purchase: ABC Corporation

Prepared by YOUR NAME HERE

Under Agreement



How It Works

- Owners consent to cross purchase agreement with escrow agent acting on their behalf.
- Escrowee purchases life insurance on each of the owners.
- Escrowee is the nominal owner, payer and beneficiary of each policy.
- The true underlying owners and beneficiaries of any one policy are the other, non-insured business owners.

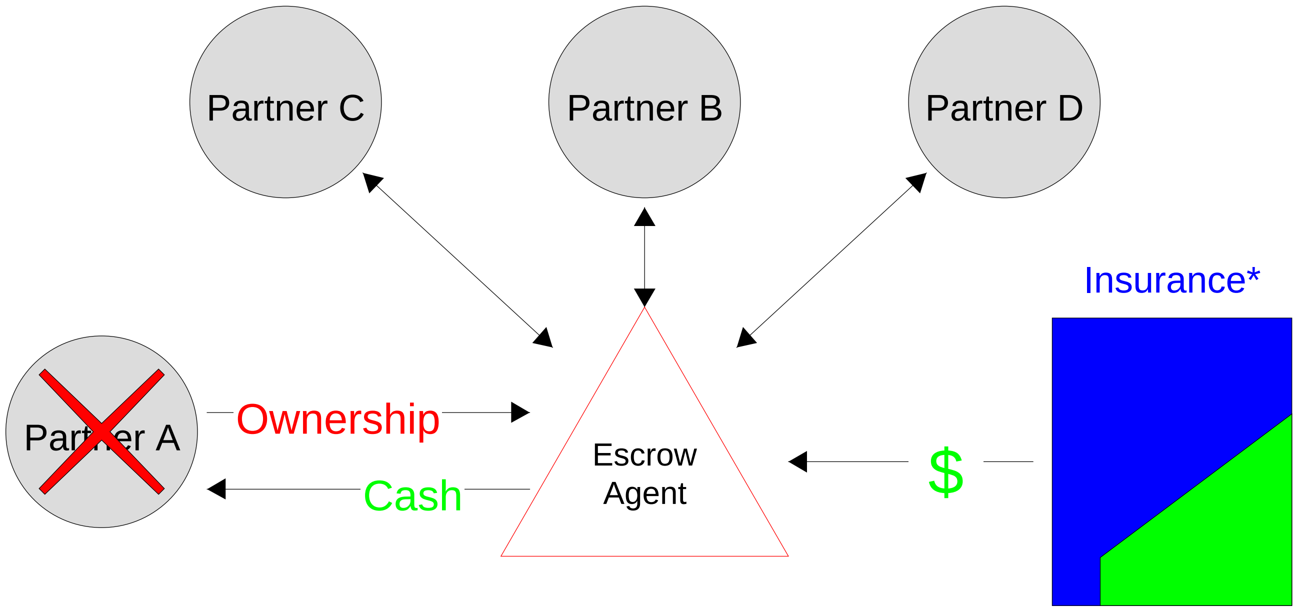
* *The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

Please consult with your legal or tax advisor for specific advice.

Escrowed Cross Purchase: ABC Corporation

Prepared by YOUR NAME HERE

Upon Death



What Happens

- Escrow agent receives death benefit from life insurance policy.
- Deceased's ownership of the business is purchased from the estate and distributed to the remaining stockholders per the escrow cross purchase agreement.

* *The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

Please consult with your legal or tax advisor for specific advice.

Escrowed Cross Purchase: Summary

Prepared by YOUR NAME HERE

<u>Advantages</u>

An escrow cross purchase agreement can:

- Assure all owners of a market for their interest.
- Minimize potential conflicts about the purchase price and ownership issues.
- Prevent the surviving owners from becoming co-owners with a deceased shareholder's beneficiary.
- Help establish the value of the business for estate tax purposes, if the I.R.C. Section 2703 tests are met.

Funded with life insurance:

- The event that triggers the problem also triggers the solution.
- The deceased's family members need not rely on the continued success of the business in order to be compensated for their interest.
- Only need one policy per insured.
- Tax free death proceeds provide a cost efficient way to fund the cross purchase cost.

The surviving shareholder's cost basis in the newly acquired stock is equal to the agreement's purchase price.

<u>Disadvantages</u>

An escrow purchase agreement can:

- Incur administrative legal expenses.

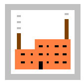
Funded with life insurance:

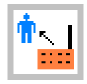
- Premiums are not tax deductible.
- Premiums reduce the amount of cash available for other purposes.

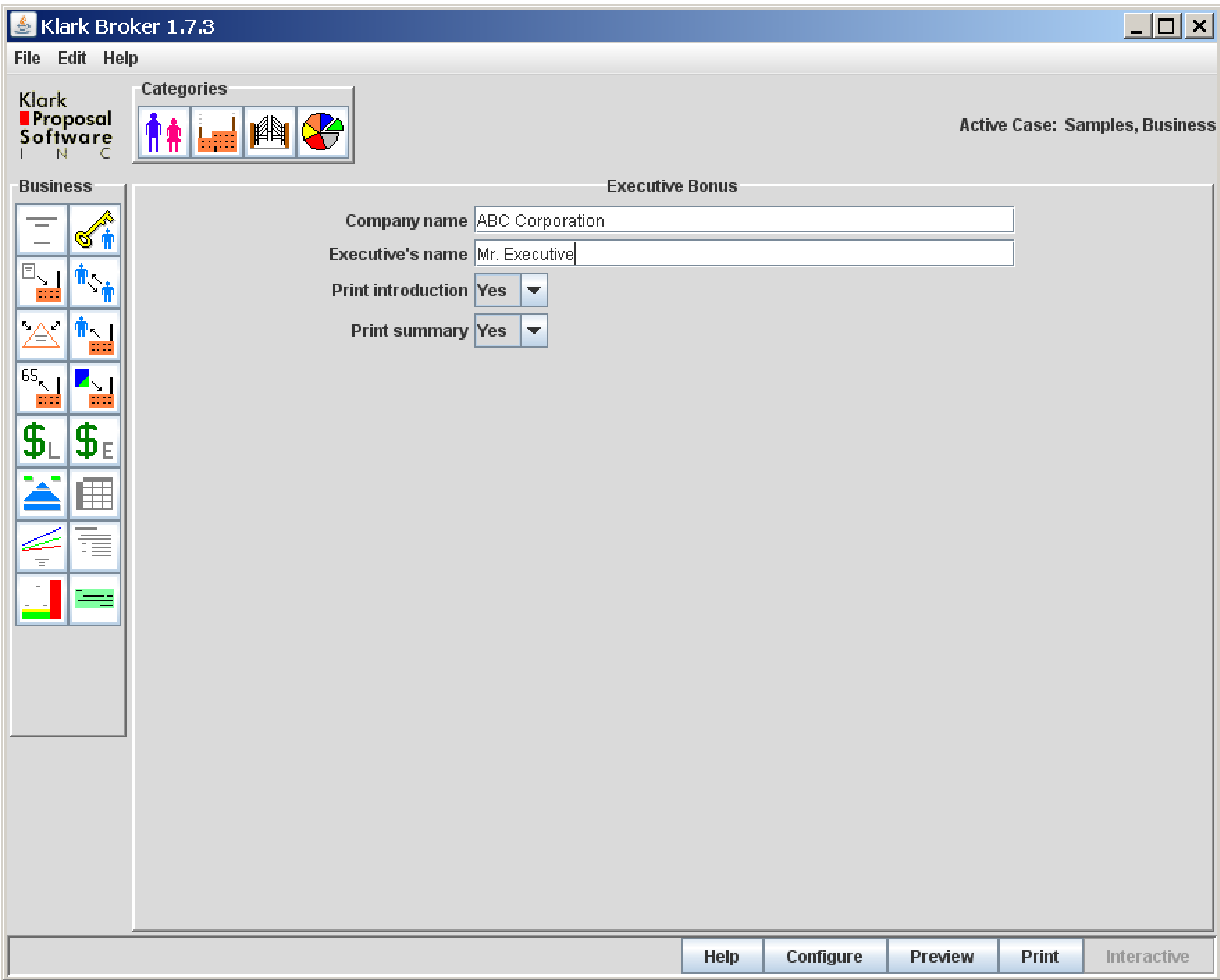
Please consult with your legal or tax advisor for specific advice.

Executive Bonus - Input Screen

Select the following:







Executive Bonus: Introduction

Prepared by YOUR NAME HERE

An executive bonus plan allows a company to provide permanent life insurance to selected key executives on a tax deductible basis. The bonus can enhance their personal life insurance program or provide supplemental income to the executive.

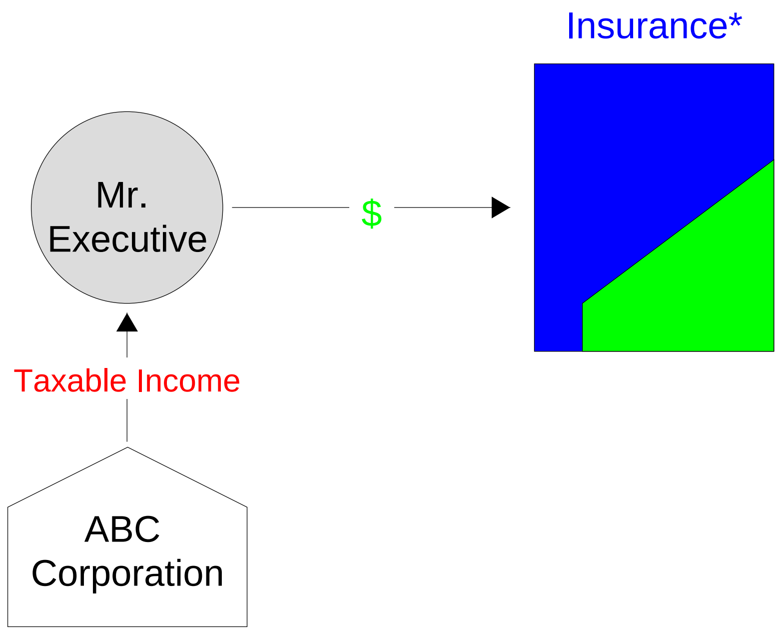
How does it work ? The company agrees to make premium payments on a permanent life insurance contract owned by the executive. The corporation deducts the payments as compensation to the executive and the executive pays taxes on the additional compensation. The executive usually has complete control over the policy cash values and beneficiary designation. In some situations the corporation may want to require restrictions or liens against the executive having access to the policy cash values. Care must be taken to avoid complications under ERISA pension plan rules.

If the executive dies, the death benefit would be paid directly to the executive's beneficiary. If the executive retires, the policy cash values may be used to supplement retirement income. An executive bonus plan is an excellent method to retain and recruit quality executives.

Executive Bonus: ABC Corporation

Prepared by YOUR NAME HERE

While Employed



How It Works

- Company agrees to make premium payments.
- Executive pays income taxes on the amount bonused.
- Executive is owner and designates the beneficiary.
- In the event of death, the executive's beneficiary receives life insurance proceeds.

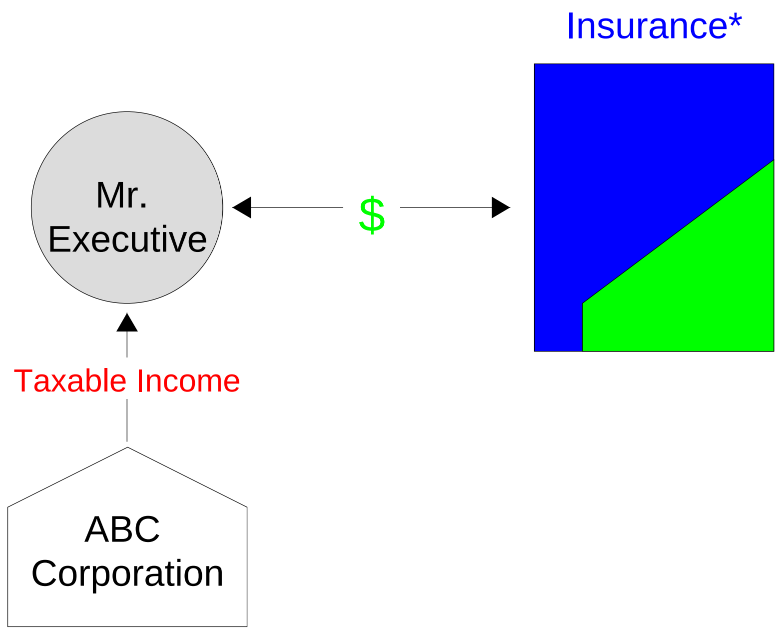
** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

Please consult with your legal or tax advisor for specific advice.

Executive Bonus: ABC Corporation

Prepared by YOUR NAME HERE

During Executive Bonus Plan



What Happens

- Company continues to pay bonus equal to premium amount, which allows life insurance cash values to increase.
- Executive may use death benefit for any purpose or use cash values to supplement income in the future.

** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

Please consult with your legal or tax advisor for specific advice.

Executive Bonus: Summary

Prepared by YOUR NAME HERE

<u>Advantages</u>

To ABC Corporation

- Compensation paid to the executive is tax deductible to the company.
- Liberal discretion over who participates and at what amounts.
- Minimal government reporting or approval requirements.
- Straightforward administration.
- Assists in retaining and recruiting quality executives.

