



EXECUTIVE BENEFITS PLANNING

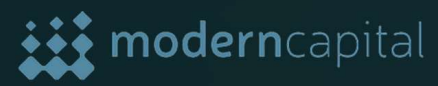
PRESENTED BY MODERN CAPITAL EXECUTIVE SOLUTIONS

FOR BENEFIT OF SAMPLE HEALTHCARE

AGENDA



- Education
- Complimentary 457(f) Audit
- Starting Point 457(f) to CASD Conversions
- 457(f) to CASD Conversion (all 3 payouts)
- 457(f) to CASD Conversion (just first 2 payouts)
- Recommended Next Steps



EDUCATION



Employer Funded | IRC 457(f)



Defined Contribution (DC)

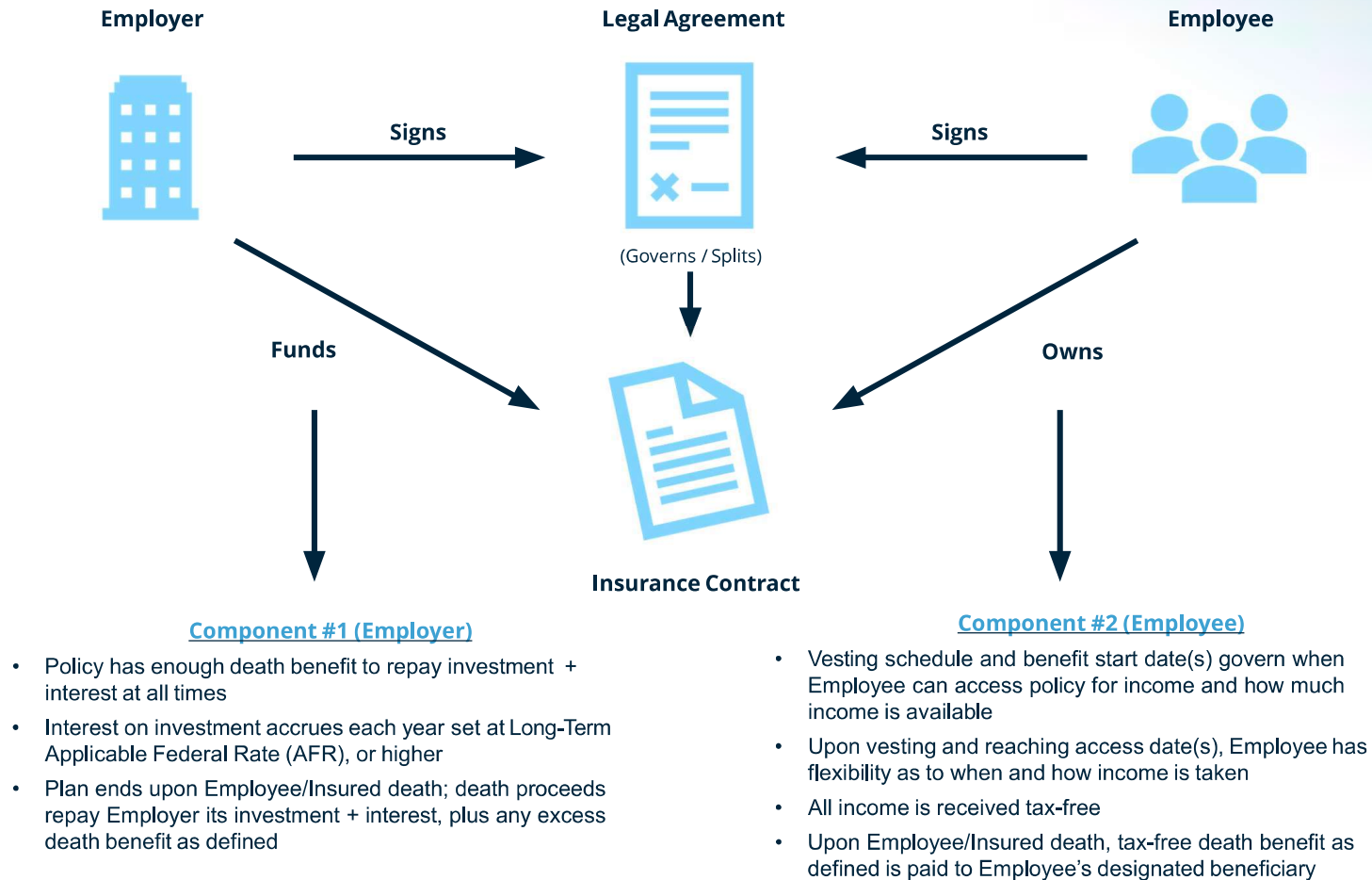
- Employer either makes an upfront investment, or defines an annual contribution
- Employee benefit(s) equal to earnings on the upfront investment, or annual contributions plus any stated earnings, to be paid out in a lump sum at a future benefit date(s)
- Employer expenses benefit(s) annually, as required under GAAP
- Employer has OPTION to purchase investment(s) to offset annual expense accrual with annual contribution option
- Employee fully vests on stated payment date(s), and is paid stated benefit(s) at that time
- Employee pays ordinary income and FICA tax on benefit(s) when vested, and uses net proceeds as they deem appropriate
- With upfront investment option, principal retained by Employer

