

K E Y
P E R S O N



For ABC, Inc.

Presented by:

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Important Notes

These pages depict certain business planning options. All of these options are based on the information you shared with us for this purpose and the assumptions stated throughout the report. Of course, any variance in the information or assumptions could change the results.

Inclusion of one or more of these options does not constitute a recommendation of that option over any other option(s). This report simply shows the effect of particular options on your business and potentially your estate, based on certain assumptions detailed in the report.

All assets assume specific growth rates, which are provided by the client. These individual rates are used to project the possible growth of the business. These projections are made to estimate future business insurance needs.

The value of the business is provided by the client or derived from values provided by the client and represents the client's estimate of the value. The report generated by this software represents an estimate of the value of the business for the purpose of estimating the amount of life insurance necessary for covering estate taxes or funding a buy and sell agreement. The values computed are, at best, only rough estimates and this report is not intended to be a substitute for a thorough professional appraisal.

The term Proposed Plan, when used within this report, does not imply a recommendation that a specific business planning option should be implemented. Rather it represents a summary of potential considered strategies, which each individual should discuss with his or her tax advisor, attorney, and/or other professional advisor before taking any action. Nothing contained in this report is intended to be used on any tax form or to support any tax deduction.

IMPORTANT: The projections or other information generated by this investment analysis tool (Key Person) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

Total Values Today

ABC, Inc.

Current Business Value: \$4,666,667

Type: C Corporation
Tax Bracket: 34.00%
Nature: Finance



Adam Anderson

Ownership: 40%

Tax Bracket: 30%



Betty Boston

Ownership: 35%

Tax Bracket: 30%



Carl Cannon

Ownership: 25%

Tax Bracket: 30%

Business values based on values provided by the client. Each business should have a professional appraiser determine the amount that will best represent its true value.

Future Business Values

ABC, Inc.

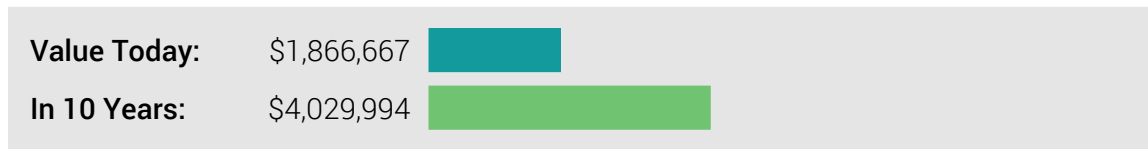
Current Business Value: \$4,666,667

Estimated Value in 10 Years: \$10,074,984

Growth at: 8.000%

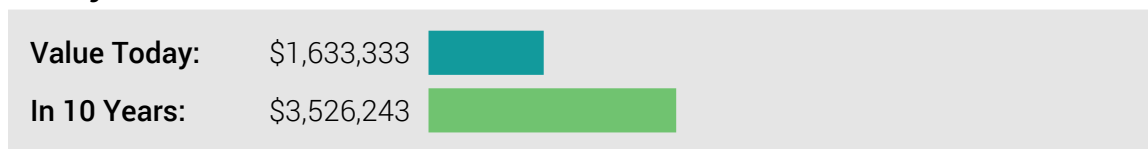
Adam Anderson

Ownership: 40%



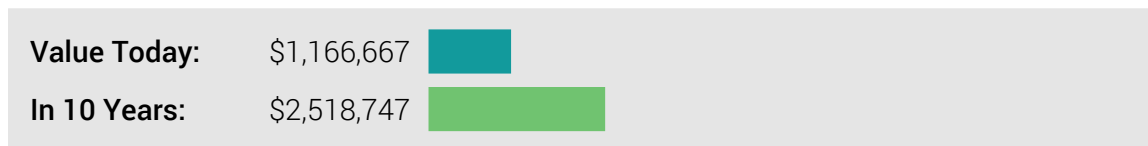
Betty Boston

Ownership: 35%



Carl Cannon

Ownership: 25%



Business values based on values provided by the client. Each business should have a professional appraiser determine the amount that will best represent its true value.

Loss of Key Person

Determining the Value of a Key Person

Who is a Key Person?

- Essential to business
- A person whose loss would have a major impact on the business

Business Loss at Death of Key Person

? Would the company require some adjustment time before business could continue?

Interruptions caused by the death of one of its key executives, employees, or owners

? Would sales in progress be completed?

A portion of sales are often directly tied to the key person

? Would profits and earnings be affected?

Earnings initially lost due to the death of a key person are often never replaced

? Would creditors demand payment or restrict future credit?

Lines of credit and existing debts may be called

? Would the loss of unique talents and skills disrupt the work of others?

The loss of an operator of an expensive machine could put all of those working with the machine, or the product of the machine out of work as well.

? Would future business plans that involve this key person be disrupted?

A key person is often part of the owner's business continuation plan

How Value Should Be Determined

Value of any key person must be based on that individual and his or her contribution to the business – both are unique and require a unique strategy.

Consider possible areas that may be affected

Estimate the cost to the business of the area or areas affected

Values must be reasonable relative to the value of the business

All areas of major impact should be considered

Key Person Protection

Protecting the Business

Insurance Can Provide Protection

- Business may suffer financial loss following the key person's death
- Business receives life insurance proceeds, usually income tax free¹, when it is needed the most – the key person's death
- Business uses the life insurance proceeds to help offset the financial losses

Notice and Consent¹

- Key person being insured must be notified in writing
 - Face amount of life insurance
 - That the insurance may continue after employment ends
- Business must have written consent prior to policy being issued