To Mr. Executive

- Acquires life insurance at a reasonable cost.
- Frees income that might have been spent on personal insurance.
- As owner, executive has access to the policy cash values, controls the dividends and designates the beneficiary.
- Policy death benefit may be used for any purposes.
- Policy cash values may be used to provide supplemental income.
- Policy is portable.

<u>Disadvantages</u>

To ABC Corporation

- Premiums reduce the amount of cash available for other purposes.
- No cost recovery.

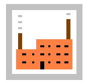
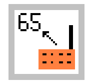
To Mr. Executive

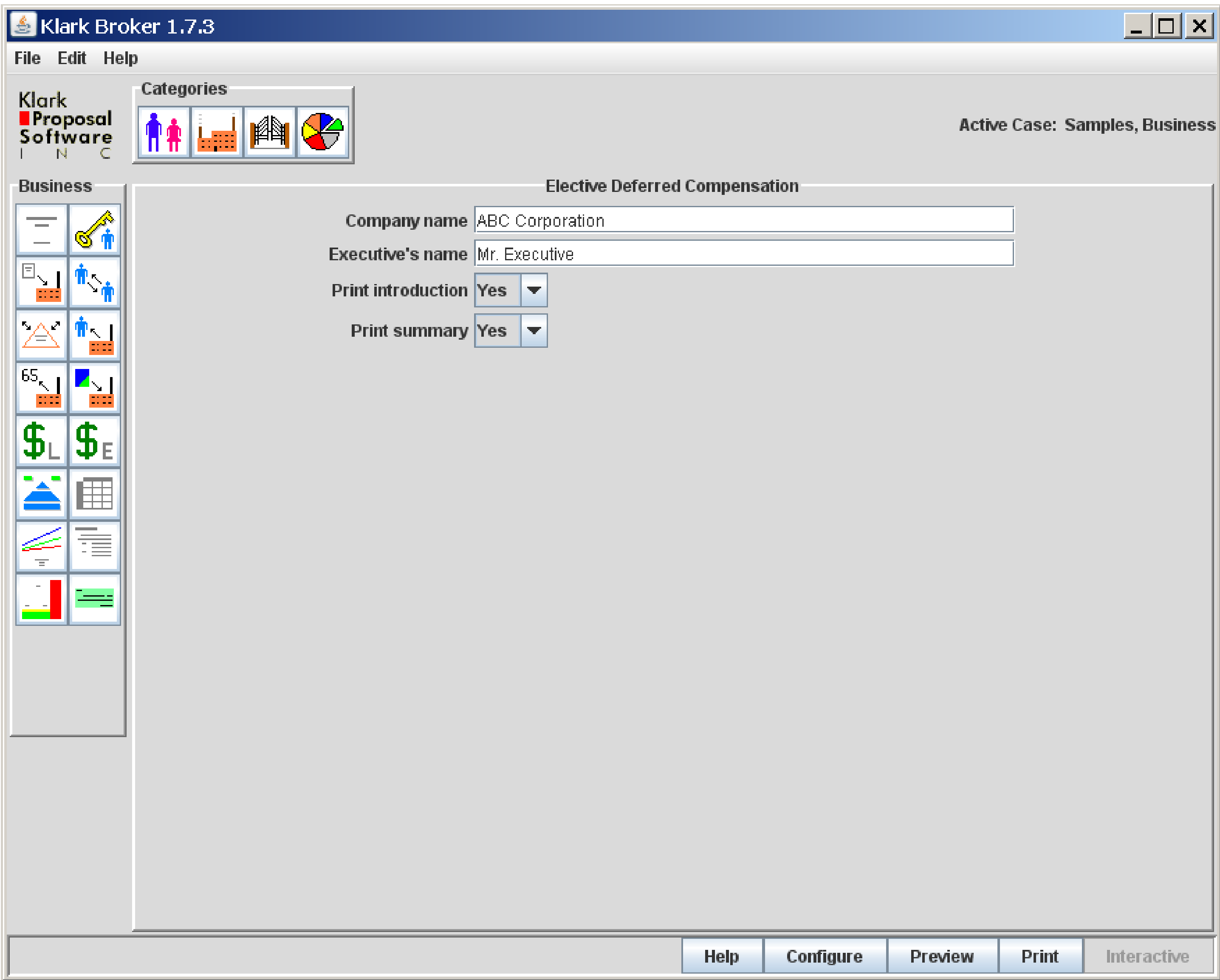
- Pays income tax on the amount bonused (dividends could be used to offset).
- Any policy cash values withdrawn for a variety of reasons will usually reduce the death benefit.

Please consult with your legal or tax advisor for specific advice.

Deferred Compensation - Input Screen

Select the following:



Elective Deferred Compensation: Introduction

Prepared by YOUR NAME HERE

Because of the current limitations on contributions to qualified plans, and the impact of income tax rates on current compensation and bonuses, many executives are interested in additional methods to accumulate tax deferred income. Elective deferred compensation plans help solve this problem.

An employer implements an elective deferred compensation plan for the benefit of select management or highly compensated executives. The plan allows an executive to defer a portion of current income until some future date - typically retirement. Properly drafted, elective deferred compensation plans can provide a powerful incentive for key executives to remain with the company by motivating them to manage a profitable and stable enterprise.

By deferring present compensation the executive delays current income taxes. The executive does not pay tax on accruals on the amount deferred until it is actually received. As the deferred compensation values grow there is a larger financial reserve to pay income out later.

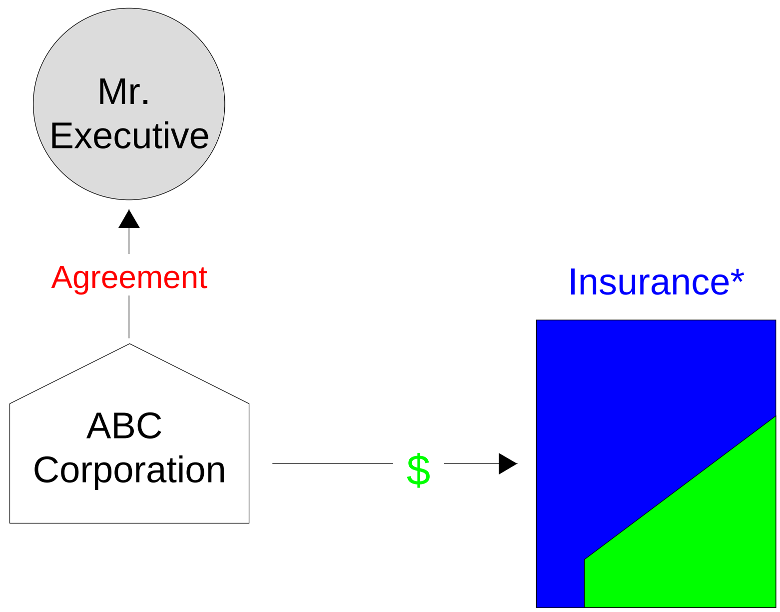
Since the plan is funded with the executive's money, the funds are immediately held in a employer owned account to avoid current income taxes on the amount deferred. The employer owns the asset holding any deferred amounts and it is subject to the employer's creditors until paid to the executive. The executive merely receives a promise to be paid the benefit at some future point. To ensure the future availability of funds, the employer may informally finance the plan via employer owned life insurance.

Rules under I.R.C. Section 409A must be followed to avoid the financial penalties for which the plan participant is liable. These 409A rules, in part, involve the timing of the elections to defer compensation, the specified events that may trigger plan payouts, the timing of changes to the payout period and the requirements to document the plan in writing. The following pages will review the general concepts of such elective deferred compensation plans.

Elective Deferred Compensation: ABC Corporation

Prepared by YOUR NAME HERE

Benefit Deferral Period



How It Works

- Executive agrees to defer a portion of his or her current income. The portion deferred is not deductible by the business.
- Business agrees to provide future compensation.
- Benefit may be informally financed via life insurance** on executive. Business is owner, payor and beneficiary.
- In the event of premature death, a taxable survivor benefit is paid to executive's beneficiary as named in the elective deferral compensation plan.

* *The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

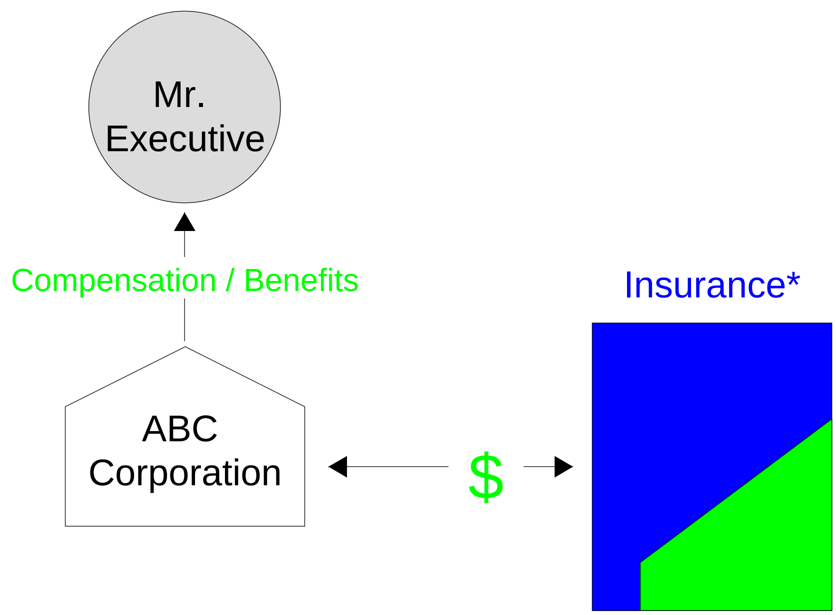
** *Under some circumstances, the proceeds received by a C Corporation may be subject to Alternative Minimum Taxes (AMT). Due to the "employer owned life insurance" rules of I.R.C. Section 101(j), the death benefit is generally income taxed unless the employer fulfills certain written "notice and consent" requirements with the insured before the policy is issued.*

Please consult with your legal or tax advisor for specific advice.

Elective Deferred Compensation: ABC Corporation

Prepared by YOUR NAME HERE

Benefit Payout Period



What Happens

- Upon a permissible triggering event, such as retirement, the plan participant qualifies to receive promised plan benefits.
- Business may use cash values as the informal source for the benefit payout.
- Business takes tax deduction for reasonable amount of compensation paid.
- Upon death of executive, business receives death benefit**.

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Please consult with your legal or tax advisor for specific advice.

Elective Deferred Compensation: Summary

Prepared by YOUR NAME HERE

Advantages

To ABC Corporation

- Deferred compensation paid to the executive at retirement is generally tax deductible to the company.
- Benefits can be provided specifically for select management or highly compensated executives.
- Limited reporting and disclosure requirements under ERISA if the plan includes only select management or highly compensated executives.
- Straightforward administration.
- Assists in retaining and recruiting quality executives.
- Permanent life insurance cash values set aside to informally finance the plan are owned by the employer as an asset on the company books.

To Mr. Executive

- Executive is not taxed until the benefit is actually received.
- Defers income tax on compensation until benefits are paid.
- High degree of certainty that compensation will be paid if executive dies prematurely or lives to retirement*.

Disadvantages

To ABC Corporation

- Premiums reduce the amount of cash available for other purposes.
- No tax deduction until the benefit is paid.
- Less appealing if the company is in a higher tax bracket than the executive deferring the income.

To Mr. Executive

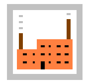
- Executive chooses to defer current income.
- Corporate assets that informally fund the plan are subject to the company's creditors.