Defined Benefit (DB)

- Employer defines stated benefit(s) to be paid at stated future payment date(s)
- Employer expenses benefit(s) annually, as required under GAAP
- Employer has OPTION to purchase investment(s) to offset annual expense accrual
- Employee fully vests on stated payment date(s), and is paid stated benefit(s) at that time
- Employee pays ordinary income and FICA tax on benefit(s) when vested, and uses net proceeds as they deem appropriate

With either option (DC or DB), the goal of the investment is a \$0 cumulative net impact to the Employer's bottom line at the time of the final benefit payment to Employee

Employer Funded | Collateral Assignment Split Dollar (IRC 7872)





COMPLIMENTARY 457(f) AUDIT

Existing 457(f) Plan

SAMPLE Non-profit – Nonqualified Deferred Compensation Plan

- **Implemented 2011**

Defined Contribution Plan

- Organization has discretion as to amount credited to the “Deferred Compensation Account” – booked at the end of each month
- Funds/Balance are invested in investments selected by the BOD after consultation with Executive
- BOD may seek outside counsel as to investment allocation, and may delegate full or limited authority to such counsel as to where funds are invested
- BOD will review annually and adjust at its sole discretion the amounts credited to the Deferred Compensation Account
- At Employee’s 30th anniversary will receive a lump sum amount equivalent to purchase a single life annuity, combined with benefits from the Pension Plan will provide income to Employee equal to 50% of Employee’s final base salary, annually until death
- At Employee’s 35th anniversary will receive a lump sum equivalent to the cost to purchase a single life annuity, where said annuity provides 10% of Employee’s final base salary until death
- At Employee’s 40th anniversary will receive a lump sum equivalent to the cost to purchase a single life annuity, where said annuity provides 10% of Employee’s final base salary until death
- Projected Aggregate Total Benefit Received by Retirement, After-Tax = \$10,772,248

Existing 457(f) Plan (continued)

Separation Scenarios & Vesting

- Account Balance/Assets Accumulated will become payable upon...
 - Executive's employment is involuntarily terminated without Cause,
 - Executive's employment is voluntarily terminated for Good Reason,
 - Executive's death
 - Executive's disability
- Benefit forfeited upon...
 - No Good Reason Resignation
 - Executive Terminated for Cause
- If there is a Change of Control (COC), and the Executive resigns for Good Reason, or is terminated without Cause, and said resignation/termination occurs within 12 months following the COC, Executive becomes fully vested, and is immediately paid the greater of: 1) Lump sum amounts accumulated to date or 2) the present value of the payments that would have been paid upon anniversary – discounted to date of termination

Potential Pitfalls

- **Employer**
 - Increasing Annual Expense, currently = \$774,008, and Aggregate Expense = \$17,103,612 (assuming a 6% rate of return)
 - Potential Excise Tax Exposure (21% on every dollar over \$1 Million Income Threshold at age 62) = 457(f) Benefit + Base Salary + Bonus - \$1,000,000 X 21% = Additional Tax Employer will need to pay, currently projected at \$4,136,912
 - Total projected expense = \$21,240,524
- **Employee**
 - Benefit subject to the risk of the institution's creditors
 - Limited Flexibility in how and when the benefit is taken (lump sum at retirement)

457(f) | IMPACT ON EARNINGS



Participant		Proposed Benefit						Hypothetical Death Benefit as of Distribution Date
Employee(s)	Age	Initial Distribution Date	Initial Distribution Age	Benefit Distribution Method	Projected Distribution	Assumed Tax Rate	After Tax Benefit	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sample CEO	52	2026	57	Lump Sum	\$9,860,002	38.5%	\$6,063,901	\$0
		2031	62	Lump Sum	\$3,182,212	38.5%	\$2,068,438	\$0
		2036	67	Lump Sum	\$4,061,398	38.5%	\$2,639,909	\$0

Values are based on current assumptions. Actual results may vary.

