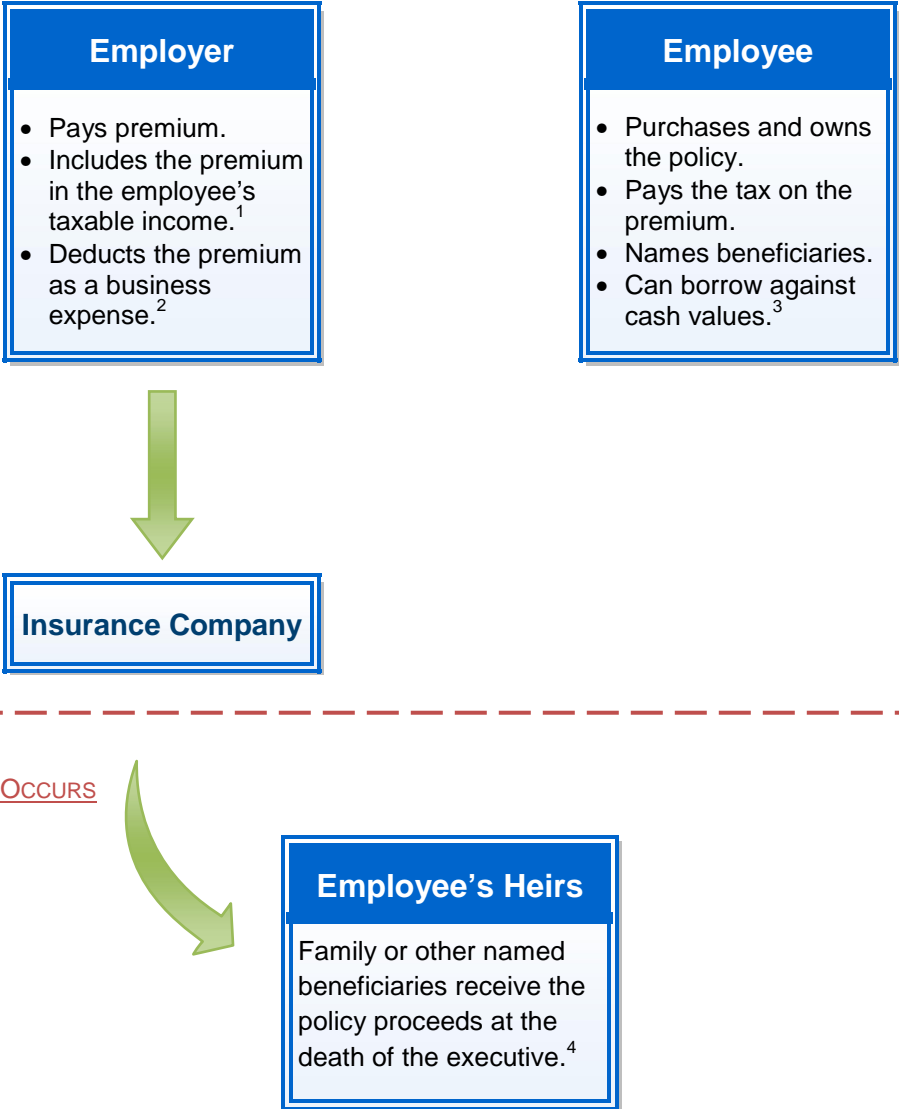


How an Executive Bonus Plan Works

IRC Sec. 162



¹ Employer may also choose to bonus the tax amounts to the employee, creating a net-no-cost scenario for the employee.

² See Reg. 1.162-9, Bonuses to Employees.

³ Some tax practitioners feel that an executive could agree (through a policy endorsement) not to change ownership or borrow against the policy without the employer's consent.

⁴ Death benefit is generally received free of income tax. See IRC Sec. 101(a).