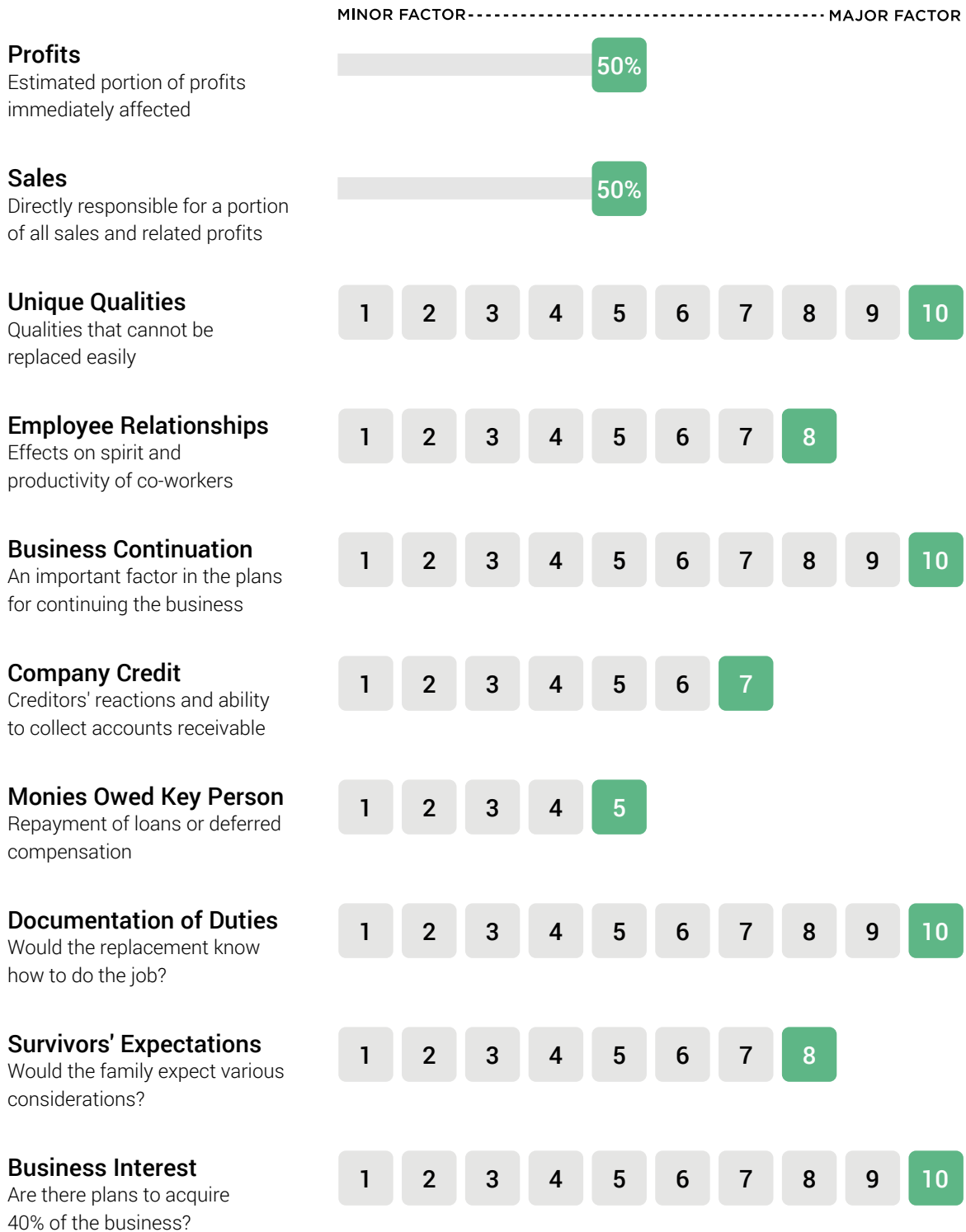
How Life Insurance on a Key Person Works

- Business determines the potential loss in the event of the key person's death
- Acquires life insurance on the key person with the business as the owner and beneficiary
- Business pays non-deductible premiums from surplus
- Any increases in cash values increase surplus, as all policy values belong to the business
 - Permanent life insurance, after the early policy years, often increases in cash value by an amount equal to or greater than the annual premiums
 - Term life insurance has a lower annual premium, but no cash values to offset the cost on the company's balance sheets
- At the key person's death, the business receives the life insurance proceeds income tax free¹

¹ Notice and consent is required under I.R.C. Section 101 (j) if the income tax benefits afforded life insurance are to be received by the business. Failure to comply would result in the life insurance death proceeds being taxed to the business. Alternative Minimum Tax may apply based on taxable earnings in the year of the insured's death.

Impact of Adam Anderson

All factors for valuing the impact of a key person are not equal, but all factors must be considered.



Impacts and Valuing Methods

How Major Impact Items Relate to Adam Anderson's Valuation Methods

Suggestions:

Often the best method is a combination of several methods. Using the values shown as the impact of Adam Anderson, one of these three methods is suggested for the owners considerations.