2017 Tax Cuts and Jobs Act imposes a 21% excise tax on W-2 Box 1 Compensation in excess of \$1 M. Benefits shown above would be included in Box 1 in the year of Vesting

457(f) | IMPACT ON EARNINGS



		Distribution Schedule				Employment Separation Scenarios & Impact on Proposed Benefit						
Year	Age	Annual Benefit Expense	Liability Balance/ Account Value	Grossed Up Benefit	Net Benefit Distribution	Termination for Cause	No Good Reason Resignation	Good Reason Resignation	Involuntary Termination	Change of Control	Disability	Death
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Prior Balance...		\$4,249,992										
2022	53	774,008	5,325,440	0	0	0	0	5,325,440	5,325,440	5,325,440	5,325,440	5,325,440
2023	54	786,189	6,478,327	0	0	0	0	6,478,327	6,478,327	6,478,327	6,478,327	6,478,327
2024	55	798,562	7,713,502	0	0	0	0	7,713,502	7,713,502	7,713,502	7,713,502	7,713,502
2025	56	811,129	9,036,108	0	0	0	0	9,036,108	9,036,108	9,036,108	9,036,108	9,036,108
2026	57	823,894	0	9,860,002	6,063,901	0	0	0	0	0	0	0
2027	58	494,700	524,382	0	0	0	0	524,382	524,382	524,382	524,382	524,382
2028	59	529,328	1,116,933	0	0	0	0	1,116,933	1,116,933	1,116,933	1,116,933	1,116,933
2029	60	566,381	1,784,313	0	0	0	0	1,784,313	1,784,313	1,784,313	1,784,313	1,784,313
2030	61	606,028	2,533,762	0	0	0	0	2,533,762	2,533,762	2,533,762	2,533,762	2,533,762
2031	62	648,450	0	3,182,212	2,068,438	0	0	0	0	0	0	0
2032	63	631,376	669,259	0	0	0	0	669,259	669,259	669,259	669,259	669,259
2033	64	675,572	1,425,521	0	0	0	0	1,425,521	1,425,521	1,425,521	1,425,521	1,425,521
2034	65	722,862	2,277,286	0	0	0	0	2,277,286	2,277,286	2,277,286	2,277,286	2,277,286
2035	66	773,463	3,233,793	0	0	0	0	3,233,793	3,233,793	3,233,793	3,233,793	3,233,793
2036	67	827,605	0	\$4,061,398	\$2,639,909	\$0	\$0	0	0	0	0	0

457(f) | IMPACT ON EARNINGS



Values are based on current assumptions. Actual results may vary.

Period Ending...	Age	Expenses					Asset Growth Summary				P&L Impact	
		(1) Annual Admin Fees	(2) Annual 457(f) Expense	(3) Accrued Interest at 6%	(4) Excise Tax Exposure*	(5) Total Expenses	(6) Investment & Recovery	(7) Annual Accrued Interest	(8) Total Asset Value	(9) Death Benefit Org. Recovery	(10) Net Gain/(Loss)	(11) Cumulative Gain/(Loss)
Prior Balance...		(\$4,249,992)									(\$4,249,992)	(\$4,249,992)
2022	53	0	(\$774,008)	(301,440)	0	(1,075,448)	0	0	0	0	(1,075,448)	(5,325,440)
2023	54	0	(\$786,189)	(366,698)	0	(1,152,887)	0	0	0	0	(1,152,887)	(6,478,327)
2024	55	0	(\$798,562)	(436,613)	0	(1,235,175)	0	0	0	0	(1,235,175)	(7,713,502)
2025	56	0	(\$811,129)	(511,478)	0	(1,322,607)	0	0	0	0	(1,322,607)	(9,036,108)
2026	57	0	(\$823,894)	0	(2,064,805)	(2,888,700)	0	0	0	0	(2,888,700)	(11,924,808)
2027	58	0	(\$494,700)	(29,682)	0	(524,381)	0	0	0	0	(524,381)	(12,449,189)
2028	59	0	(\$529,328)	(63,223)	0	(592,551)	0	0	0	0	(592,551)	(13,041,741)
2029	60	0	(\$566,381)	(100,999)	0	(667,380)	0	0	0	0	(667,380)	(13,709,121)
2030	61	0	(\$606,028)	(143,420)	(38,213)	(787,661)	0	0	0	0	(787,661)	(14,496,782)
2031	62	0	(\$648,450)	0	(718,888)	(1,367,338)	0	0	0	0	(1,367,338)	(15,864,120)
2032	63	0	(\$631,376)	(37,883)	(63,654)	(732,913)	0	0	0	0	(732,913)	(16,597,032)
2033	64	0	(\$675,572)	(80,690)	(77,337)	(833,599)	0	0	0	0	(833,599)	(17,430,631)
2034	65	0	(\$722,862)	(128,903)	(91,704)	(943,469)	0	0	0	0	(943,469)	(18,374,100)
2035	66	0	(\$773,463)	(183,045)	(106,789)	(1,063,296)	0	0	0	0	(1,063,296)	(19,437,397)
2036	67	0	(\$827,605)	0	(975,522)	(1,803,127)	0	0	0	0	(1,803,127)	(21,240,524)
2037	68	0	\$0	0	0	0	0	0	0	0	0	(21,240,524)
2038	69	0	\$0	0	0	0	0	0	0	0	0	(21,240,524)
2039	70	0	\$0	0	0	0	0	0	0	0	0	(21,240,524)
2040	71	0	\$0	0	0	0	0	0	0	0	0	(21,240,524)
2041	72	0	\$0	0	0	0	0	0	0	0	0	(21,240,524)
2042	73	0	\$0	0	0	0	0	0	0	0	0	(21,240,524)
2043	74	0	0	0	0	0	0	0	0	0	0	(21,240,524)
2044	75	0	0	0	0	0	0	0	0	0	0	(21,240,524)
TOTAL:		\$0	(\$14,719,539)	(\$2,384,073)	(\$4,136,912)	(\$21,240,524)		\$0			END ORG. PAYOUT:	(\$21,240,524)