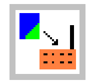
** The certainty of payout is tied to the financial strength of the employer promising the benefit.*

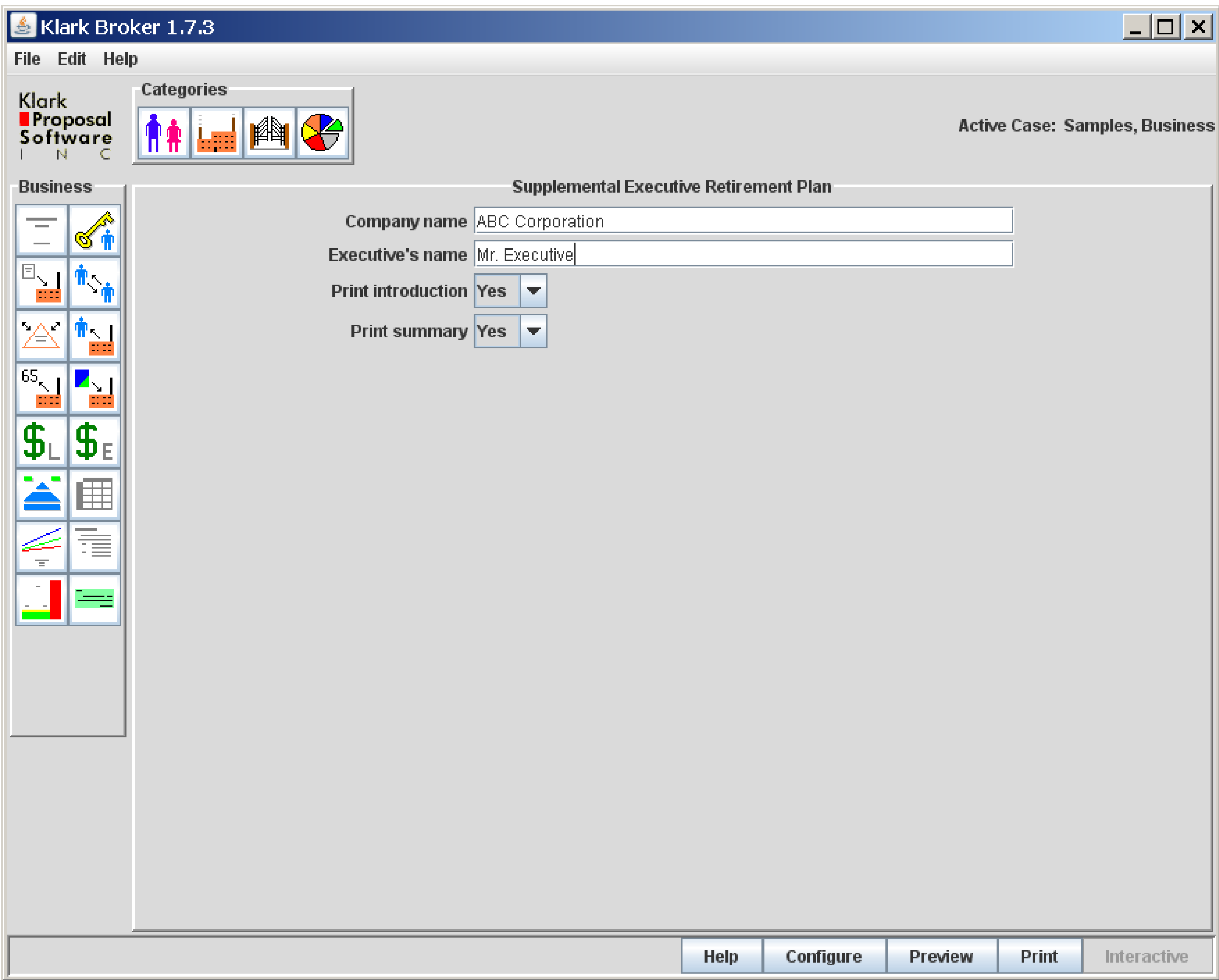
Please consult with your legal or tax advisor for specific advice.

SERP - Input Screen

Select the following:







SERP: Introduction

Prepared by YOUR NAME HERE

Supplemental Executive Retirement (SERP) Plans have been developed for employers to provide supplemental income to an employee at some future time. The SERP is a form of deferred compensation, where an employer agrees to pay, in addition to current compensation, an amount to the employee at retirement. It is particularly valuable to upper level executives who have already maximized their savings into traditional qualified plans.

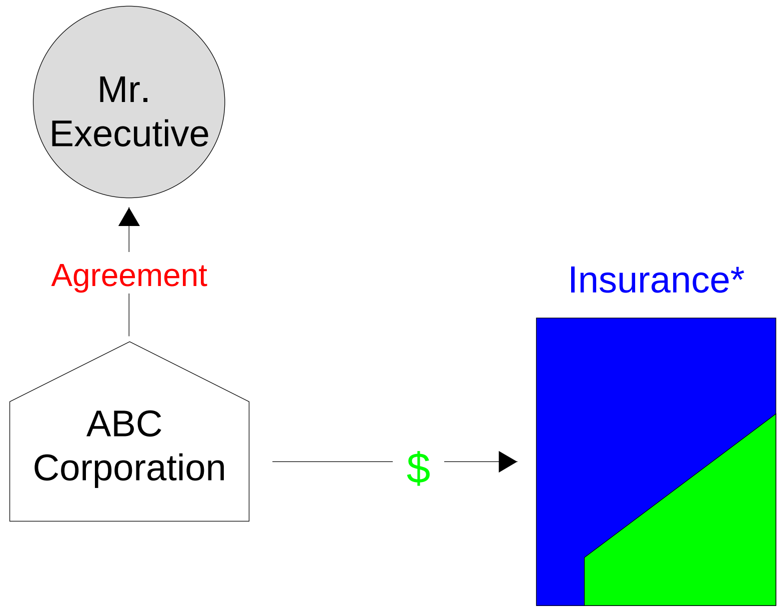
Often the employer purchases a life insurance contract on the life of the key executive to informally finance the future promised benefit. A properly structured SERP is an unfunded and unsecured promise to pay an employee compensation in the future.

For corporations with stable cash flow, a SERP is an excellent incentive for a key executive to remain with the company, thus motivating the executive to manage a profitable and stable enterprise. The following pages provide a basic understanding of how a SERP works.

SERP: ABC Corporation

Prepared by YOUR NAME HERE

During SERP Growth Years



How It Works

- Business agrees to provide future compensation. The portion deferred, or set aside in the corporation, is not deductible by the business.
- Benefit is informally funded via life insurance** on executive.
- Business is owner, payer and beneficiary of the policy.
- In the event of death, a taxable benefit can be paid to the executive's beneficiary.

** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

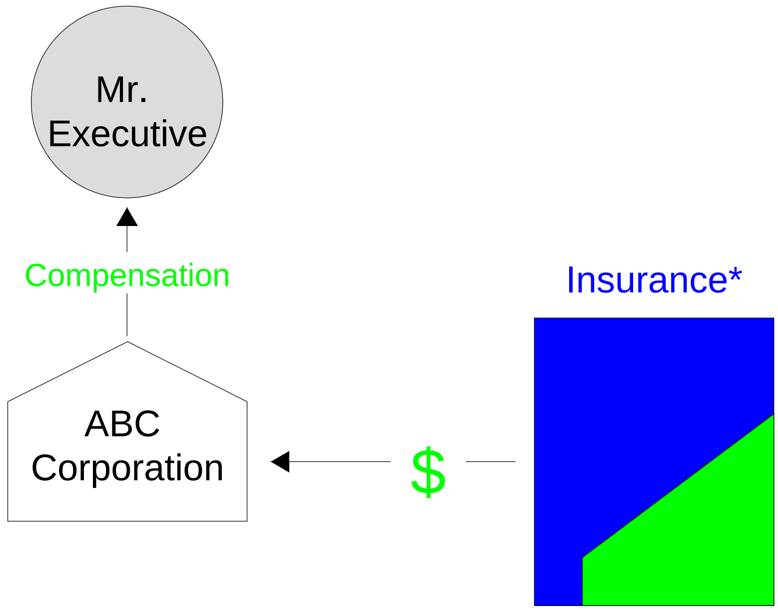
*** Under some circumstances, the proceeds received by a C Corporation may be subject to Alternative Minimum Taxes (AMT). Due to the "employer owned life insurance" rules of I.R.C. Section 101(j), the death benefit is generally income taxed unless the employer fulfills certain written "notice and consent" requirements with the insured before the policy is issued.*

Please consult with your legal or tax advisor for specific advice.

SERP: ABC Corporation

Prepared by YOUR NAME HERE

Benefit Payout



How It Works

- Once executive meets plan's payment requirements, taxable compensation is paid to the executive.
- Business takes tax deduction on the compensation paid.
- Business may use cash values, other company resources or cash flow to fund the plan.
- Business can pay a lump sum benefit by transferring the policy ownership to the executive, who receives all policy values.
- Upon death of executive, business receives death benefit** from company owned policy provided that the company did not transfer the policy to the employee as a lump sum benefit.

** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

*** Under some circumstances, the proceeds received by a C Corporation may be subject to Alternative Minimum Taxes (AMT). Due to the "employer owned life insurance" rules of I.R.C. Section 101(j), the death benefit is generally income taxed unless the employer fulfills certain written "notice and consent" requirements with the insured before the policy is issued.*

Please consult with your legal or tax advisor for specific advice.

SERP: Summary

Prepared by YOUR NAME HERE

Advantages

To ABC Corporation

- Deferred compensation paid to the executive at retirement is tax deductible by the company.
- Benefits can be provided specifically for select management or highly compensated executives.
- Limited reporting and disclosure requirements under ERISA if the plan includes only select management or highly compensated executives.
- Straightforward administration.
- Assists in retaining and recruiting quality executives.
- Plan can be structured to recover 100% of the costs.
- Permanent cash value life insurance that is set aside to informally finance the SERP plan is owned by the company.

To Mr. Executive

- Employee not taxed until the benefit is actually received.
- For employers who will pay plan benefits, high degree of certainty that compensation will be paid if executive dies prematurely or lives to retirement*.

Disadvantages

To ABC Corporation

- Premiums reduce the amount of cash available for other purposes.
- No tax deduction until the benefit is paid.
- Less appealing if the company is in a higher tax bracket than the executive.

To Mr. Executive

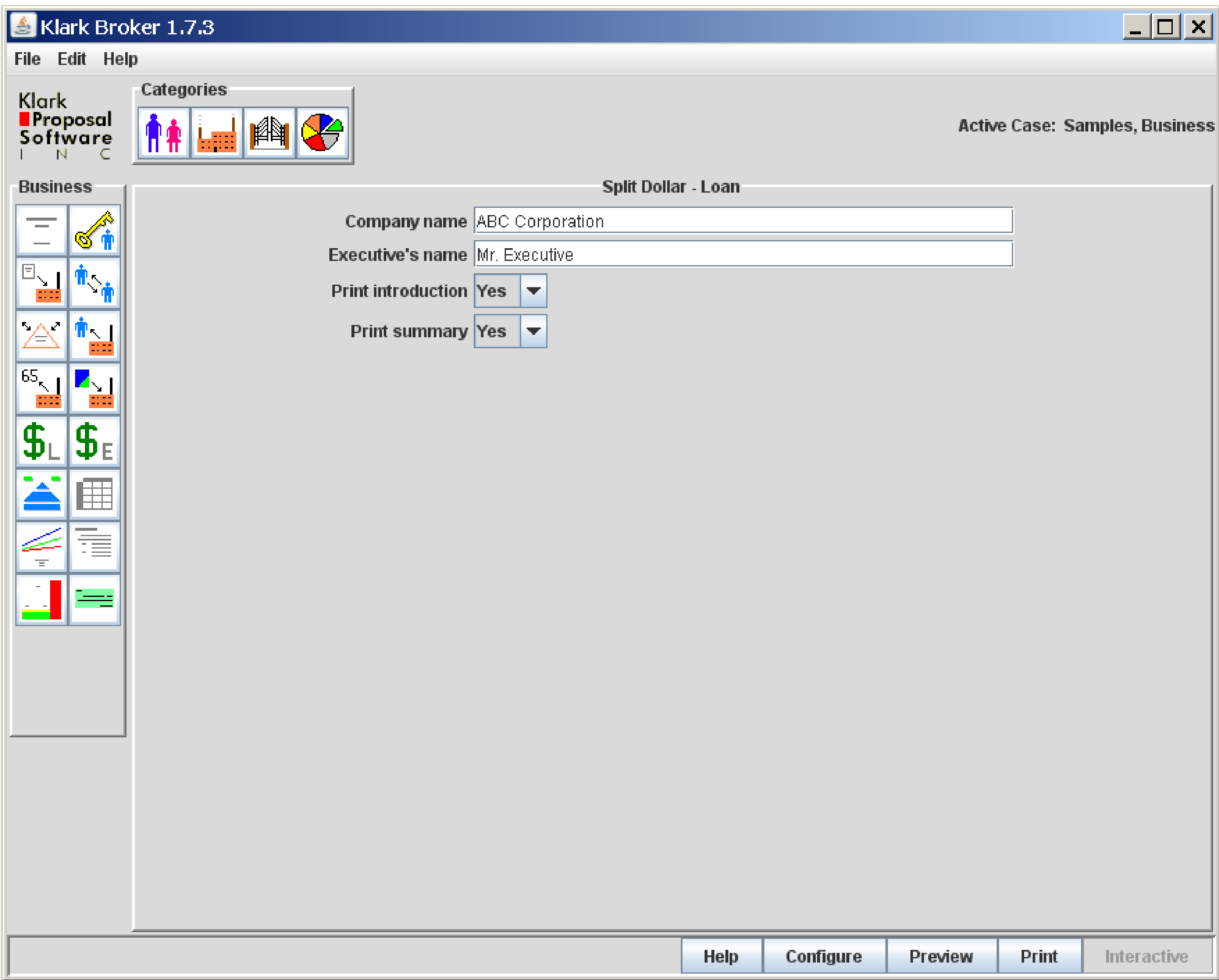
- Company owned assets that informally fund the plan are subject to the company's creditors.

** The certainty of payout is tied to the financial strength of the employer promising the benefit.*

Please consult with your legal or tax advisor for specific advice.

Split Dollar: Loan - Input Screen

Select the following:



Split-Dollar: Loan

Prepared by YOUR NAME HERE

Split-dollar life insurance is a highly flexible employee benefit that allows an employer to provide valuable benefits to a selected individual. The "split" refers to the concept of shared premiums, policy values and policy rights. The split-dollar loan method is one of the more common methods.