Suggestion One: \$3,700,865

Use a combination or average of Business Value and Business Life Value methods

Suggestion Two: \$3,011,656

Use a weighted value of all impacts and all methods

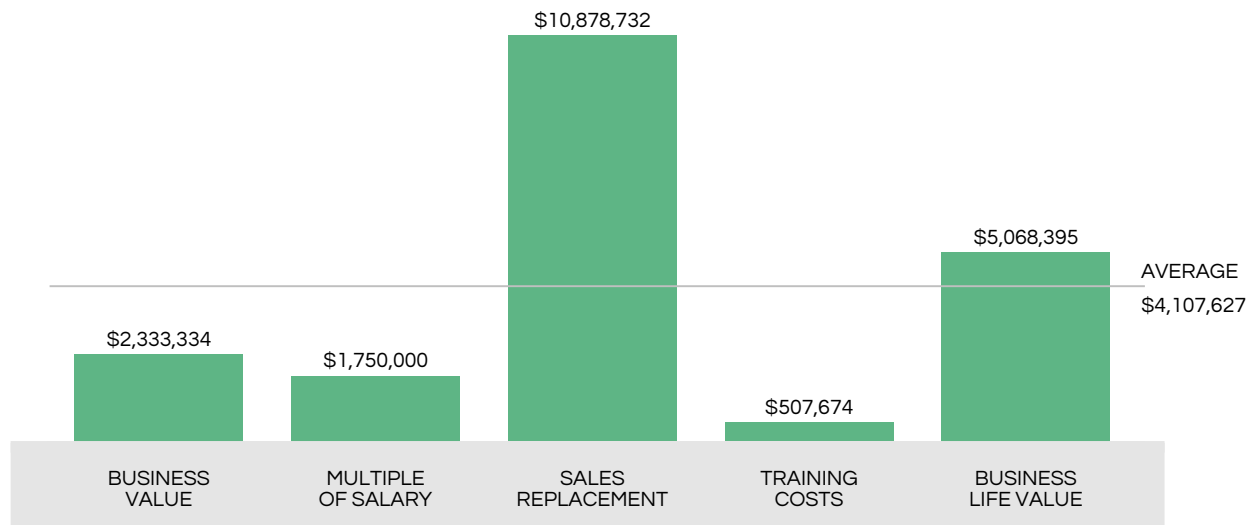
Suggestion Three: \$4,000,000

Owner's estimate of the value of the potential loss to the business if Adam Anderson dies

Impact Considered	Estimate Key Person's Value Based on:
Sales	<ul style="list-style-type: none"> SR Sales Replacement Impact, or BV Business Value
Profits	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value
Unique Qualities	<ul style="list-style-type: none"> BL Business Life Value, or TC Training Costs, or BV Business Value
Employee Relationships	<ul style="list-style-type: none"> MS Multiple of Salary (with a multiple of 3 to 10 based on overall impact)
Business Continuation	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value
Company Credit	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value
Monies Owed Key Person	<ul style="list-style-type: none"> MS Multiple of Salary (with amount owed considered)
Documentation of Duties	<ul style="list-style-type: none"> TC Training Costs
Survivor's Expectations	<ul style="list-style-type: none"> MS Multiple of Salary, or BL Business Life Value
Business Interest	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value

Values of Key Person

Several Methods to Value the Loss of Adam Anderson



There is no formula for determining the exact value of a key person. These are some of the most common methods. Often there is one, or a combination of several methods, that best represents the cost of losing a key person.

Values of Adam Anderson

Calculations Used

Business Value Method: **\$2,333,334**

Value of Business	\$4,666,667
Portion Responsible	50%

Multiple of Salary Method: **\$1,750,000**

Annual Salary	\$350,000
Times Multiple	5

Sales Replacement Method: **\$10,878,732**

Annual Sales	\$8,000,000
Portion of Sales Responsible	50%
First Year Loss	\$4,000,000
Prorated Loss for Remaining Replacement Years	4
Discounted at Average Annual Earnings Rate	8.000%

Training Costs Method: **\$507,674**

Earnings	\$373,333
Portion of Profits Responsible	50%
First Year Loss	\$186,667
Prorated Loss for Remaining Replacement Years	4
Discounted at Average Annual Earnings Rate	8.000%

Business Life Value Method: **\$5,068,395**

Earnings	\$373,333
Portion of Profits Responsible	50%
Annual Loss Earnings	\$186,667
Discounted at Average Annual Earnings Rate	8.000%
Years to Retirement	15

Average: **\$4,107,627**

Policy's Effects on Balance Sheet

Living Analysis of Adam Anderson's Policy

Owner/Beneficiary:

ABC, Inc.

Insured:

Adam Anderson

Face Amount¹:

\$4,000,000

The cost of the key person policy each year is a decrease in the company's surplus by the amount of the annual premiums. However, if the policy is not term life, then there is an annual increase in cash values. The cash value of the policy is added to surplus so that the annual increase in cash values is an increase to surplus. After the first few years, the increase in the surplus helps to offset some or all of the decrease caused by the premiums. Although the effects on the balance sheet may be a favorable increase in surplus, the key person policy still requires the cash flow to pay the premiums.

Year	ANNUAL EFFECTS			CUMULATIVE EFFECTS			
	Premiums Decrease to Surplus	Cash Value Increase to Surplus	Net Effects on Balance Sheet for Year	Premiums Decrease to Surplus	Cash Value Increase to Surplus	Net Effects on Balance Sheet	Life Insurance Protection
1	\$40,699	\$0	(\$40,699)	\$40,699	\$0	(\$40,699)	\$4,000,000
2	40,699	669	(40,030)	81,398	669	(80,729)	4,000,000
3	40,699	22,273	(18,426)	122,097	22,942	(99,155)	4,000,000
4	40,699	22,879	(17,820)	162,796	45,821	(116,975)	4,000,000
5	40,699	23,337	(17,362)	203,495	69,158	(134,337)	4,000,000
6	40,699	32,599	(8,100)	244,194	101,757	(142,437)	4,000,000
7	40,699	33,572	(7,127)	284,893	135,329	(149,564)	4,000,000
8	40,699	34,547	(6,152)	325,592	169,876	(155,716)	4,000,000
9	40,699	35,805	(4,894)	366,291	205,681	(160,610)	4,000,000
10	40,699	37,385	(3,314)	406,990	243,066	(163,924)	4,000,000

¹ Not valid without a complete policy illustration provided by the insurer. This is not a contract and is not a guarantee that any life insurance policy will be issued.

Policy's Effects on Balance Sheet

Analysis at Death of Adam Anderson's Policy

Owner/Beneficiary:

ABC, Inc.

Insured:

Adam Anderson

Face Amount¹:

\$4,000,000

The costs of the key person policy each year is a decrease in the company's surplus by the amount of the annual premiums. The tax-free² life insurance proceeds are an increase to surplus in the year of death. The large increase to surplus in the year of death helps to offset the economic loss of the key person.

