

A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872)

This plan is an executive fringe benefit arrangement involving a series of employer-sponsored loans to a valued executive for the purpose of purchasing a cash value life insurance policy. The plan is designed to operate within the IRC Section 7872 safe harbor of IRS Notice 2002-8.

Promissory Notes: The loans associated with the plan are evidenced by a series of promissory notes between the employer and the executive, and the life insurance policy is assigned as collateral security for the loans. The loans are term loans, i.e., they are due at the end of a specific period of years; however, the promissory note calls for the acceleration of repayment should the executive die prior to the date of scheduled loan repayments.

Loan Interest: The interest rate for the life of each loan is set at least to the long-term rate in effect at the beginning of the loan under IRC Section 7872 (often referred to as the "Applicable Federal Rate" or "AFR"). As an additional benefit in some plans, the employer will help offset the executive's loan interest payments via a bonus.

Under Sec. 7872, if no interest or an inadequate rate of interest is charged on a loan, the IRS recharacterizes the loan into an "arms-length" transaction and imputes an interest rate that is deemed to have been received by the lender and paid by the borrower. The rate is published monthly and is determined by the length of the loan transaction, i.e., either the short-term rate (less than 3 years), the mid-term rate (over 3 years but not over 9 years), or the long-term rate (over 9 years).

So long as the loan interest rate is equal to or exceeds the applicable Section 7872 interest rate, no further interest is imputed by the IRS on the transaction. In the accompanying material, the loan interest rate is set to the long-term Section 7872 rate of 5.60% in effect for the month in which this report is written (February 2002).

For illustrative purposes, the accompanying material illustrates a constant 5.60% interest rate on the entire series of loans illustrated; however, the loan interest rate for each new loan will likely be different. Each future loan must bear the appropriate Sec. 7872 loan interest rate in effect during the month the new loan is executed, and each new loan should be evidenced by its own promissory note, as well.

There are four ways to deal with unknown future Sec. 7872 loan interest rates:

1. If a bonus is paid to the executive to offset the loan interest, accept the risk: This may increase or decrease the amount of the bonus; however, the loan interest paid to the employer by the executive should provide a full or partial offset, as the case may be.

2. Accrue additional loan interest: If the loan interest rate increases, the executive could be allowed to accrue the additional loan interest. Alternatively, the executive could withdraw funds from the policy to make up the difference in the loan interest due.
3. Recast the loan: Wait until a time when the Sec.7872 rate dips and recast the series of promissory notes into a new note at the reduced rate.
4. Consolidate all loans at the inception of the plan: In this case, the loaned funds in excess of those needed to pay the policy's initial premium should be reserved by the executive to pay the remaining stream of premiums as they fall due. In this case, the employer may wish to consider requiring some form of custodianship for the reserved funds to be certain they are used for the intended purpose.

Policy Loans: As owner of the policy, the executive can borrow that portion of policy cash values in excess of the amount required to collateralize the loan. These loans are typically used to supplement retirement income and, in some cases, are used as a source of funds for loan interest payments or loan repayment.

Note: Policy loans reduce cash values and death benefits, and the lapse of a loaned policy could result in severe tax ramifications to the policy owner. Be sure to consult your professional tax adviser if you have any questions about this issue.

Important Note

This report and the accompanying material are not a substitute for advice from legal and tax advisers of all participants, and the accompanying plan, or any variation thereof, should not be utilized without their specific review and approval.