Footnotes:

*Potential Excise Tax Exposure (21% on every dollar over \$1 Million Income Threshold at age 62) = 457(f) Benefit + Base Salary + Bonus - \$1,000,000 X 21% = Additional Tax Employer will need to pay

STARTING POINT 457(f) to CASH CONVERSIONS

IMPACT TO EMPLOYEE | EMPLOYER SUMMARY



Values are based on current assumptions. Actual results may vary.

	EXECUTIVE							ORGANIZATION						
	457(f) Recreated													
	Total Taxable Benefit	# of Distrb'ns	Access Age(s)	Total After-Tax Benefit	Death Benefit	Tax Obligation	Tax Expense (Grossed Up)	Investment Principal	Early Repayment	Expense	Excise Tax	Aggregate Interest	Excess Death Benefit	Net Gain (Loss) at Retirement
Sample CEO	\$17,103,612	3	57, 62, 67	\$10,772,248	None	\$6,331,364	\$6,331,364	\$0	N/A	(\$17,103,612)	(\$4,136,912)	\$0	\$0	(\$21,240,524)
	CASD Conversion all Three Payments													
	Total Benefit	# of Distrb'ns	Access Age(s)	Total Tax-Free Distributions	Tax-Free Death Benefit	Tax Obligation	Tax Expense (Out-of-Pocket)	Investment Principal	Early Repayment	Expense	Excise Tax	Aggregate Interest	Excess Death Benefit	Net Gain (Loss) at Death
	Sample CEO	\$10,772,248	3	57, 62, 67	\$10,772,248	\$8,556,816	N/A	N/A	\$21,240,525	Can be built in	(\$4,500)	N/A	\$18,933,361	\$8,556,816
	CASD Conversion First Two Payments													
	Total Benefit	# of Distrb'ns	Access Age(s)	Total Tax-Free Distributions	Tax-Free Death Benefit	Tax Obligation	Tax Expense (Out-of-Pocket)	Investment Principal	Early Repayment	Expense	Excise Tax	Aggregate Interest	Excess Death Benefit	Net Gain (Loss) at Death
	Sample CEO	\$8,132,339	2	57, 62	\$8,132,339	\$6,635,010	N/A	N/A	\$16,250,000	Can be built in	(\$4,500)	N/A	\$14,484,911	\$6,635,010

Assumptions

Income target:	Defined	Policy index credit:	5.46%
Executive tax rate:	40%	Yield to the Organization:	1.95%
Mortality Age:	85	Executive's Delta / Arbitrage	3.51%

SUMMARY | IMPACT TO EMPLOYER vs EMPLOYEE



	EXECUTIVE		
	457(f)	Split Dollar	Split Dollar
Projected Benefit	\$10,772,248 Total After-Tax Benefit	\$10,772,248 Tax-Free Benefit	\$8,132,339 Tax-Free Benefit
Death Benefit in Retirement	✗	✓	✓

	NON-PROFIT ORGANIZATION								Vesting Schedule Options	
	Funding	Projected Recovery	Net IRR	Total Projected Excise Tax from SERP*	Income/ (Expense)		Form 990 Optics	Executive Supplemental Life Insurance		Investment Amount Recovery
457(f) (as is)	(\$21,240,525)	\$0	0.00%	(\$4,136,912)	2022	\$0	✗	✗	✗	Cliff vesting --> 0% until payment date, then become 100% vested
					2023	(\$1,075,448)				
					2024	(\$1,152,887)				
					2025	(\$1,235,175)				
					2026	(\$1,322,607)				
					Total	(\$21,240,524)				
Split Dollar (conversion all 3 payouts)	\$21,240,525	\$48,730,702	2.55%	N/A	2022	\$409,690	✓	✓	✓	Must be fully vested by access date/agreed upon retirement date in legal document, but other than that, unlimited vesting schedule options
					2023	\$422,267				
					2024	\$430,501				
					2025	\$438,896				
					2026	\$447,454				
					Total	\$30,967,262				
Split Dollar (conversion first 2 payouts)	\$16,250,000	\$37,369,921	2.56%	N/A	2022	\$312,375	✓	✓	✓	
					2023	\$323,054				
					2024	\$329,354				
					2025	\$335,776				
					2026	\$342,324				
					Total	\$24,777,546				