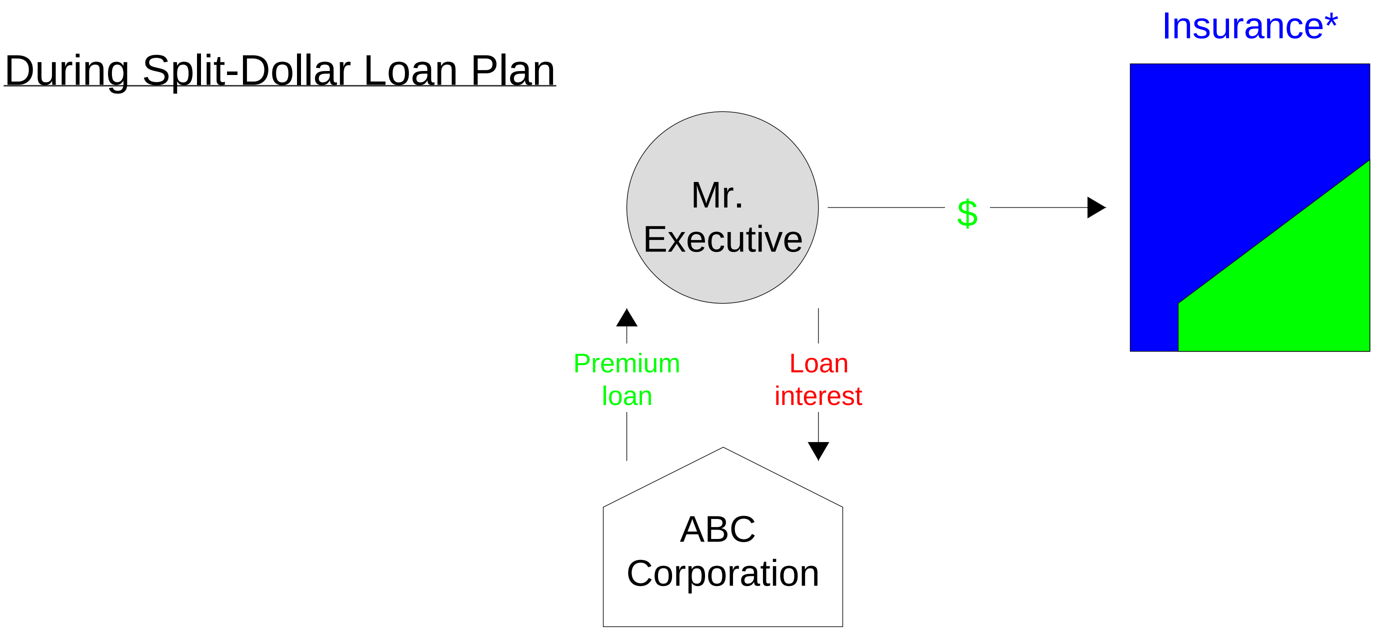
Under the split-dollar loan method the employee is the owner of the policy and designates the beneficiary. Annually, the company loans the premium to the policyowner, the employee. In exchange, the company has an assignment against the policy equal to its cumulative loans. The employee annually pays loan interest, which grows each year as more loans are made.

To terminate the split-dollar loan arrangement, the business may either retain its portion of the cash values or bonus that amount to the employee as additional compensation. The release of the employer's interest is a form of deferred compensation and the rules under I.R.C. Section 409A must be observed. The amount bonused is tax deductible to the business. The employee would take the bonused amount to repay the cumulative premium loans made by the employer. The same bonused amount would be achieved by the employer forgiving the loan.

Once the business has released its interest in the policy, the employee has unrestricted ownership of the contract. The remaining policy values may then be used by the individual to supplement retirement income, for estate planning purposes, or future business planning such as funding certain buy-sell plans.

Split-Dollar: Loan

Prepared by YOUR NAME HERE



How It Works

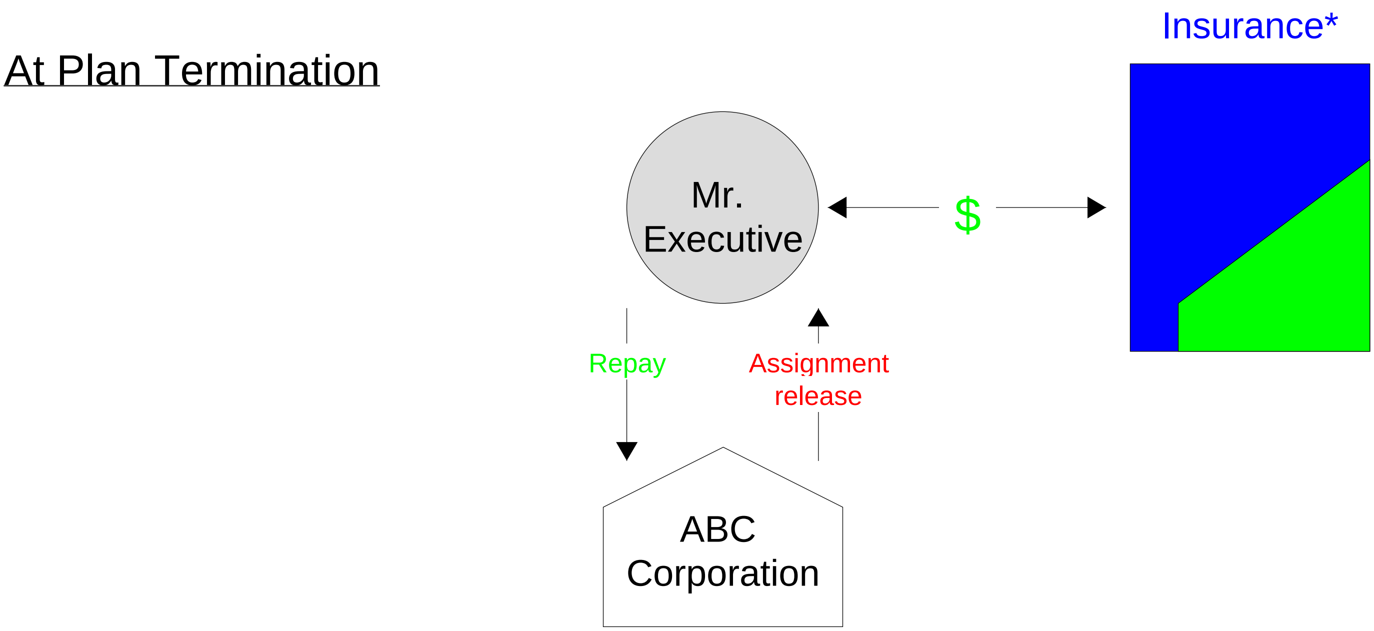
- Employee is owner and designates beneficiary of the life insurance. Either the employee or the employer could be the applicant.
- Company pays premums with each payment being a separate loan to the employee. The employer's interest may be secured with a collateral assignment equal to the total premium loans.
- The parties must account for interest annually either as additional compensation to the employee or the employee pays interest to the employer.

** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

Please consult with your legal or tax advisor for specific advice.

Split-Dollar: Loan

Prepared by YOUR NAME HERE



Repayment of Split-Dollar Loan

- Upon plan termination, the company is repaid the cumulative premium loans.
- If the company forgives the premium loans, the forgiven amount will be treated as additional compensation to the employee.**
- Employer releases the collateral assignment (if any).
- Employee has unrestricted ownership of policy.

** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

*** If the employer intends to forgive its right to reimbursement, it should also establish a non-qualified SERP that complies with I.R.C. Section 409A rules.*

Please consult with your legal or tax advisor for specific advice.

Split-Dollar: Loan

Prepared by YOUR NAME HERE

Advantages

To ABC Corporation

- Broad discretion over who participates and contribution amounts.
- Limited reporting and disclosure requirements under ERISA.
- Assists in retaining and recruiting quality executives.
- Can be structured to recover 100% of the loaned amount plus interest.
- If the loan is secured by a collateral assignment on the policy, the company retains control of funding medium and carries much of the cash values, as an asset, in the amount of total premiums loaned.*

To Mr. Executive

- Acquires permanent life insurance at a low initial cost, which is often only loan interest until loan repayment.
- Designates beneficiary of unassigned death proceeds.
- Policy cash values may be used to supplement retirement income.
- Policy death benefit may be used for estate planning purposes.
- Policy is portable subject to the company's right to loan repayment.

Disadvantages

To ABC Corporation

- Premiums are not tax deductible.
- Premiums reduce the amount of cash available for other purposes.
- A "term as demand loan" requires the company to discount the loan value and reflect the years the company is waiting for the loan repayments.
- The company has interest income on the loan, which might be offset by the employer's deduction for interest paid or imputed to the employee.

To Mr. Executive

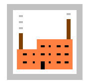
- Significant income tax is due if company forgives loan, which will be compensation to employee.
- Must pay (or owe) loan interest or the interest amount is taxed annually as income.
- If the employee is not charged loan interest, at market rates, then the plan is subject to complicated below market interest rate loan rules under I.R.C. Section 7872.

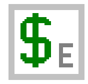
** Due to the "employer owned life insurance" rules of I.R.C. Section 101(j) the death benefit is generally income taxed unless the employer fulfills certain written "notice and consent" requirements with the insured before the policy is issued.*

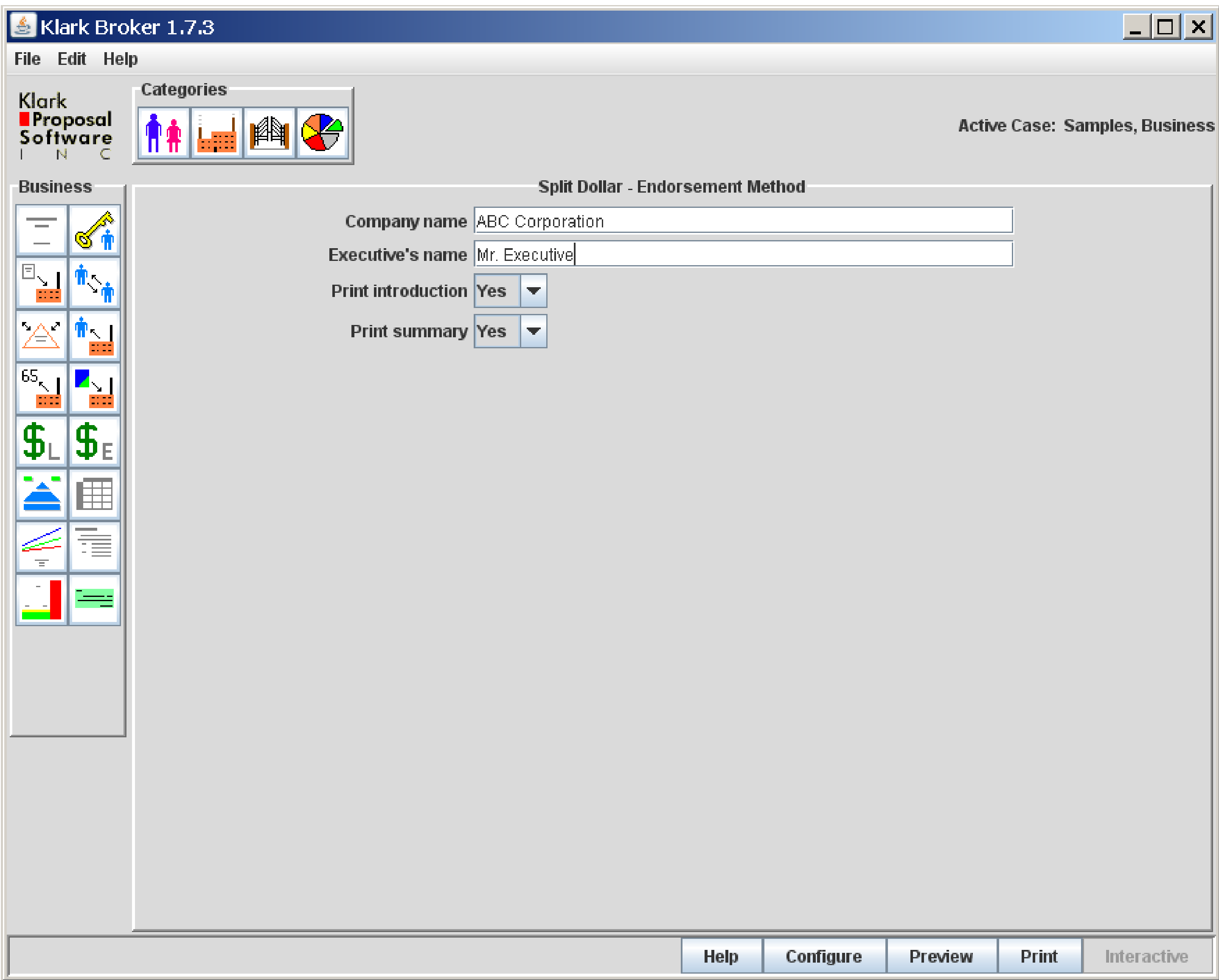
Please consult with your legal or tax advisor for specific advice.

Split Dollar: Endorsement Method - Input Screen

Select the following:







Split-Dollar Plan: Endorsement Method

Prepared by YOUR NAME HERE

A split-dollar arrangement involving life insurance is a highly flexible employee benefit that allows an employer to provide valuable benefits to a selected individual. The "split" refers to the concept of shared premiums, policy values and policy rights.