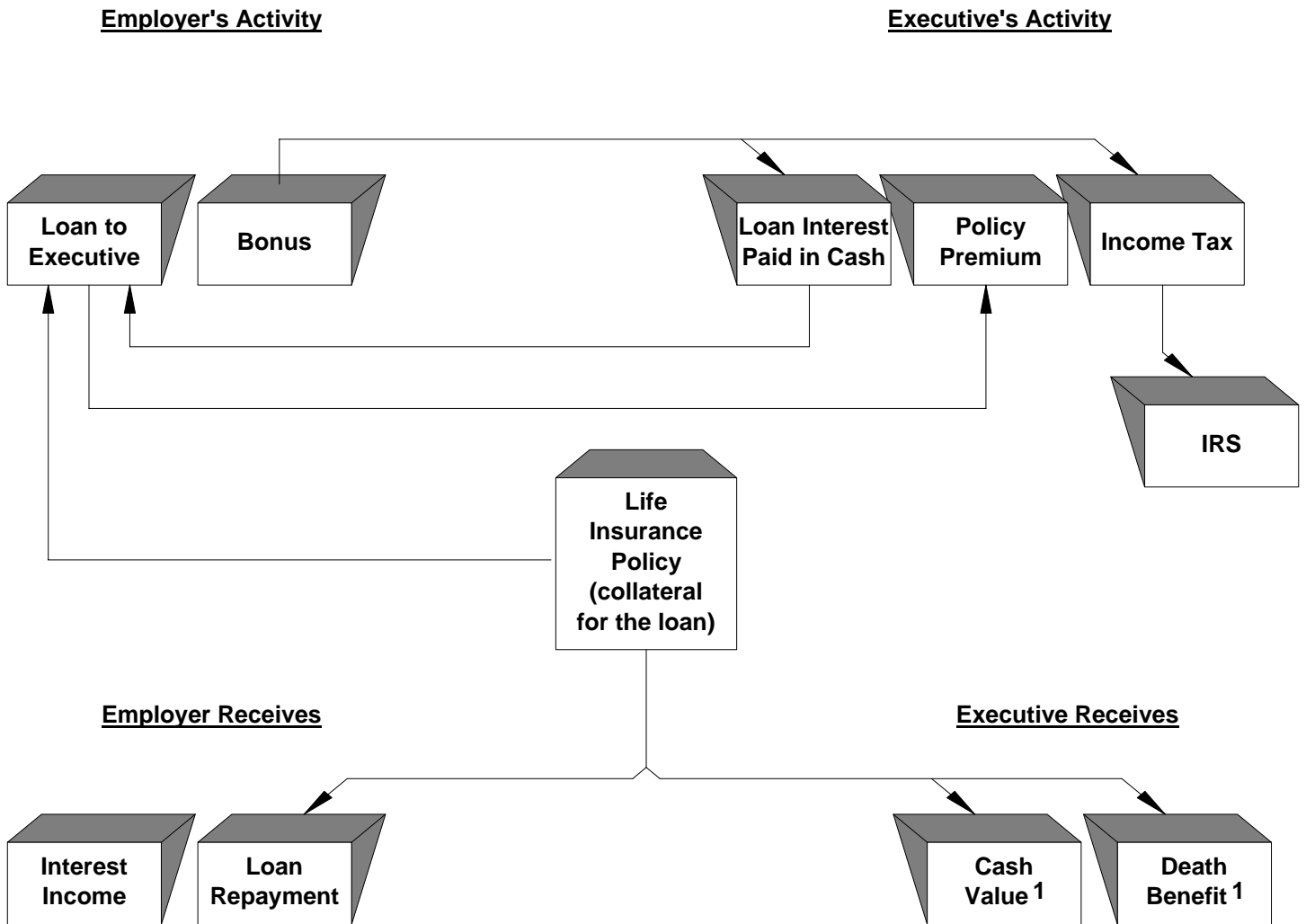
A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

02/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini

Flow Chart Analysis



(1) Less cumulative loan due Employer.

A Leveraged Benefit Plan Using Variable Universal Life (VUL)

Illustration of Values Of The Policy Used in the Plan

Values Page: 1
02/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini
Contini Brothers, Inc.