Year	Annual Premiums Decrease to Surplus	Cumulative Premiums Decrease to Surplus	Insurance Death Benefit Increase to Surplus	Net Effects in Year of Death	Net Cumulative Effect
1	\$40,699	\$40,699	\$4,000,000	\$3,959,301	\$3,959,301
2	40,699	81,398	4,000,000	3,959,301	3,918,602
3	40,699	122,097	4,000,000	3,959,301	3,877,903
4	40,699	162,796	4,000,000	3,959,301	3,837,204
5	40,699	203,495	4,000,000	3,959,301	3,796,505
6	40,699	244,194	4,000,000	3,959,301	3,755,806
7	40,699	284,893	4,000,000	3,959,301	3,715,107
8	40,699	325,592	4,000,000	3,959,301	3,674,408
9	40,699	366,291	4,000,000	3,959,301	3,633,709
10	40,699	406,990	4,000,000	3,959,301	3,593,010

¹ Not valid without a complete policy illustration provided by the insurer. This is not a contract and is not a guarantee that any life insurance policy will be issued.

² If the provisions of I.R.C. Section 101(j) are satisfied, the life insurance death proceeds may be received income tax free. C Corporations may be subject to the Alternative Minimum Tax on the death proceeds. The AMT is generally on the amounts of proceeds in excess of earnings for the year, and can be as high as 15%.

Action Plan

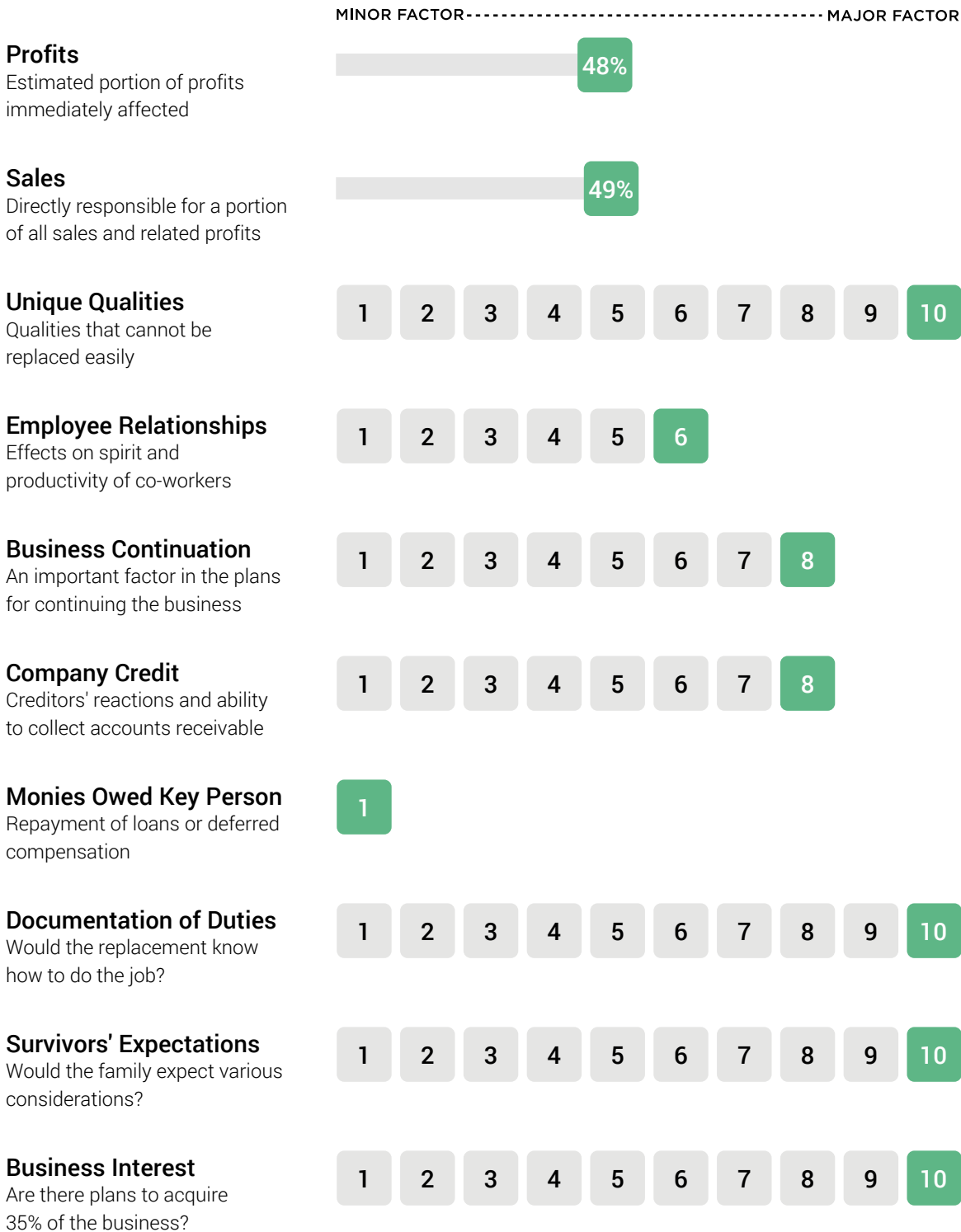
For Adam Anderson

✓ Recommendations

- Seek professional legal advice regarding your needs for disposition of the business.
- Consider all factors and determine the potential loss to the business in the event of the key person's death.
- Determine appropriate solution.
- Board of Directors authorize the purchase of the key person policy.
- Prepare a written notice to the employee advising of the proposed life insurance purchase.
- Have the employee sign the Notice and Consent PRIOR to any policy being issued, and the business must attach a copy of the form with the tax returns for the current year.
- Have an attorney review any agreements and resolutions.
- Apply for life insurance and complete medical requirements.
- Execute all agreements and put plan into effect.
- Schedule annual review of key person policies and plans.