*Potential Excise Tax Exposure (21% on every dollar over \$1 Million Income Threshold at age 62) = 457(f) Benefit + Base Salary + Bonus - \$1,000,000 X 21% = Additional Tax Employer will need to pay

✓ Favorable ✓ Favorable (Longer Term) ✗ Unfavorable



457(f) to CASD CONVERSION - All 3 Payouts



MAIN EXHIBIT



AFR = 1.95% CASD Yield = 1.95%

Plan Year	Age	Year Beg: Jan 01	Employer Investment / Asset				Employer Asset Recovery			Executive			
			1 Investment or (Repayment)	2 Annual Cash-Flow	3 Plan Year Interest Income	4 Asset Value	5 Total Collateral	6 Excess Death Benefit	7 Total Employer Death Benefit	8 Income Distribution	9 Vested Benefit	10 Benefit Outstanding	11 Death Benefit
1	53	2022	\$21,240,525	\$4,248,105	\$414,190	\$21,654,715	\$19,060,743	\$16,624,543	\$38,279,258	\$0	100.00%	\$10,772,248	\$27,396,791
2	54	2023	0	4,248,105	422,267	22,076,982	18,990,019	14,289,357	36,366,339	0	100.00%	10,772,248	25,061,605
3	55	2024	0	4,248,105	430,501	22,507,483	19,134,447	11,950,054	34,457,537	0	100.00%	10,772,248	22,722,302
4	56	2025	0	4,248,105	438,896	22,946,379	19,514,020	9,606,553	32,552,933	0	100.00%	10,772,248	20,378,801
5	57	2026	0	4,248,105	447,454	23,393,834	13,635,813	7,177,271	30,571,104	6,063,901	100.00%	4,708,347	11,885,618
6	58	2027	0	0	456,180	23,850,013	14,197,043	6,793,508	30,643,521	0	100.00%	4,708,347	11,501,855
7	59	2028	0	0	465,075	24,315,089	14,777,292	6,397,514	30,712,603	0	100.00%	4,708,347	11,105,861
8	60	2029	0	0	474,144	24,789,233	15,666,296	5,988,813	30,778,045	0	100.00%	4,708,347	10,697,160
9	61	2030	0	0	483,390	25,272,623	16,852,918	5,566,907	30,839,530	0	100.00%	4,708,347	10,275,254
10	62	2031	0	0	492,816	25,765,439	15,840,709	5,103,476	30,868,916	2,068,438	100.00%	2,639,909	7,743,385
11	63	2032	0	0	502,426	26,267,865	16,744,541	4,600,480	30,868,346	0	100.00%	2,639,909	7,240,389
12	64	2033	0	0	512,223	26,780,089	17,697,967	4,079,996	30,860,085	0	100.00%	2,639,909	6,719,905
13	65	2034	0	0	522,212	27,302,300	18,705,849	3,541,299	30,843,600	0	100.00%	2,639,909	6,181,208
14	66	2035	0	0	532,395	27,834,695	19,773,845	2,983,631	30,818,327	0	100.00%	2,639,909	5,623,540
15	67	2036	0	0	542,777	28,377,472	18,090,084	2,370,717	30,748,188	2,639,909	100.00%	0	2,370,717
16	68	2037	0	0	553,361	28,930,832	19,150,605	1,704,918	30,635,751	0	100.00%	0	1,704,918
17	69	2038	0	0	564,151	29,494,984	20,288,448	1,733,016	31,227,999	0	100.00%	0	1,733,016
18	70	2039	0	0	575,152	30,070,136	21,487,426	2,022,131	32,092,266	0	100.00%	0	2,022,131
19	71	2040	0	0	586,368	30,656,503	22,746,370	2,325,805	32,982,309	0	100.00%	0	2,325,805
20	72	2041	0	0	597,802	31,254,305	24,066,078	2,644,667	33,898,973	0	100.00%	0	2,644,667
21	73	2042	0	0	609,459	31,863,764	25,447,591	2,979,611	34,843,376	0	100.00%	0	2,979,611
22	74	2043	0	0	621,343	32,485,108	26,891,880	3,331,070	35,816,178	0	100.00%	0	3,331,070
23	75	2044	0	0	633,460	33,118,567	28,400,179	3,699,127	36,817,694	0	100.00%	0	3,699,127
24	76	2045	0	0	645,812	33,764,379	29,972,504	4,082,643	37,847,023	0	100.00%	0	4,082,643
25	77	2046	0	0	658,405	34,422,785	31,610,048	4,481,015	38,903,799	0	100.00%	0	4,481,015