		Male Age 45	VUL Interest Rate 10.00%	Initial Payment 100,000	Initial Policy Death Benefit 2,500,000		
Year	Age	(1) Policy Premium	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit	
1	45	100,000	0	101,714	66,714	2,500,000	
2	46	100,000	0	212,346	142,346	2,500,000	
3	47	100,000	0	332,215	257,715	2,500,000	
4	48	100,000	0	462,138	387,638	2,500,000	
5	49	100,000	0	603,023	528,523	2,500,000	
6	50	0	0	646,994	576,219	2,500,000	
7	51	0	0	694,192	627,887	2,500,000	
8	52	0	0	744,896	683,806	2,500,000	
9	53	0	0	799,374	744,244	2,500,000	
10	54	0	0	857,934	809,509	2,500,000	
11	55	0	0	920,944	879,969	2,500,000	
12	56	0	0	988,800	956,020	2,500,000	
13	57	0	0	1,061,919	1,038,079	2,500,000	
14	58	0	0	1,140,815	1,126,660	2,500,000	
15	59	0	0	1,226,058	1,226,058	2,500,000	
20	64	0	0	1,773,121	1,773,121	2,500,000	
25	69	0	0	2,615,007	2,615,007	3,033,409	
30	74	0	0	3,874,395	3,874,395	4,145,602	
35	79	0	0	5,764,046	5,764,046	6,052,248	
40	84	0	0	8,521,998	8,521,998	8,948,098	
		500,000	0				

*This is an example of an InsMark "supplemental" illustration for variable universal life insurance. In a real presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

40 Year Summary

Cum. Payments	500,000
Cum. Pre-Tax Policy Cash Flow	0
Cash value	8,521,998
Death Benefit	8,948,098

Summary of Costs and Benefits

A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Summary Page: 1
02/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini
Contini Brothers, Inc.

Male Age 45	Employer's Tax Bracket 34.00%	Executive's Tax Bracket 35.00%	VUL Interest Rate 10.00%	Initial Policy Death Benefit 2,500,000
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Year	Age	Employer's Plan Payments, Loan Receivable, and Promissory Note				Executive's Plan Payments and Loan Collateral			
		(1) Net Payment to the Plan	(2) Cumulative Net Payments to the Plan	(3) Portion of Col. (2) Due as a Loan Receivable	(4) Cumulative Charge to Earnings	(5) Net Payment to the Plan	Loan Collateral		
						Accum Value*	Cash Value*	Death Benefit	
1	45	101,990	101,990	100,000	1,990	0	101,714	66,714	2,500,000
2	46	103,980	205,970	200,000	5,970	0	212,346	142,346	2,500,000
3	47	105,970	311,940	300,000	11,940	0	332,215	257,715	2,500,000
4	48	107,961	419,901	400,000	19,901	0	462,138	387,638	2,500,000
5	49	109,951	529,852	500,000	29,852	0	603,023	528,523	2,500,000
6	50	9,951	539,803	500,000	39,803	0	646,994	576,219	2,500,000
7	51	9,951	549,754	500,000	49,754	0	694,192	627,887	2,500,000
8	52	9,951	559,705	500,000	59,705	0	744,896	683,806	2,500,000
9	53	9,951	569,656	500,000	69,656	0	799,374	744,244	2,500,000
10	54	9,951	579,607	500,000	79,607	0	857,934	809,509	2,500,000
11	55	9,951	589,558	500,000	89,558	0	920,944	879,969	2,500,000
12	56	9,951	599,509	500,000	99,509	0	988,800	956,020	2,500,000
13	57	9,951	609,460	500,000	109,460	0	1,061,919	1,038,079	2,500,000
14	58	9,951	619,411	500,000	119,411	0	1,140,815	1,126,660	2,500,000
15	59	9,951	629,362	500,000	129,362	0	1,226,058	1,226,058	2,500,000
16	60	9,951	639,313	500,000	139,313	0	1,318,255	1,318,255	2,500,000
17	61	9,951	649,264	500,000	149,264	0	1,418,159	1,418,159	2,500,000
18	62	9,951	659,215	500,000	159,215	0	1,526,610	1,526,610	2,500,000
19	63	9,951	669,166	500,000	169,166	0	1,644,559	1,644,559	2,500,000
20	64	9,951	679,117	500,000	179,117	0	1,773,121	1,773,121	2,500,000
		679,117				0			

Executive's 20 Year Summary

	Living Values	Death Benefit
Variable Universal Life (VUL):	1,773,121	2,500,000
Less Loan Repayment Due Employer:	500,000	500,000
Equals Executive's Net Value:	1,273,121	2,000,000

*This is an example of an InsMark "supplemental" illustration for variable universal life insurance. In a real presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

Summary of Costs and Benefits

A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Summary Page: 2
02/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini
Contini Brothers, Inc.