Impact of Betty Boston

All factors for valuing the impact of a key person are not equal, but all factors must be considered.



Impacts and Valuing Methods

How Major Impact Items Relate to Betty Boston's Valuation Methods

Suggestions:

Often the best method is a combination of several methods. Using the values shown as the impact of Betty Boston, one of these three methods is suggested for the owners considerations.

Suggestion One: \$2,417,996

Use a combination or average of Business Value and Business Life Value methods

Suggestion Two: \$2,233,328

Use a weighted value of all impacts and all methods

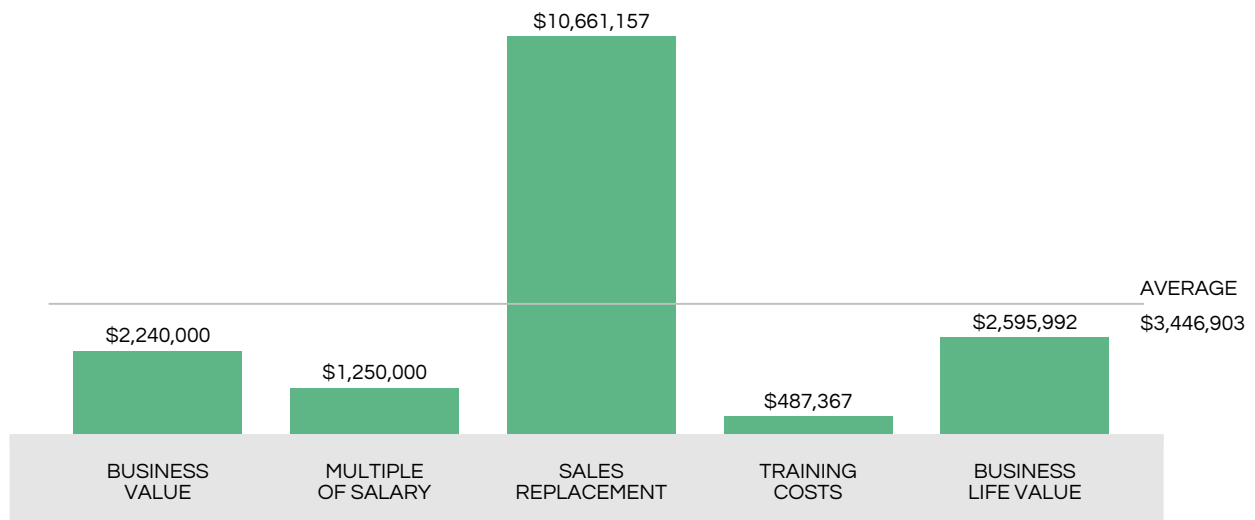
Suggestion Three: \$3,500,000

Owner's estimate of the value of the potential loss to the business if Betty Boston dies

Impact Considered	Estimate Key Person's Value Based on:
Sales	<ul style="list-style-type: none"> SR Sales Replacement Impact, or BV Business Value
Profits	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value
Unique Qualities	<ul style="list-style-type: none"> BL Business Life Value, or TC Training Costs, or BV Business Value
Employee Relationships	<ul style="list-style-type: none"> MS Multiple of Salary (with a multiple of 3 to 10 based on overall impact)
Business Continuation	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value
Company Credit	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value
Monies Owed Key Person	<ul style="list-style-type: none"> MS Multiple of Salary (with amount owed considered)
Documentation of Duties	<ul style="list-style-type: none"> TC Training Costs
Survivor's Expectations	<ul style="list-style-type: none"> MS Multiple of Salary, or BL Business Life Value
Business Interest	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value

Values of Key Person

Several Methods to Value the Loss of Betty Boston



There is no formula for determining the exact value of a key person. These are some of the most common methods. Often there is one, or a combination of several methods, that best represents the cost of losing a key person.

Values of Betty Boston

Calculations Used

Business Value Method: **\$2,240,000**

Value of Business	\$4,666,667
Portion Responsible	48%

Multiple of Salary Method: **\$1,250,000**

Annual Salary	\$250,000
Times Multiple	5

Sales Replacement Method: **\$10,661,157**

Annual Sales	\$8,000,000
Portion of Sales Responsible	49%
First Year Loss	\$3,920,000
Prorated Loss for Remaining Replacement Years	4
Discounted at Average Annual Earnings Rate	8.000%

Training Costs Method: **\$487,367**

Earnings	\$373,333
Portion of Profits Responsible	48%
First Year Loss	\$179,200
Prorated Loss for Remaining Replacement Years	4
Discounted at Average Annual Earnings Rate	8.000%

Business Life Value Method: **\$2,595,992**

Earnings	\$373,333
Portion of Profits Responsible	48%
Annual Loss Earnings	\$179,200
Discounted at Average Annual Earnings Rate	8.000%
Years to Retirement	10

Average: **\$3,446,903**

Policy's Effects on Balance Sheet

Living Analysis of Betty Boston's Policy

Owner/Beneficiary:

ABC, Inc.

Insured:

Betty Boston

Face Amount¹:

\$3,500,000

The cost of the key person policy each year is a decrease in the company's surplus by the amount of the annual premiums. However, if the policy is not term life, then there is an annual increase in cash values. The cash value of the policy is added to surplus so that the annual increase in cash values is an increase to surplus. After the first few years, the increase in the surplus helps to offset some or all of the decrease caused by the premiums. Although the effects on the balance sheet may be a favorable increase in surplus, the key person policy still requires the cash flow to pay the premiums.