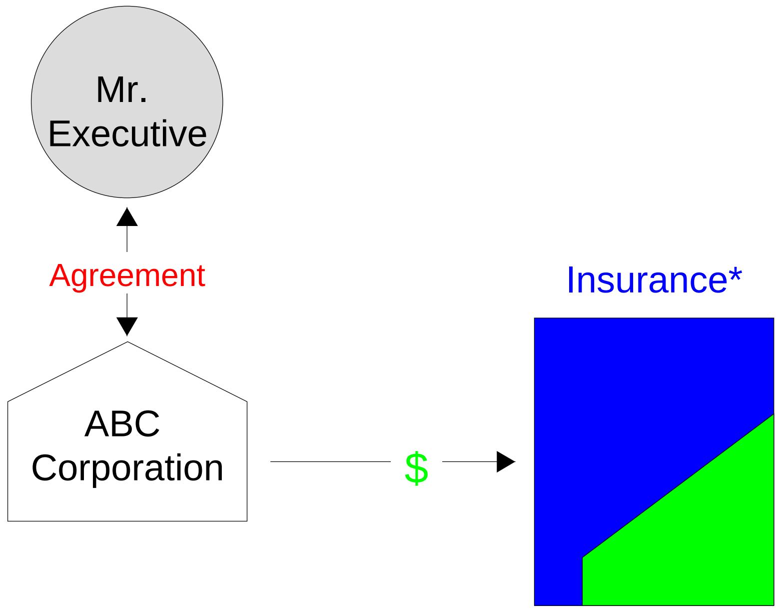
Under the endorsement method, the company is the owner of the policy. The company provides the employee, through a policy endorsement, the right to designate a beneficiary who receives the death benefit above that controlled by the company. The company pays all or most of the premium and carries the cash values on its books as an asset. The employee contributes a relatively small annual premium for their right to the endorsed death benefit or includes its value in his or her income.

Upon termination of the split-dollar arrangement, the company can retain full ownership of the policy. The company can also transfer ownership of the policy to the employee. Such transfers might occur after the company withdraws enough cash value from the policy to recover its premium outlay. The distribution of the policy is a form of deferred compensation and the rules under I.R.C. Section 409A must be observed. After the transfer, the employee would then have unrestricted ownership of the contract. The remaining policy values may then be used to supplement retirement income or for estate planning purposes.

Split-Dollar Plan: Endorsement Method

Prepared by YOUR NAME HERE

Endorsement In Place



Endorsement Method

- Employer applies for and owns the life insurance on employee as owner, payer and beneficiary.**
- Employer endorses a large portion of the death benefit (e.g. all death benefit above cash value) to the employee.
- Employee pays the value of the economic benefit relating to endorsed death benefit, or is taxed on premium this amount.
- Employee designates beneficiary of death benefit above those controlled by the company.

** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

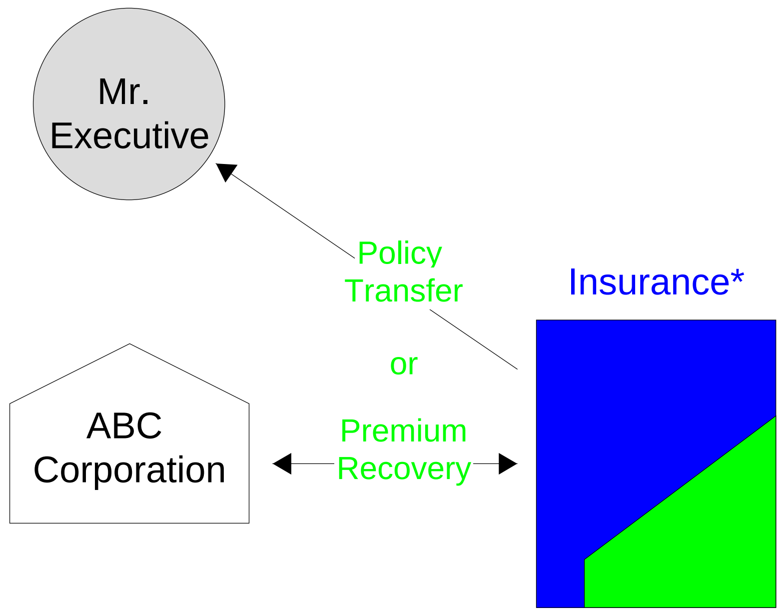
*** Under some circumstances, the proceeds received by a C Corporation may be subject to Alternative Minimum Taxes (AMT). Due to the "employer owned life insurance" rules of I.R.C. Section 101(j), the death benefit is generally income taxed unless the employer fulfills certain written "notice and consent" requirements with the insured before the policy is issued.*

Please consult with your legal or tax advisor for specific advice.

Split-Dollar Plan: Endorsement Method

Prepared by YOUR NAME HERE

Plan Termination



Plan Termination

- Upon termination of the agreement, while the employee is alive, company either retains policy or transfers ownership to employee.**
- If ownership is transferred, the company might first recover the premiums it has paid by taking withdrawals from the policy. There is no requirement for the company to recover their premium amount form the policy.
- If ownership is transferred, employee is income taxed on the value of the policy.

** The insurance death benefit is represented by the combined blue and green areas. The blue area is a hypothetical representation of a permanent insurance policy's death benefit. The green area is a hypothetical representation of its cash values. A term insurance policy contains no cash value.*

*** If the employer intends to forgive its right to reimbursement, it should also establish a non-qualified SERP that complies with I.R.C. Section 409A rules.*

Please consult with your legal or tax advisor for specific advice.

Split-Dollar Plan: Endorsement Method

Prepared by YOUR NAME HERE

Advantages

To ABC Corporation
- Broad discretion over who participates and contribution amounts.
- Limited reporting and disclosure requirements under ERISA.
- Assists in retaining and recruiting quality executives.
- Can be structured to recover 100% of the premium costs.
- Company retains control of funding medium (the policy) and carries cash values as an asset.

To Mr. Executive
- Acquires permanent life insurance protection at a low outlay.
- Designates beneficiary of endorsed death proceeds.

Disadvantages

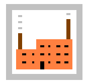
To ABC Corporation
- Premiums are not tax deductible.
- Premiums reduce the amount of cash available for other purposes.

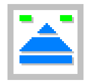
To Mr. Executive
- If policy ownership is transferred after plan termination the employee is income taxed on the fair market value of the policy.
- While the split dollar agreement is in place, the employee must pay the value of the economic benefit (i.e., the cost of insurance death benefit) or be income taxed on that amount.

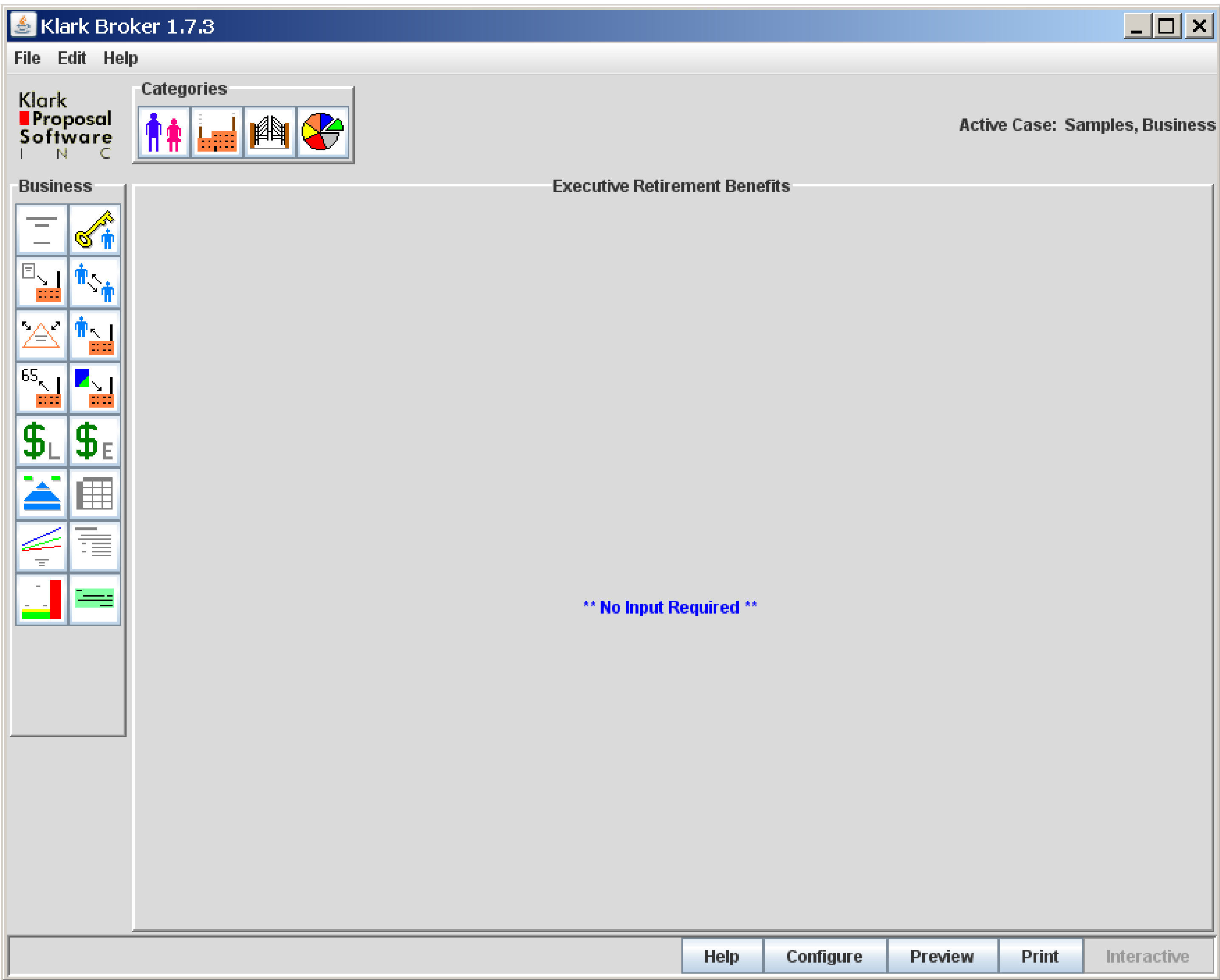
Please consult with your legal or tax advisor for specific advice.

Executive Retirement Benefits - Input Screen

Select the following:

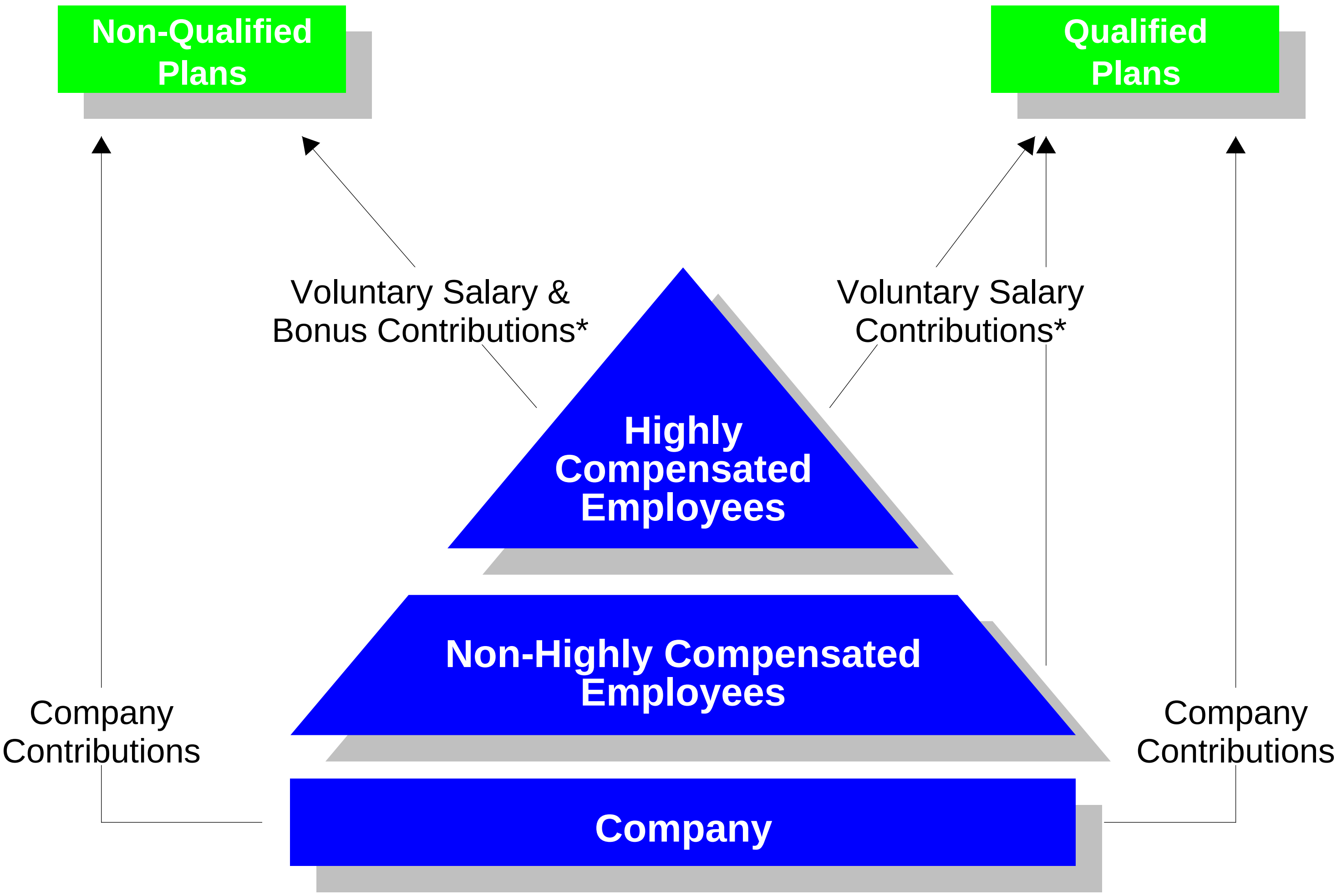






Executive Retirement Benefits

Prepared by YOUR NAME HERE

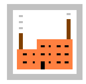


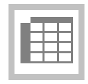
** Both non-qualified and qualified plans must meet the requirements of ERISA laws. All non-qualified plans that offer a promise of deferred compensation also must meet I.R.C. Section 409A rules.*