MAIN EXHIBIT



AFR = 1.95% CASD Yield = 1.95%

Plan Year	Age	Year Beg: Jan 01	Employer Investment / Asset				Employer Asset Recovery			Executive			
			1	2	3	4	5	6	7	8	9	10	11
			Investment or (Repayment)	Annual Cash-Flow	Plan Year Interest Income	Asset Value	Total Collateral	Excess Death Benefit	Total Employer Death Benefit	Income Distribution	Vested Benefit	Benefit Outstanding	Death Benefit
26	78	2047	0	0	671,244	35,094,029	33,314,125	4,893,821	39,987,850	0	100.00%	0	4,893,821
27	79	2048	0	0	684,334	35,778,363	35,096,989	5,327,954	41,106,316	0	100.00%	0	5,327,954
28	80	2049	0	0	697,678	36,476,041	36,962,764	5,785,769	42,261,810	0	100.00%	0	5,785,769
29	81	2050	0	0	711,283	37,187,323	38,915,828	6,270,341	43,457,665	0	100.00%	0	6,270,341
30	82	2051	0	0	725,153	37,912,476	40,961,517	6,783,303	44,695,780	0	100.00%	0	6,783,303
31	83	2052	0	0	739,293	38,651,769	43,106,050	7,332,594	45,984,364	0	100.00%	0	7,332,594
32	84	2053	0	0	753,710	39,405,479	45,355,939	7,923,260	47,328,738	0	100.00%	0	7,923,260
33	85	2054	0	0	768,407	40,173,886	47,709,976	8,556,816	48,730,702	0	100.00%	0	8,556,816
34	86	2055	0	0	783,391	40,957,277	50,172,374	9,238,413	50,195,689	0	100.00%	0	9,238,413
35	87	2056	0	0	798,667	41,755,943	52,747,207	9,972,935	51,728,878	0	100.00%	0	9,972,935
36	88	2057	0	0	814,241	42,570,184	55,435,923	10,763,846	53,334,030	0	100.00%	0	10,763,846
37	89	2058	0	0	830,119	43,400,303	58,240,519	11,611,995	55,012,298	0	100.00%	0	11,611,995
38	90	2059	0	0	846,306	44,246,609	61,168,548	12,520,104	56,766,713	0	100.00%	0	12,520,104
39	91	2060	0	0	862,809	45,109,418	64,154,665	13,448,336	58,557,753	0	100.00%	0	13,448,336
40	92	2061	0	0	879,634	45,989,051	67,201,960	14,389,793	60,378,845	0	100.00%	0	14,389,793
41	93	2062	0	0	896,787	46,885,838	70,318,333	15,336,187	62,222,024	0	100.00%	0	15,336,187
42	94	2063	0	0	914,274	47,800,112	73,528,718	16,277,541	64,077,653	0	100.00%	0	16,277,541
43	95	2064	0	0	932,102	48,732,214	76,882,560	17,201,933	65,934,147	0	100.00%	0	17,201,933
44	96	2065	0	0	950,278	49,682,492	80,400,664	18,093,581	67,776,073	0	100.00%	0	18,093,581
45	97	2066	0	0	968,809	50,651,301	84,170,231	18,932,159	69,583,459	0	100.00%	0	18,932,159
46	98	2067	0	0	987,700	51,639,001	88,325,448	19,673,051	71,312,053	0	100.00%	0	19,673,051

IMPACT ON EARNINGS | 457(f) Reversal



Values are based on current assumptions. Actual results may vary.