Year	ANNUAL EFFECTS			CUMULATIVE EFFECTS			
	Premiums Decrease to Surplus	Cash Value Increase to Surplus	Net Effects on Balance Sheet for Year	Premiums Decrease to Surplus	Cash Value Increase to Surplus	Net Effects on Balance Sheet	Life Insurance Protection
1	\$41,100	\$0	(\$41,100)	\$41,100	\$0	(\$41,100)	\$3,500,000
2	41,100	8,694	(32,406)	82,200	8,694	(73,506)	3,500,000
3	41,100	26,540	(14,560)	123,300	35,234	(88,066)	3,500,000
4	41,100	27,213	(13,887)	164,400	62,447	(101,953)	3,500,000
5	41,100	27,935	(13,165)	205,500	90,382	(115,118)	3,500,000
6	41,100	35,021	(6,079)	246,600	125,403	(121,197)	3,500,000
7	41,100	36,228	(4,872)	287,700	161,631	(126,069)	3,500,000
8	41,100	37,431	(3,669)	328,800	199,062	(129,738)	3,500,000
9	41,100	38,706	(2,394)	369,900	237,768	(132,132)	3,500,000
10	41,100	40,366	(734)	411,000	278,134	(132,866)	3,500,000

¹ Not valid without a complete policy illustration provided by the insurer. This is not a contract and is not a guarantee that any life insurance policy will be issued.

Policy's Effects on Balance Sheet

Analysis at Death of Betty Boston's Policy

Owner/Beneficiary:

ABC, Inc.

Insured:

Betty Boston

Face Amount¹:

\$3,500,000

The costs of the key person policy each year is a decrease in the company's surplus by the amount of the annual premiums. The tax-free² life insurance proceeds are an increase to surplus in the year of death. The large increase to surplus in the year of death helps to offset the economic loss of the key person.

Year	Annual Premiums Decrease to Surplus	Cumulative Premiums Decrease to Surplus	Insurance Death Benefit Increase to Surplus	Net Effects in Year of Death	Net Cumulative Effect
1	\$41,100	\$41,100	\$3,500,000	\$3,458,900	\$3,458,900
2	41,100	82,200	3,500,000	3,458,900	3,417,800
3	41,100	123,300	3,500,000	3,458,900	3,376,700
4	41,100	164,400	3,500,000	3,458,900	3,335,600
5	41,100	205,500	3,500,000	3,458,900	3,294,500
6	41,100	246,600	3,500,000	3,458,900	3,253,400
7	41,100	287,700	3,500,000	3,458,900	3,212,300
8	41,100	328,800	3,500,000	3,458,900	3,171,200
9	41,100	369,900	3,500,000	3,458,900	3,130,100
10	41,100	411,000	3,500,000	3,458,900	3,089,000

¹ Not valid without a complete policy illustration provided by the insurer. This is not a contract and is not a guarantee that any life insurance policy will be issued.

² If the provisions of I.R.C. Section 101(j) are satisfied, the life insurance death proceeds may be received income tax free. C Corporations may be subject to the Alternative Minimum Tax on the death proceeds. The AMT is generally on the amounts of proceeds in excess of earnings for the year, and can be as high as 15%.