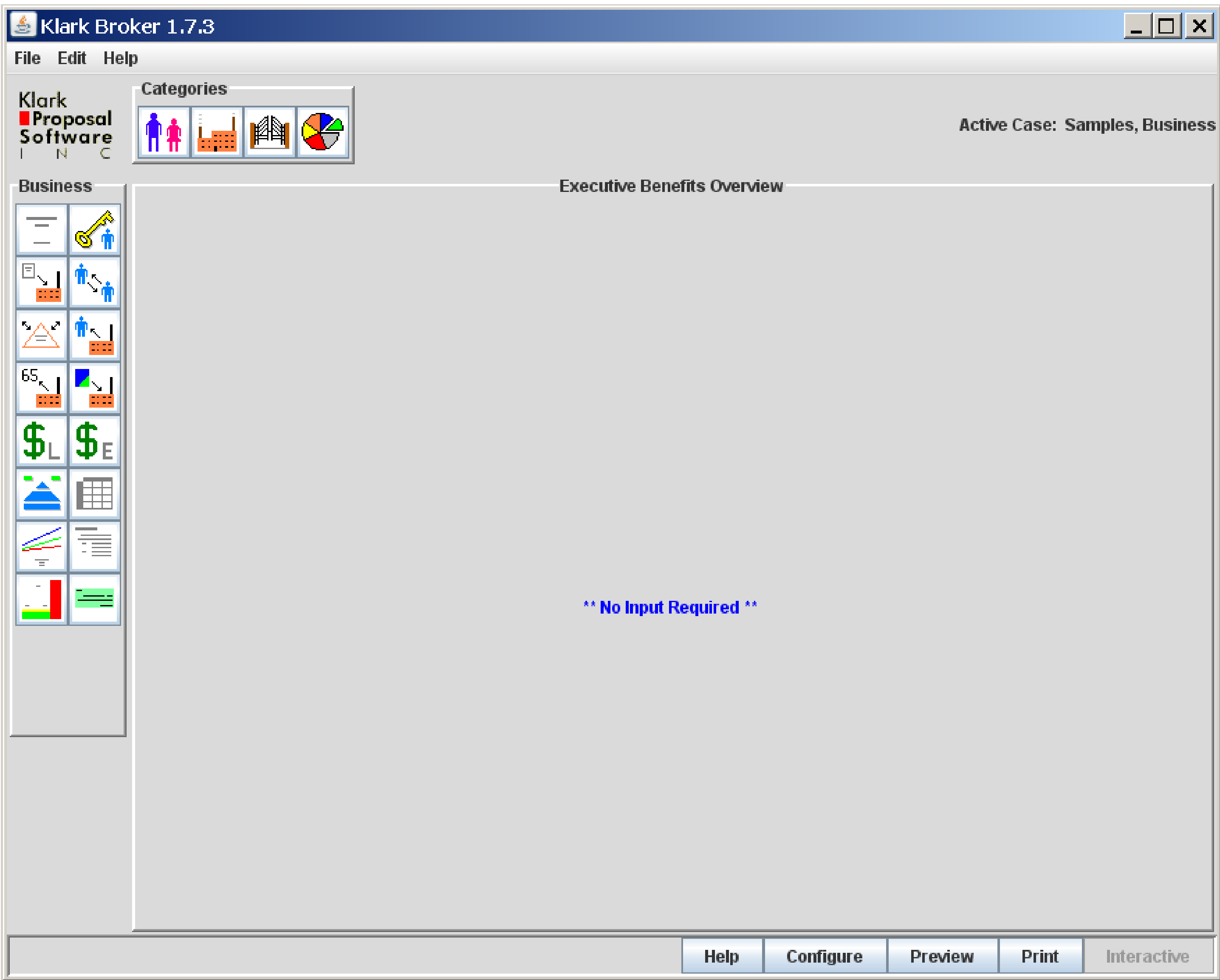
Please consult with your legal or tax advisor for specific advice.

Executive Benefits Overview - Input Screen

Select the following:







Executive Benefits Overview

Prepared by YOUR NAME HERE

When evaluating executive non-qualified benefit programs, it is important to realize each plan has unique attributes. Listed below are some of the major features of several plans.

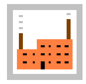
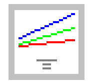
	Executive Bonus	NQDC/SERP	Split-Dollar Endorsement	Split-Dollar Loan
Control of cash values	Executive has significant control.	Company has complete control.	Company owns, but shares control of death benefit with employee.	Company controls cash value equal to collateral assignment of loaned premium.
Restrictions on cash values	None.	Company controls the cash values.	Company controls the cash values.	Company may control cash value through loan arrangement*.
Tax deduction	Company deducts premiums immediately.	Company takes deduction when executive compensation is paid out.	None while plan is in place. Company deducts lower of policy's value or its basis in the policy if policy is transferred to EE.	None while plan is in place. Company can claim deduction if it forgives the loan.
Premium recovery	None.	Company may recover all or some of the cost (often from death benefit).	Company may recover all or some of the cost.	Company recovers its loan amount and loan interest.
Impact on company earnings	Premiums charged to earnings, but immediately deductible as executive compensation.	Records cash value as asset. Premium payment greater than the cash value increases is an expense. Accrues liability for NQDC / SERP benefit.	Records cash value as asset. Premium payment greater than the cash value increases is an expense.	Premium loan recorded as asset. Certain loan values are discounted to their present value.

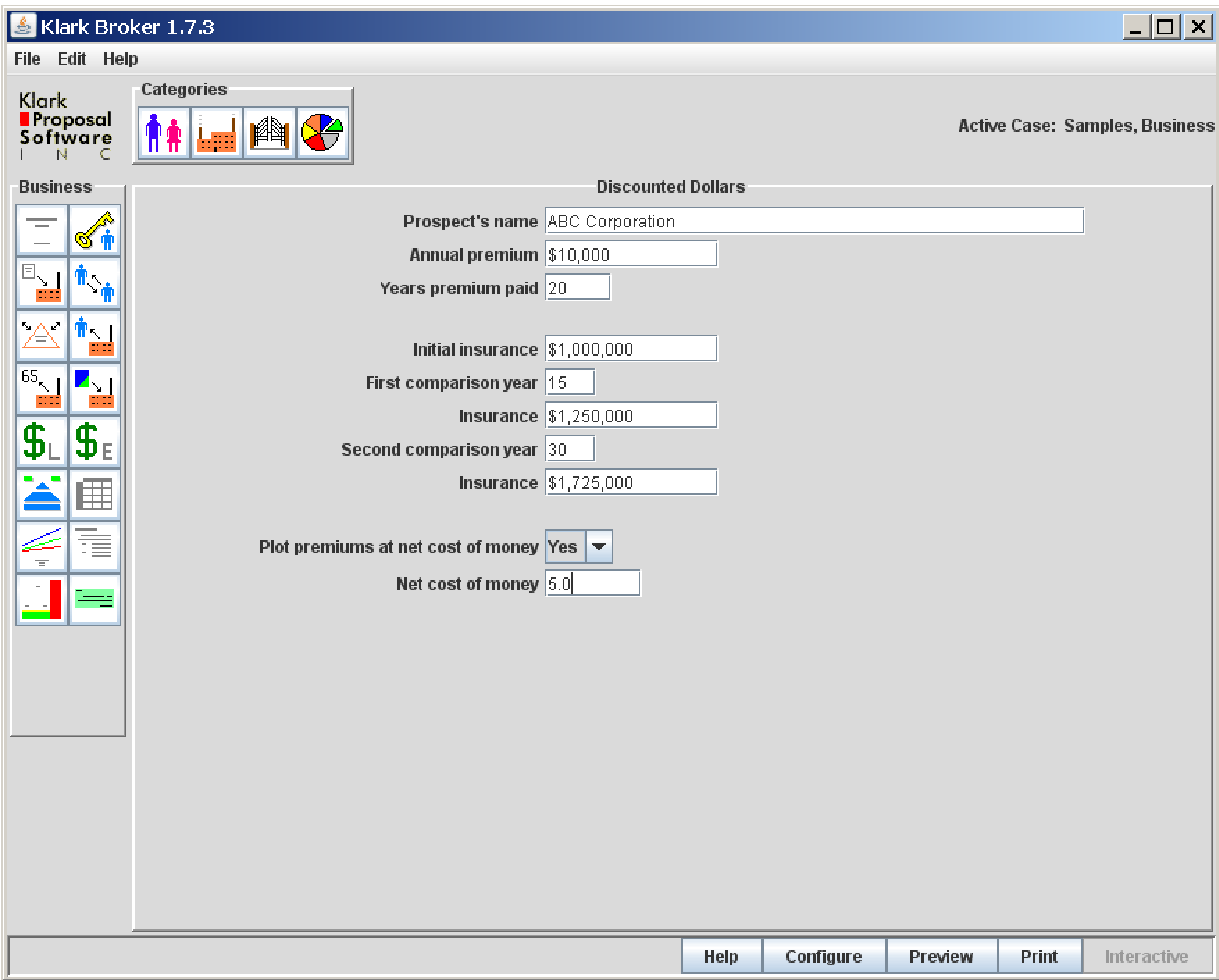
** A demand loan allows the Company to force loan repayment at any time.*

Please consult with your legal or tax advisor for specific advice.

Discounted Dollars - Input Screen

Select the following:

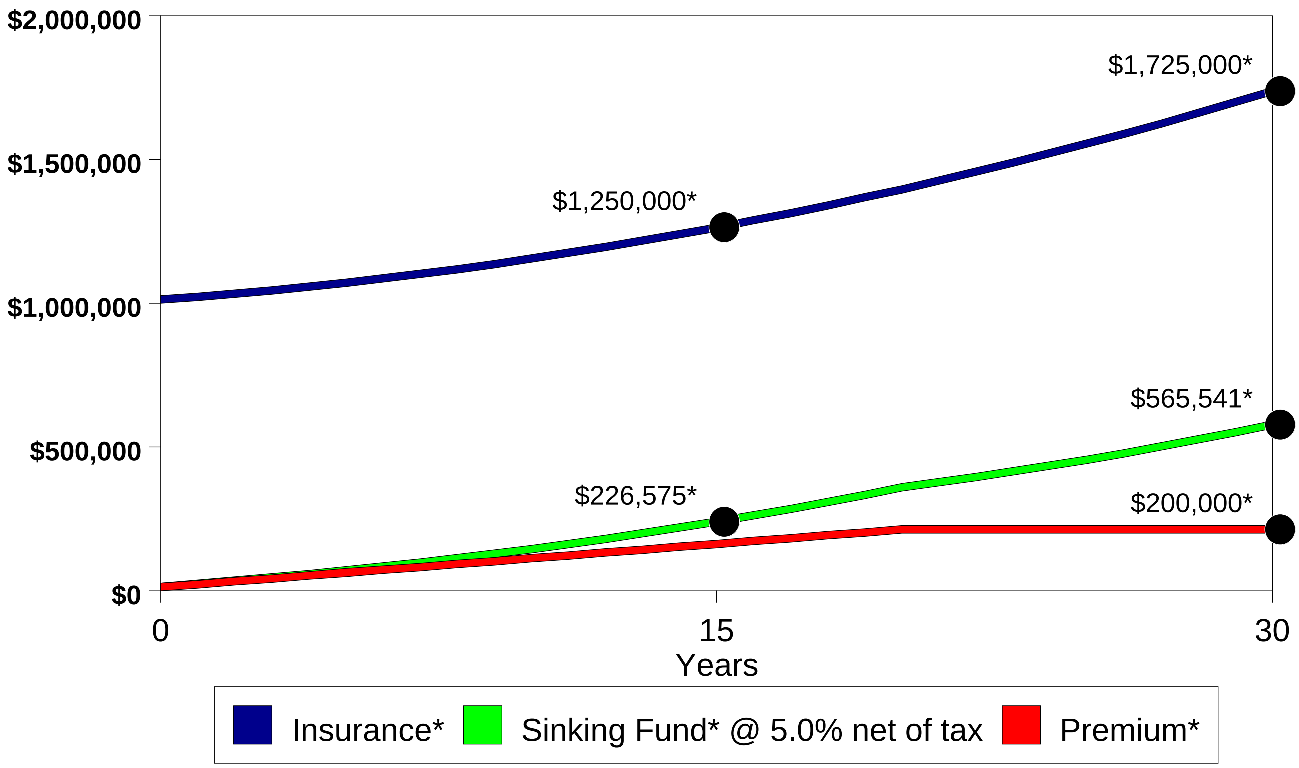


Discounted Dollars* for ABC Corporation

Prepared by YOUR NAME HERE

Permanent life insurance contracts allow a relatively small amount of premium to provide a significantly larger death benefit. Profiled below is a permanent contract over a 30 year period**.