Year End	Age at Year End	Expenses	Asset Growth Summary					P&L Impact	
		1	2	3	4	5	6	7	8
		Fees	Investment & Recovery	Annual Cash-Flow	Annual Accrued Interest	Total Asset Value	Death Benefit Org. Recovery	Net Gain/(Loss)	Cumulative Gain/(Loss)
Prior 457(f) Balance			\$4,249,992					\$4,249,992	\$4,249,992
2022	53	(\$4,500)	\$21,240,525	\$4,248,105	\$414,190	\$21,654,715	\$38,279,258	\$409,690	\$4,659,682
2023	54	0	0	4,248,105	422,267	22,076,982	36,366,339	422,267	5,081,949
2024	55	0	0	4,248,105	430,501	22,507,483	34,457,537	430,501	5,512,450
2025	56	0	0	4,248,105	438,896	22,946,379	32,552,933	438,896	5,951,346
2026	57	0	0	4,248,105	447,454	23,393,834	30,571,104	447,454	6,398,801
2027	58	0	0	0	456,180	23,850,013	30,643,521	456,180	6,854,980
2028	59	0	0	0	465,075	24,315,089	30,712,603	465,075	7,320,056
2029	60	0	0	0	474,144	24,789,233	30,778,045	474,144	7,794,200
2030	61	0	0	0	483,390	25,272,623	30,839,530	483,390	8,277,590
2031	62	0	0	0	492,816	25,765,439	30,868,916	492,816	8,770,406
2032	63	0	0	0	502,426	26,267,865	30,868,346	502,426	9,272,832
2033	64	0	0	0	512,223	26,780,089	30,860,085	512,223	9,785,056
2034	65	0	0	0	522,212	27,302,300	30,843,600	522,212	10,307,267
2035	66	0	0	0	532,395	27,834,695	30,818,327	532,395	10,839,662
2036	67	0	0	0	542,777	28,377,472	30,748,188	542,777	11,382,439
2037	68	0	0	0	553,361	28,930,832	30,635,751	553,361	11,935,799
2038	69	0	0	0	564,151	29,494,984	31,227,999	564,151	12,499,951
2039	70	0	0	0	575,152	30,070,136	32,092,266	575,152	13,075,103
2040	71	0	0	0	586,368	30,656,503	32,982,309	586,368	13,661,470
2041	72	0	0	0	597,802	31,254,305	33,898,973	597,802	14,259,272
2042	73	0	0	0	609,459	31,863,764	34,843,376	609,459	14,868,731
2043	74	0	0	0	621,343	32,485,108	35,816,178	621,343	15,490,075
2044	75	0	0	0	633,460	33,118,567	36,817,694	633,460	16,123,534
2045	76	0	0	0	645,812	33,764,379	37,847,023	645,812	16,769,346
2046	77	0	0	0	658,405	34,422,785	38,903,799	658,405	17,427,752

IMPACT ON EARNINGS | 457(f) Reversal



Values are based on current assumptions. Actual results may vary.

Year End	Age at Year End	Expenses	Asset Growth Summary					P&L Impact	
		1	2	3	4	5	6	7	8
		Fees	Investment & Recovery	Annual Cash-Flow	Annual Accrued Interest	Total Asset Value	Death Benefit Org. Recovery	Net Gain/(Loss)	Cumulative Gain/(Loss)
2047	78	0	0	0	671,244	35,094,029	39,987,850	671,244	18,098,996
2048	79	0	0	0	684,334	35,778,363	41,106,316	684,334	18,783,330
2049	80	0	0	0	697,678	36,476,041	42,261,810	697,678	19,481,008
2050	81	0	0	0	711,283	37,187,323	43,457,665	711,283	20,192,290
2051	82	0	0	0	725,153	37,912,476	44,695,780	725,153	20,917,443
2052	83	0	0	0	739,293	38,651,769	45,984,364	739,293	21,656,736
2053	84	0	0	0	753,710	39,405,479	47,328,738	753,710	22,410,446
2054	85	0	(40,173,886)	0	8,556,816	40,173,886	48,730,702	8,556,816	30,967,262
2055	86	0	0	0	0	0	0	0	30,967,262
2056	87	0	0	0	0	0	0	0	30,967,262
TOTAL:		(\$4,500)	\$26,721,770					\$30,967,262	

Accounting Entries



THE FOLLOWING SAMPLE JOURNAL ENTRIES ARE PROVIDED FOR DISCUSSION PURPOSES ONLY AND ARE BASED ON OUR UNDERSTANDING OF ACCOUNTING FOR COLLATERAL ASSIGNMENT SPLIT DOLLAR TRANSACTIONS. ULTIMATELY, DECISIONS RELATED TO THE ACCOUNTING FOR THIS TRANSACTION ARE THE RESPONSIBILITY OF THE ORGANIZATION AND ITS TAX AND ACCOUNTING ADVISORS.

First Year	Debit	Credit
Plan Inception - Investment Into Underlying Insurance Policy(s)		
1) Record CASD Life Insurance	<u>Other Asset</u>	<u>Total Investments</u>
In accordance with Treasury Regulation 1.7872-15(e)(5)(ii), record the Other Asset related to the new split dollar life insurance.	\$21,240,525	\$21,240,525
Record Side Account	<u>Total Investments</u>	<u>Other Asset</u>
A joint account should be opened in the name of the Executive and the entity. This account will be used to fund current and future annual premiums and/or reimburse the Executive for the tax liability from interest earned on the Premium Account.	\$21,240,525	\$21,240,525
Wire to the Insurance Carrier(s)	<u>Other Asset</u>	<u>Total Investments</u>
Record the amount wired to the insurance carrier.		
Life Policy(s):	\$4,248,105	\$4,248,105
Annuity(s):	\$16,992,420	\$16,992,420
2) Record One-Time Legal Fee	<u>Legal Fee Expense</u>	<u>Cash (or Accounts Payable)</u>
Legal Fee associated with the Split Dollar Agreement, drafted by outside counsel.	\$4,500	\$4,500
Record Administration Fee	<u>Legal Fee Expense</u>	<u>Cash (or Accounts Payable)</u>
One-Time Implementation Fee.	\$0	\$0