Action Plan

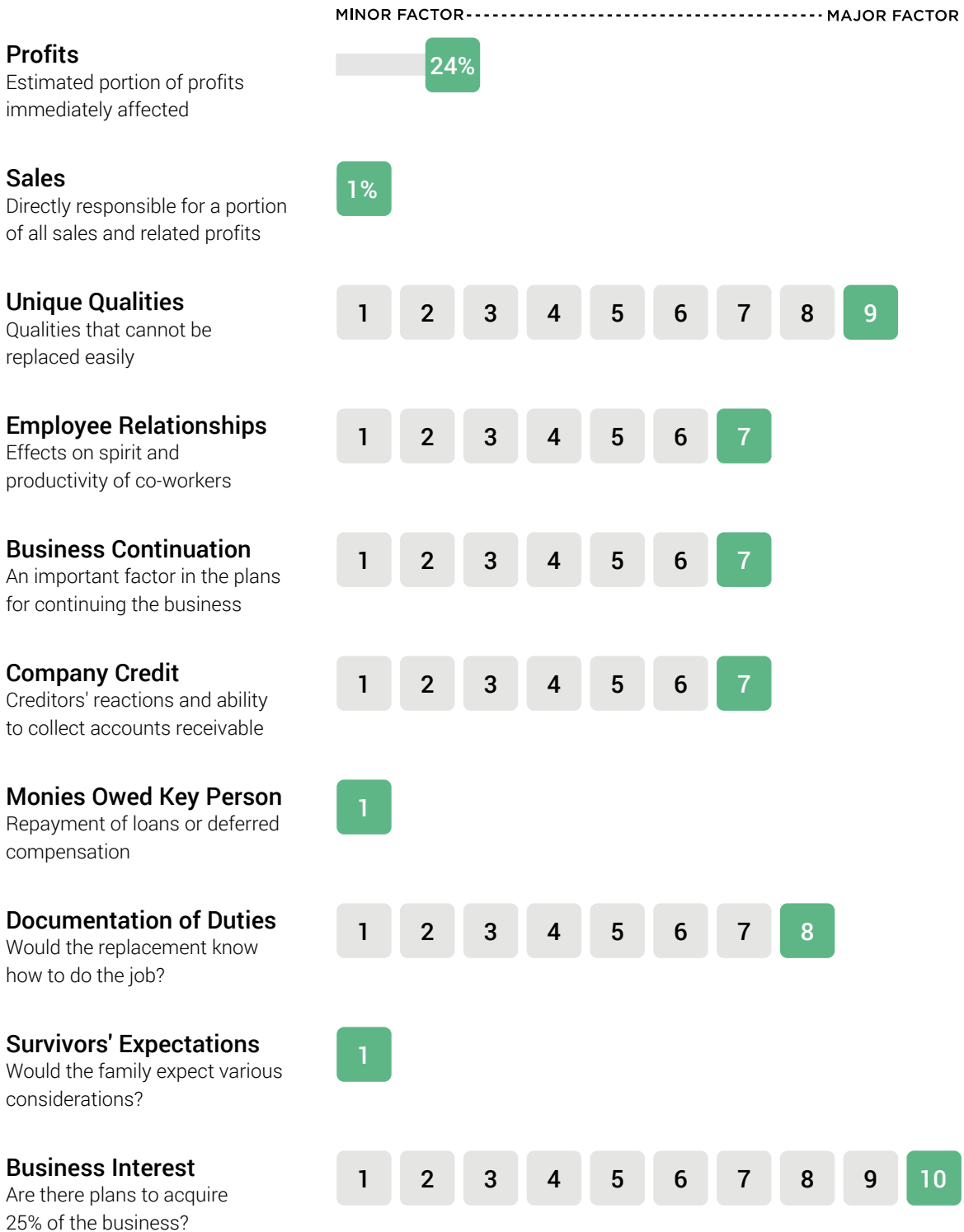
For Betty Boston

✓ Recommendations

- Seek professional legal advice regarding your needs for disposition of the business.
- Consider all factors and determine the potential loss to the business in the event of the key person's death.
- Determine appropriate solution.
- Board of Directors authorize the purchase of the key person policy.
- Prepare a written notice to the employee advising of the proposed life insurance purchase.
- Have the employee sign the Notice and Consent PRIOR to any policy being issued, and the business must attach a copy of the form with the tax returns for the current year.
- Have an attorney review any agreements and resolutions.
- Apply for life insurance and complete medical requirements.
- Execute all agreements and put plan into effect.
- Schedule annual review of key person policies and plans.

Impact of Carl Cannon

All factors for valuing the impact of a key person are not equal, but all factors must be considered.



Impacts and Valuing Methods

How Major Impact Items Relate to Carl Cannon's Valuation Methods

Suggestions:

Often the best method is a combination of several methods.

Using the values shown as the impact of Carl Cannon, one of these three methods is suggested for the owners considerations.

Suggestion One: \$1,796,929

Use a combination or average of Business Value, Training Costs and Business Life Value methods

Suggestion Two: \$1,569,307

Use a weighted value of all impacts and all methods

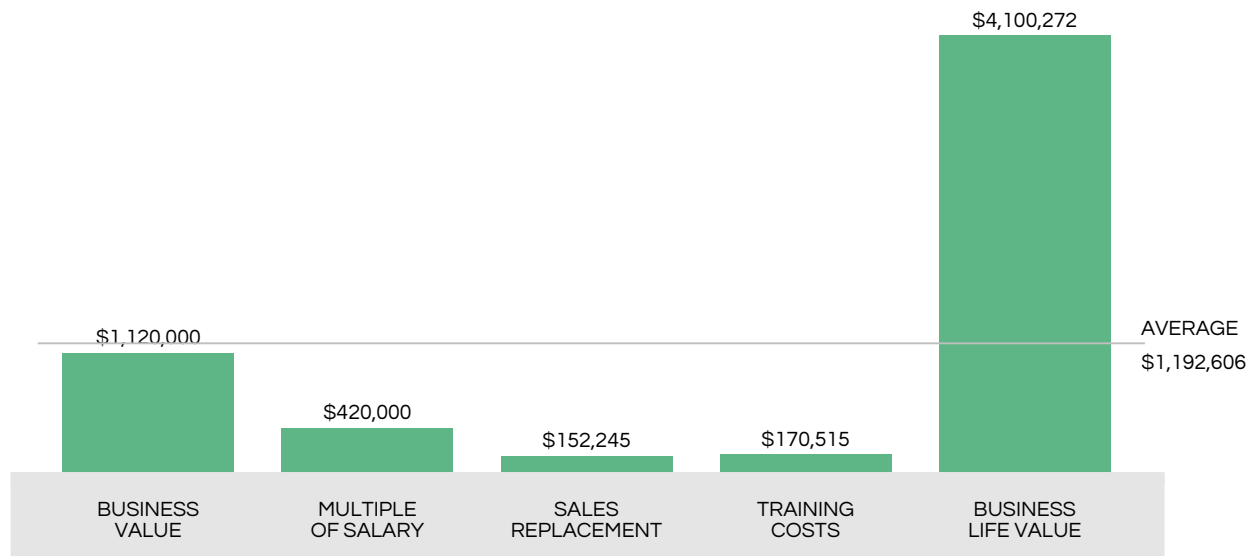
Suggestion Three: \$1,350,000

Owner's estimate of the value of the potential loss to the business if Carl Cannon dies

Impact Considered	Estimate Key Person's Value Based on:
Sales	<ul style="list-style-type: none"> SR Sales Replacement Impact, or BV Business Value
Profits	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value
Unique Qualities	<ul style="list-style-type: none"> BL Business Life Value, or TC Training Costs, or BV Business Value
Employee Relationships	MS Multiple of Salary (with a multiple of 3 to 10 based on overall impact)
Business Continuation	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value
Company Credit	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value
Monies Owed Key Person	MS Multiple of Salary (with amount owed considered)
Documentation of Duties	TC Training Costs
Survivor's Expectations	<ul style="list-style-type: none"> MS Multiple of Salary, or BL Business Life Value
Business Interest	<ul style="list-style-type: none"> BV Business Value, or BL Business Life Value

Values of Key Person

Several Methods to Value the Loss of Carl Cannon



There is no formula for determining the exact value of a key person. These are some of the most common methods. Often there is one, or a combination of several methods, that best represents the cost of losing a key person.