Annual premium: $10,000*   Years premium paid: 20*



<u>Total Cost Per $1.00 of Life Insurance Death Benefit</u>

Year 15: 18 cents*

Year 30: 33 cents*

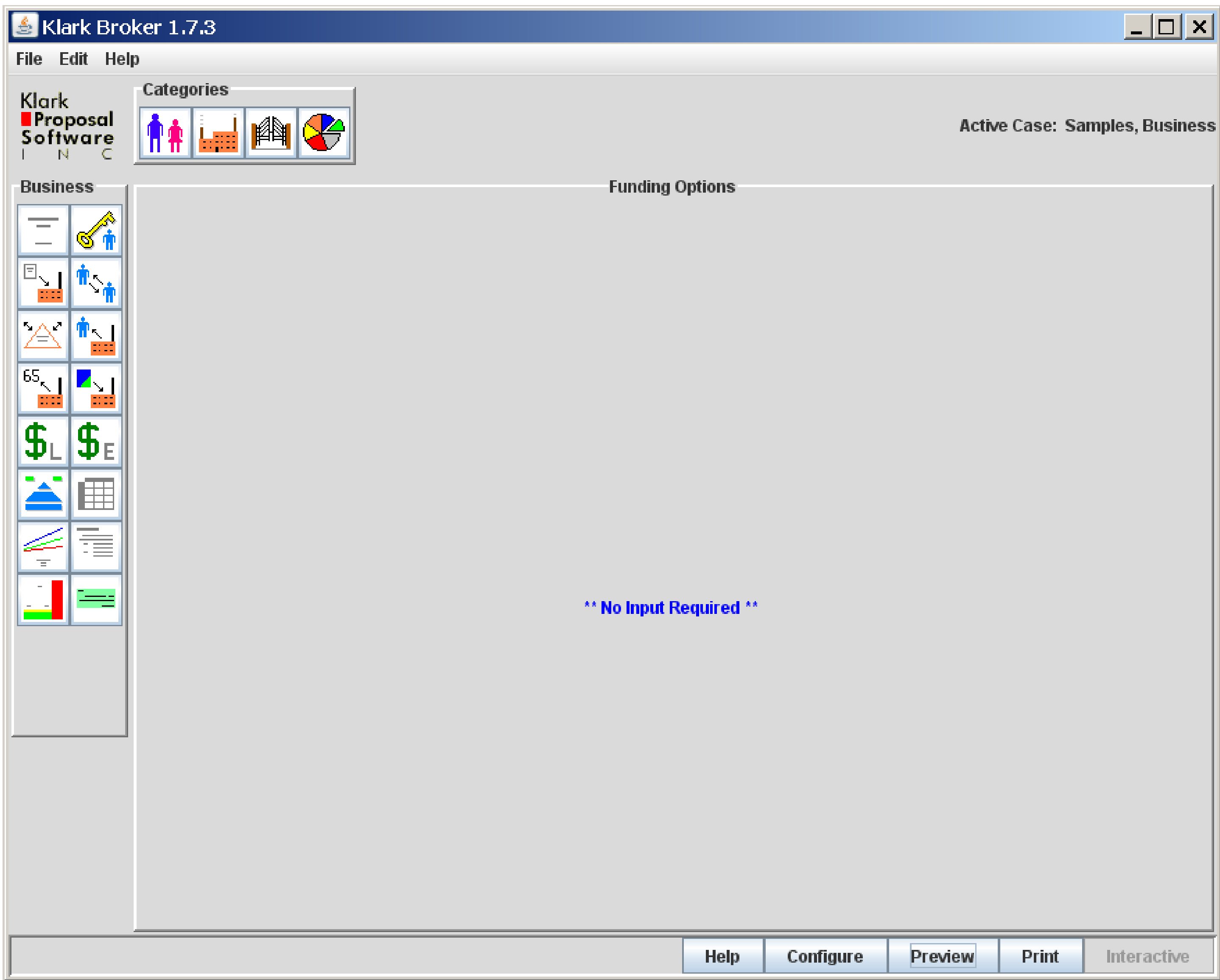
** Values and benefits include dividends. Dividends assume no loans: loans may reduce dividends. Dividends reflect current (2010 dividend scale) claim, expenses and investment experience and are not estimates or guarantees of future results. Dividends actually paid may be larger or smaller than those illustrated. This graph does not reflect that money is paid and received at different times. This graph shows a graphic presentation of the nonguaranteed values taken from the accompanying basic life insurance illustration. It must not be shown without the basic illustration which provides guarantees and other pertinent data.*

*** Reflects the hypothetical values from a cash value life insurance policy.*

This information may not be used with Variable products.

Buy-Sell Funding Options - Input Screen

Select the following:



Buy-Sell Funding Options

Prepared by YOUR NAME HERE

The three most commonly used methods to fund a buy-sell agreement follow. They are:

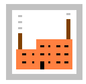
Borrowing	If loans are available under favorable terms, this option will eventually cost you the amount of principal plus interest.
Sinking Fund	Requires a consistent, well managed stream of capital along with sufficient time to mature.
Life Insurance	Assuming favorable underwriting and proper ownership, this method usually requires the least amount of capital outlay and does not need time to mature.

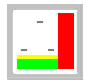
The following pages will analyze each option in detail.

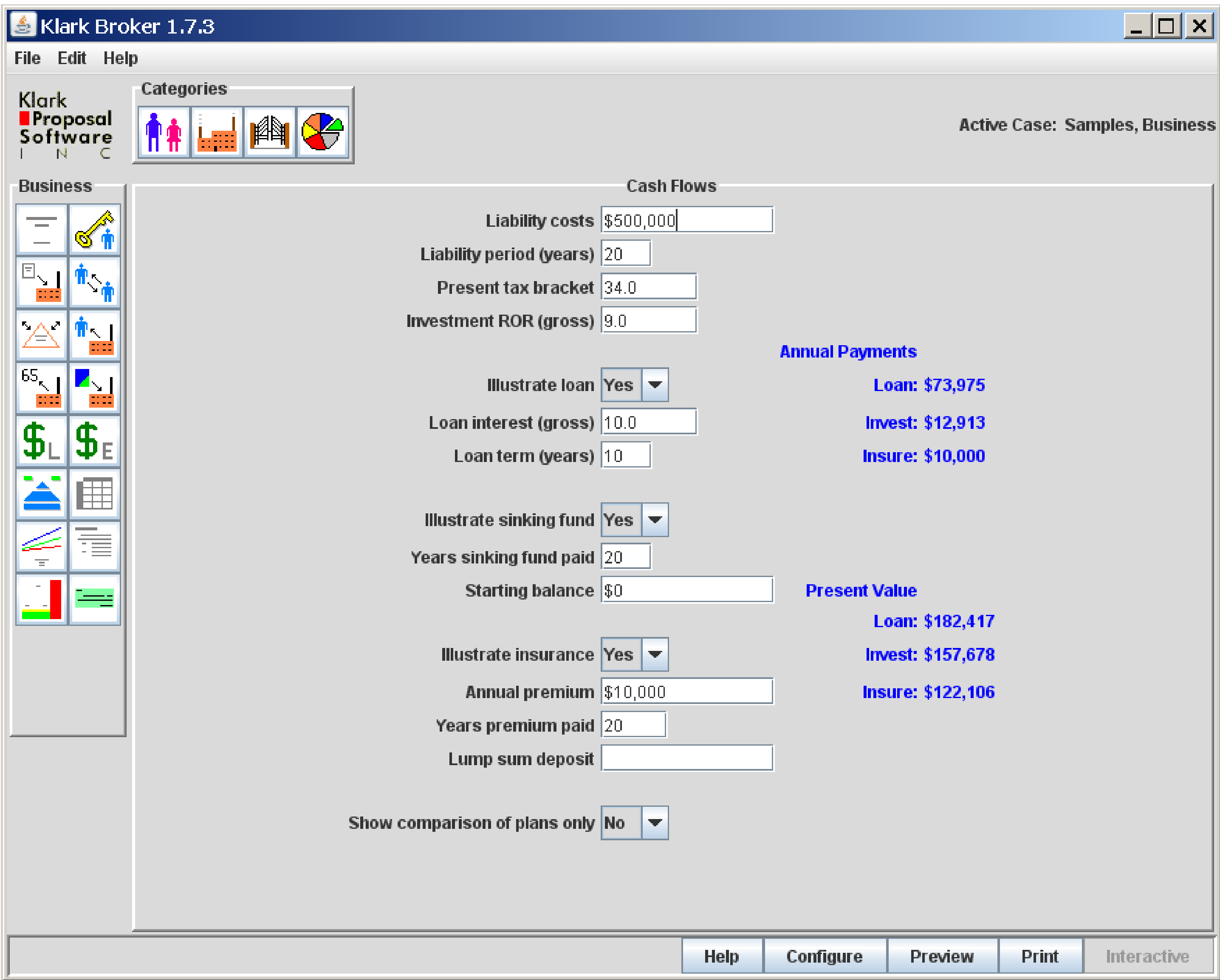
Please consult with your legal or tax advisor for specific advice.

Cash Flow - Input Screen

Select the following:



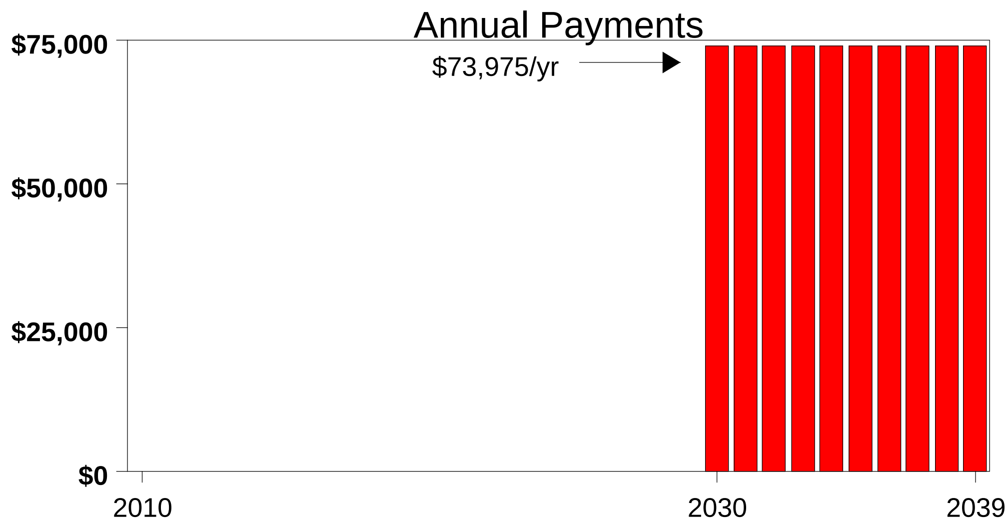




Cash Flow: Borrowing

Prepared by YOUR NAME HERE

Below is a hypothetical example of a $500,000 loan made at 10.0% payable over 10 years, assuming a repayment period of 20 years. Total cost: $739,752.



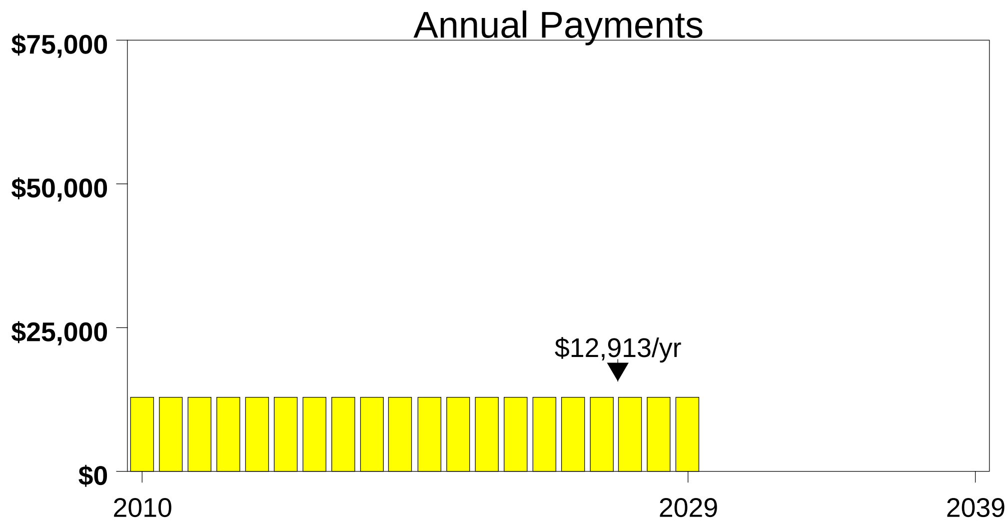
Now the present value** of the loan. What amount of money would we need in the bank today at 5.94% net to pay the cost of the loan ?