Accounting Entries



THE FOLLOWING SAMPLE JOURNAL ENTRIES ARE PROVIDED FOR DISCUSSION PURPOSES ONLY AND ARE BASED ON OUR UNDERSTANDING OF ACCOUNTING FOR COLLATERAL ASSIGNMENT SPLIT DOLLAR TRANSACTIONS. ULTIMATELY, DECISIONS RELATED TO THE ACCOUNTING FOR THIS TRANSACTION ARE THE RESPONSIBILITY OF THE ORGANIZATION AND ITS TAX AND ACCOUNTING ADVISORS.

First Year (Cont.)	Debit	Credit
Accounting from Inception to End of Year 1		
3) Record Interest (Limited Recourse)(Annual) In accordance with Treasury Regulation 1.7872-15(e)(5)(ii), interest must be charged to the loan at least annually in order to avoid income tax to the Executive. At a minimum, the interest rate must be the Applicable Federal Rate ("AFR") in effect at the time the arrangement is implemented. The correct AFR - long, medium or short- is the one commensurate with the anticipated duration of the arrangement. This will be "long" in most cases.	<u>Other Asset</u> \$414,190	<u>Total Investments</u> \$414,190
Year 2 - Plan End	Debit	Credit
Accounting Each Year Moving Forward		
4) Record Interest (Limited Recourse)(Annual) In accordance with Treasury Regulation 1.7872-15(e)(5)(ii), interest must be charged to the loan at least annually in order to avoid income tax to the Executive. At a minimum, the interest rate must be the Applicable Federal Rate ("AFR") in effect at the time the arrangement is implemented. The correct AFR - long, medium or short- is the one commensurate with the anticipated duration of the arrangement. This will be "long" in most cases.	<u>Other Asset</u> Equals the value in any given year, under Column (5): "Annual Accrued Interest", on the Impact to the Bottom Line / Earnings Sheet	<u>Total Investments</u> Equals the value in any given year, under Column (5): "Annual Accrued Interest", on the Impact to the Bottom Line / Earnings Sheet
5) Record Administration Fee On-going annual administration / servicing fee.	<u>Administration Fee Expense</u> \$0	<u>Cash (or Accounts Payable)</u> \$0
Plan End	Debit	Credit
Final Accounting Entries Upon Investment Repayment		
6) Record Investment Repayment In the case of the Executive's death, or the death of the last insured, the life insurance policy is liquidated. Funds received in excess of the Other Asset balance would be recorded as Other Income.	<u>Cash</u> Equals the value in final year, under Column (7): "Death Benefit Org. Recovery", on the Impact to the Bottom Line / Earnings Sheet	<u>Other Asset & Operating Income</u> Other Asset = Investment Principal + Cum. Interest Operating Income = Death Benefit Received - Total Asset Value

457(f) Conversion to CASD

Organization

- Win-fall Day 1 to the Bottom Line = Current accrued liability account balance = **\$4,249,992 (aka this is the amount the organization saves/recoups expense wise, day 1)**
- Organization saves money on all future expenses moving forward (enhancement plan has no ongoing costs) = **another savings of \$12,853,547 (future expense accrual) + \$4,136,912 (of excise tax exposure) = \$16,990,532**
- Organization will earn a guaranteed return, as accrued interest income to the P&L, for every \$ invested into the updated plan (Investing \$21,240,524 (akasame amount of Cash Flow impact as current 457(f)) which will earn a guaranteed return of 1.95% compounded to the bottom line)
- Increases the net yield to the Organization from 0% to at least 1.95%

Employee

- Can receive the exact same benefit (if not more)
- Can build in early repayment of principal to the Organization
- Money is received tax free (vs. grossing up to cover imputed tax liability)
- Upon vesting and reaching the benefit date(s), participants have full autonomy in when and how they take the funds (close to no flexibility in the 457(f))... Thus, if he doesn't need the \$6,063,901 (or the other amounts) at age 57, he can annuitize it over a period of years and/or defer it until a later date to get more out of the policy.
- Enhanced Tax, Estate, and Retirement Planning → Even after receiving his tax free benefit, Executive's beneficiaries are still entitled to a Death Benefit