Values of Carl Cannon

Calculations Used

Business Value Method: \$1,120,000

Value of Business	\$4,666,667
Portion Responsible	24%

Multiple of Salary Method: \$420,000

Annual Salary	\$140,000
Times Multiple	3

Sales Replacement Method: \$152,245

Annual Sales	\$8,000,000
Portion of Sales Responsible	1%
First Year Loss	\$80,000
Prorated Loss for Remaining Replacement Years	2
Discounted at Average Annual Earnings Rate	8.000%

Training Costs Method: \$170,515

Earnings	\$373,333
Portion of Profits Responsible	24%
First Year Loss	\$89,600
Prorated Loss for Remaining Replacement Years	2
Discounted at Average Annual Earnings Rate	8.000%

Business Life Value Method: \$4,100,272

Earnings	\$373,333
Portion of Profits Responsible	24%
Annual Loss Earnings	\$89,600
Discounted at Average Annual Earnings Rate	8.000%
Years to Retirement	20

Average: \$1,192,606

Policy's Effects on Balance Sheet

Living Analysis of Carl Cannon's Policy

Owner/Beneficiary:

ABC, Inc.

Insured:

Carl Cannon

Face Amount¹:

\$1,350,000

The cost of the key person policy each year is a decrease in the company's surplus by the amount of the annual premiums. However, if the policy is not term life, then there is an annual increase in cash values. The cash value of the policy is added to surplus so that the annual increase in cash values is an increase to surplus. After the first few years, the increase in the surplus helps to offset some or all of the decrease caused by the premiums. Although the effects on the balance sheet may be a favorable increase in surplus, the key person policy still requires the cash flow to pay the premiums.

Year	ANNUAL EFFECTS			CUMULATIVE EFFECTS			
	Premiums Decrease to Surplus	Cash Value Increase to Surplus	Net Effects on Balance Sheet for Year	Premiums Decrease to Surplus	Cash Value Increase to Surplus	Net Effects on Balance Sheet	Life Insurance Protection
1	\$10,163	\$0	(\$10,163)	\$10,163	\$0	(\$10,163)	\$1,350,000
2	10,163	0	(10,163)	20,326	0	(20,326)	1,350,000
3	10,163	2,339	(7,824)	30,489	2,339	(28,150)	1,350,000
4	10,163	4,544	(5,619)	40,652	6,883	(33,769)	1,350,000
5	10,163	4,713	(5,450)	50,815	11,596	(39,219)	1,350,000
6	10,163	7,629	(2,534)	60,978	19,225	(41,753)	1,350,000
7	10,163	7,961	(2,202)	71,141	27,186	(43,955)	1,350,000
8	10,163	8,257	(1,906)	81,304	35,443	(45,861)	1,350,000
9	10,163	8,564	(1,599)	91,467	44,007	(47,460)	1,350,000
10	10,163	8,923	(1,240)	101,630	52,930	(48,700)	1,350,000

¹ Not valid without a complete policy illustration provided by the insurer. This is not a contract and is not a guarantee that any life insurance policy will be issued.

Policy's Effects on Balance Sheet

Analysis at Death of Carl Cannon's Policy

Owner/Beneficiary:

ABC, Inc.

Insured:

Carl Cannon

Face Amount¹:

\$1,350,000

The costs of the key person policy each year is a decrease in the company's surplus by the amount of the annual premiums. The tax-free² life insurance proceeds are an increase to surplus in the year of death. The large increase to surplus in the year of death helps to offset the economic loss of the key person.

Year	Annual Premiums Decrease to Surplus	Cumulative Premiums Decrease to Surplus	Insurance Death Benefit Increase to Surplus	Net Effects in Year of Death	Net Cumulative Effect
1	\$10,163	\$10,163	\$1,350,000	\$1,339,837	\$1,339,837
2	10,163	20,326	1,350,000	1,339,837	1,329,674
3	10,163	30,489	1,350,000	1,339,837	1,319,511
4	10,163	40,652	1,350,000	1,339,837	1,309,348
5	10,163	50,815	1,350,000	1,339,837	1,299,185
6	10,163	60,978	1,350,000	1,339,837	1,289,022
7	10,163	71,141	1,350,000	1,339,837	1,278,859
8	10,163	81,304	1,350,000	1,339,837	1,268,696
9	10,163	91,467	1,350,000	1,339,837	1,258,533
10	10,163	101,630	1,350,000	1,339,837	1,248,370

¹ Not valid without a complete policy illustration provided by the insurer. This is not a contract and is not a guarantee that any life insurance policy will be issued.

² If the provisions of I.R.C. Section 101(j) are satisfied, the life insurance death proceeds may be received income tax free. C Corporations may be subject to the Alternative Minimum Tax on the death proceeds. The AMT is generally on the amounts of proceeds in excess of earnings for the year, and can be as high as 15%.

Action Plan

For Carl Cannon

✓ Recommendations

- Seek professional legal advice regarding your needs for disposition of the business.
- Consider all factors and determine the potential loss to the business in the event of the key person's death.
- Determine appropriate solution.
- Board of Directors authorize the purchase of the key person policy.
- Prepare a written notice to the employee advising of the proposed life insurance purchase.
- Have the employee sign the Notice and Consent PRIOR to any policy being issued, and the business must attach a copy of the form with the tax returns for the current year.
- Have an attorney review any agreements and resolutions.
- Apply for life insurance and complete medical requirements.
- Execute all agreements and put plan into effect.
- Schedule annual review of key person policies and plans.

Assumptions

Additional Notes and Details

Business Type:	C Corporation
Nature of Business:	Finance
Business Tax Bracket:	34.00%
Business Value Today:	\$4,666,667
Business Growth Rate:	8.000%

The values and assumptions used in this analysis are the ones you provided or were agreed upon by you. Variances from these values will produce different results.

The numbers produced by this analysis in no way guarantee the right to purchase life insurance in the amounts illustrated. Premiums vary based on many factors, including the age, sex and health of the insured. If life insurance is illustrated, this presentation is not valid unless accompanied by a complete illustration of proposed policy values.

We offer you this presentation to help you understand how life insurance can be used to provide funds to offset various losses due to the death of a key person.

This material contains references to concepts that have legal, accounting and tax implications. It is not intended as legal, accounting or tax advice. Consult your own attorney and/or accountant for advice regarding your particular situation.