*** Assumes a 9.0% before tax rate of return and a 34.0% income tax bracket.*

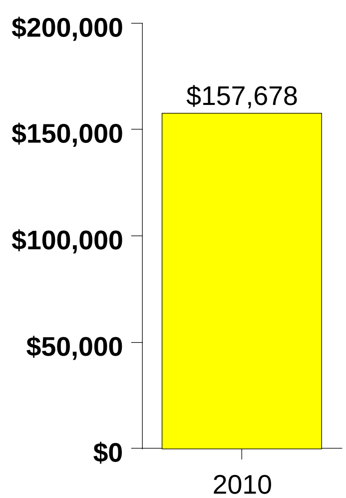
Cash Flow: Sinking Fund

Prepared by YOUR NAME HERE

Below are the payments on a hypothetical sinking fund earning 5.94% net for 20 years needed to accumulate $500,000. Total cost: $258,263.



Now the present value** of the sinking fund payments. What amount of money would we need in the bank today at 5.94% net to pay your buyout costs ?

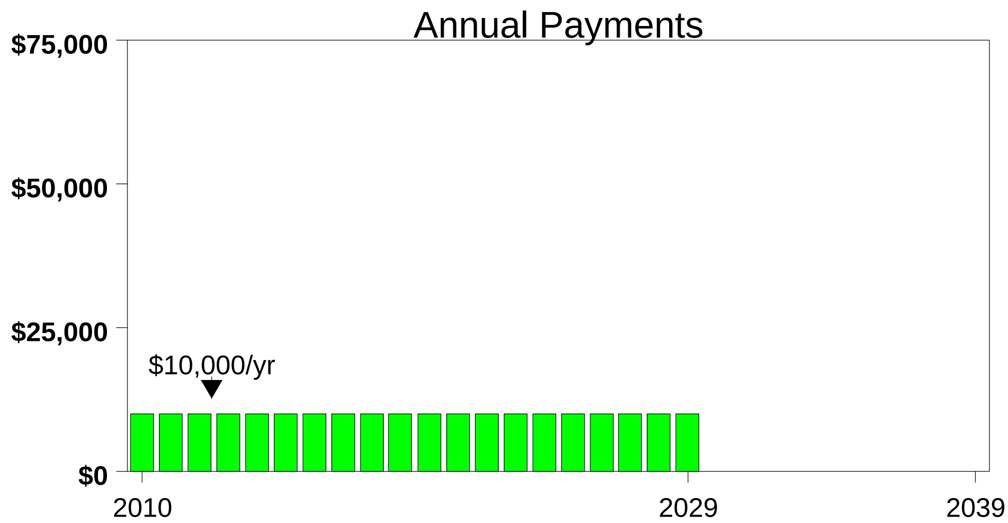


*** Assumes a 9.0% before tax rate of return and a 34.0% income tax bracket.*

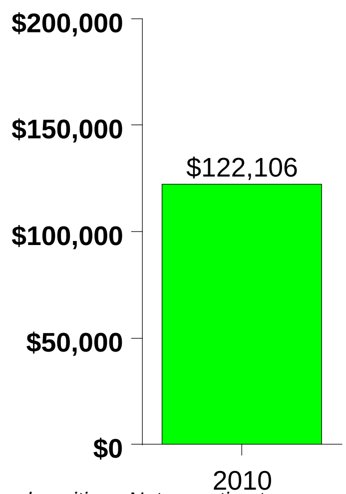
Cash Flow: Insurance*

Prepared by YOUR NAME HERE

Below are the premiums on a $500,000 policy paid for 20 years. We have assumed a buyout period of 20 years. Total cost: $200,000.



Now the present value** of the insurance premiums. What amount of money would we need in the bank today at 5.94% net in order to pay the premiums for 20 years ?



Contingent on underwriting. Not an estimate nor guarantee of future results. See accompanying basic illustration for details.

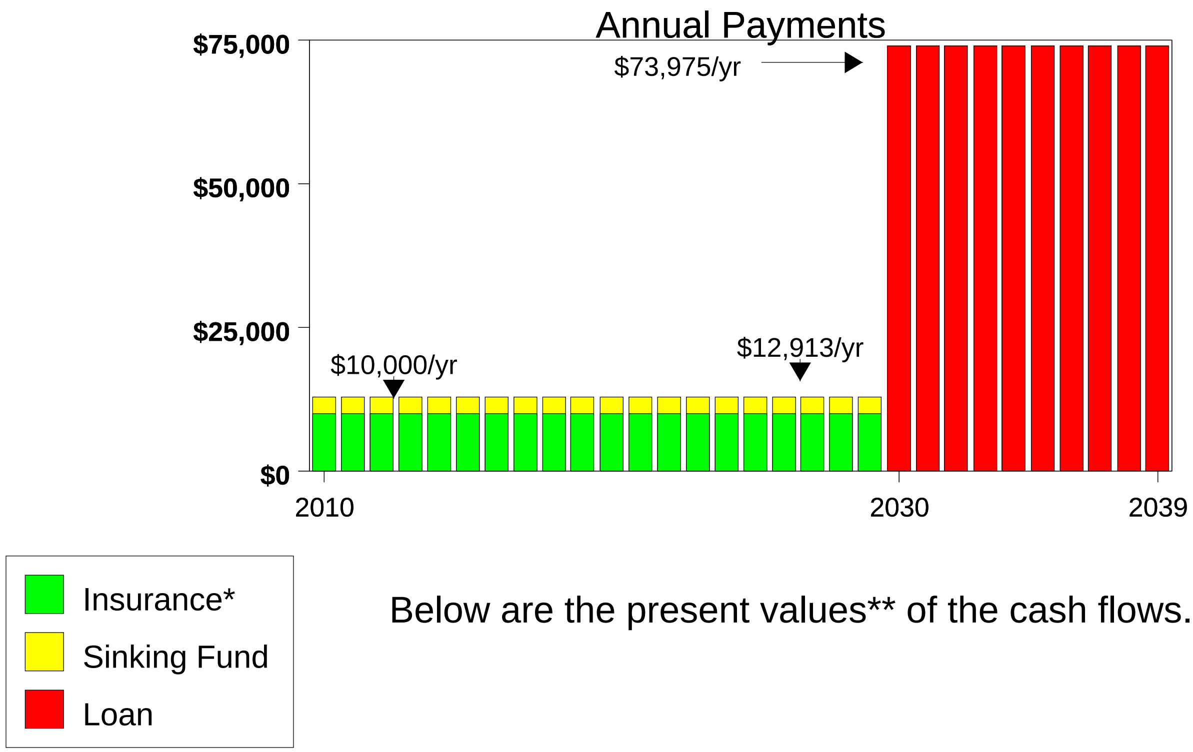
*** Assumes a 9.0% before tax rate of return and a 34.0% income tax bracket.*

This information may not be used with Variable products.

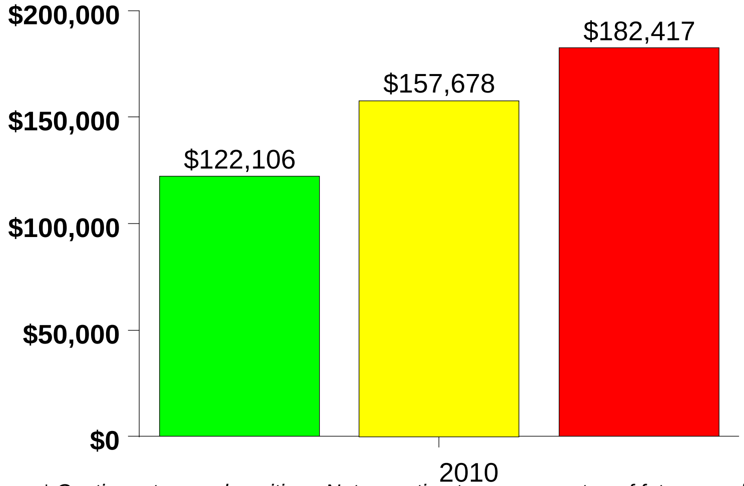
Cash Flow: Comparison

Prepared by YOUR NAME HERE

Here are the cash flows displayed together.



Below are the present values** of the cash flows.

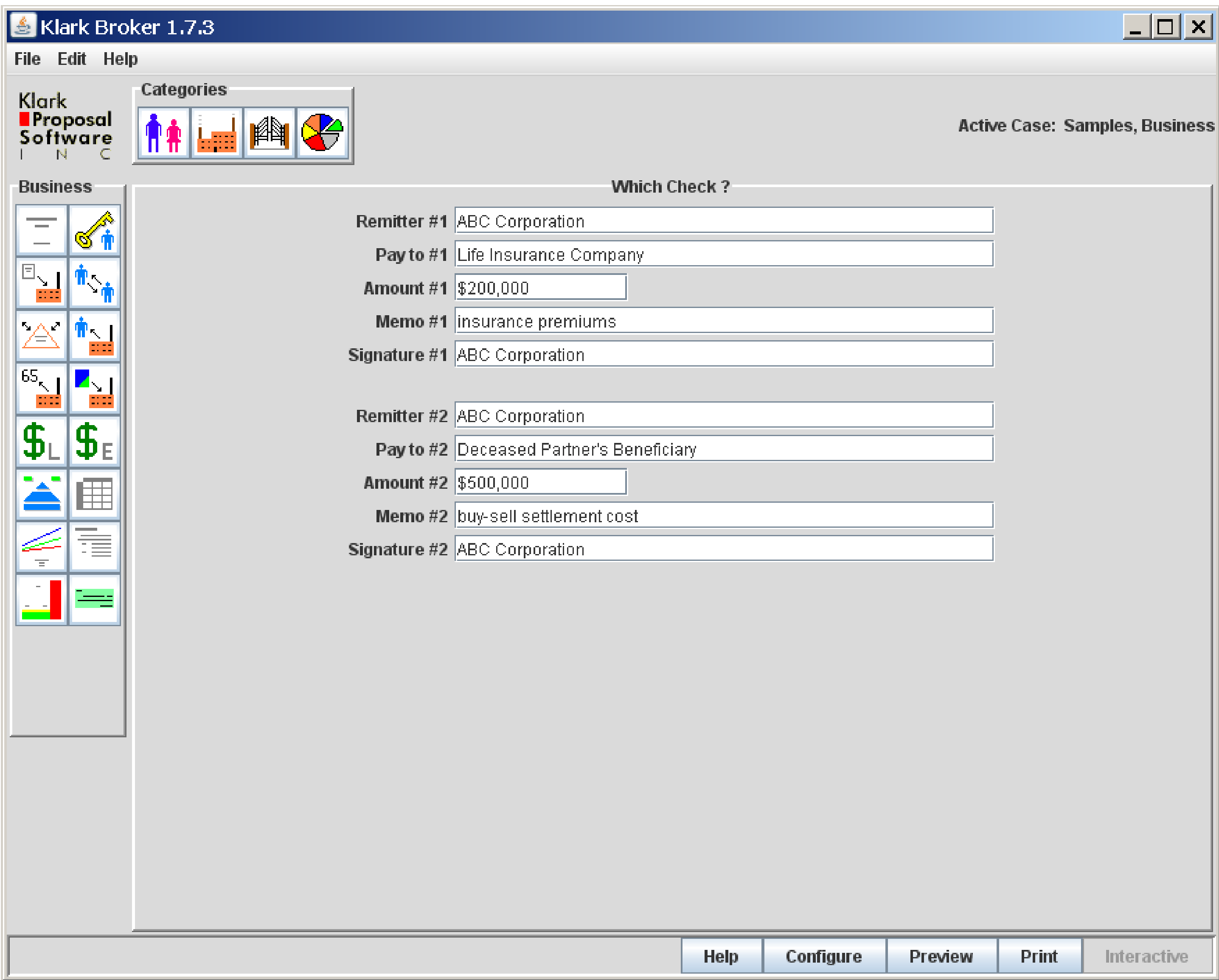


** Contingent on underwriting. Not an estimate nor guarantee of future results. See accompanying basic illustration for details.*
*** Assumes a 9.0% before tax rate of return and a 34.0% income tax bracket.*

This information may not be used with Variable products.

Which Check ? - Input Screen

Select the following:



Which Check* ?

Prepared by YOUR NAME HERE

Which check would you rather see issued when buying out a deceased business partner ?

ABC Corporation

Pay to the Order of Life Insurance Company $ 200,000

Two hundred thousand Dollars

insurance premiums

ABC Corporation

Or?

ABC Corporation

Pay to the Order of Deceased Partner's Beneficiary $ 500,000

Five hundred thousand Dollars

buy-sell settlement cost

ABC Corporation

** Contingent on underwriting. Not an estimate nor guarantee of future results. See accompanying basic illustration for details. The values above do not reflect the time value of money on the cumulative life insurance premiums.*