Male Age 45	Employer's Tax Bracket 34.00%	Executive's Tax Bracket 35.00%	VUL Interest Rate 10.00%	Initial Policy Death Benefit 2,500,000
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Year	Age	Employer's Plan Payments, Loan Receivable, and Promissory Note				Executive's Plan Payments and Loan Collateral			
		(1) Net Payment to the Plan	(2) Cumulative Net Payments to the Plan	(3) Portion of Col. (2) Due as a Loan Receivable	(4) Cumulative Charge to Earnings	(5) Net Payment to the Plan	Loan Collateral		
						Accum Value*	Cash Value*	Death Benefit	
21	65	9,951	689,068	500,000	189,068	0	1,913,603	1,913,603	2,500,000
22	66	9,951	699,019	500,000	199,019	0	2,067,528	2,067,528	2,500,000
23	67	9,951	708,970	500,000	208,970	0	2,236,164	2,236,164	2,638,673
24	68	9,951	718,921	500,000	218,921	0	2,418,300	2,418,300	2,829,411
25	69	9,951	728,872	500,000	228,872	0	2,615,007	2,615,007	3,033,409
26	70	9,951	738,823	500,000	238,823	0	2,827,461	2,827,461	3,251,581
27	71	9,951	748,774	500,000	248,774	0	3,057,736	3,057,736	3,455,242
28	72	9,951	758,725	500,000	258,725	0	3,307,592	3,307,592	3,671,427
29	73	9,951	768,676	500,000	268,676	0	3,579,041	3,579,041	3,901,155
30	74	9,951	778,627	500,000	278,627	0	3,874,395	3,874,395	4,145,602
31	75	9,951	788,578	500,000	288,578	0	4,196,334	4,196,333	4,406,151
32	76	9,951	798,529	500,000	298,529	0	4,544,260	4,544,260	4,771,473
33	77	9,951	808,480	500,000	308,480	0	4,920,122	4,920,122	5,166,128
34	78	9,951	818,431	500,000	318,431	0	5,325,987	5,325,987	5,592,287
35	79	9,951	828,382	500,000	328,382	0	5,764,046	5,764,046	6,052,248
36	80	9,951	838,333	500,000	338,333	0	6,236,609	6,236,609	6,548,440
37	81	9,951	848,284	500,000	348,284	0	6,746,095	6,746,095	7,083,400
38	82	9,951	858,235	500,000	358,235	0	7,295,046	7,295,046	7,659,798
39	83	9,951	868,186	500,000	368,186	0	7,886,100	7,886,100	8,280,405
40	84	9,951	878,137	500,000	378,137	0	8,521,998	8,521,998	8,948,098
		878,137				0			

Executive's 40 Year Summary

	Living Values	Death Benefit
Variable Universal Life (VUL):	8,521,998	8,948,098
Less Loan Repayment Due Employer:	500,000	500,000
Equals Executive's Net Value:	8,021,998	8,448,098

*This is an example of an InsMark "supplemental" illustration for variable universal life insurance. In a real presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

Employer's Net Payment Analysis

A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Employer's Page: 1
02/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini
Contini Brothers, Inc.

		Male Age 45	Employer's Tax Bracket 34.00%	IRC Sec. 7872 Long Term Rate 5.60%*	Promissory Note Interest Rate 5.60%					
Year	Age	(1) Beginning of Year Loan to Executive	(2) Outstanding Loan to Executive	(3) Year End Loan Interest Received from Executive	(4) After Tax Loan Interest Received from Executive	(5) Bonus Paid to Executive	(6) After Tax Cost of Bonus Paid to Executive	(7) Employer's Net Payment to the Plan (1) - (4) + (6)	(8) Employer's Annual Charge to Earnings (6) - (4)	(9) Employer's Cumulative Charge to Earnings
1	45	100,000	100,000	5,600	3,696	8,615	5,686	101,990	1,990	1,990
2	46	100,000	200,000	11,200	7,392	17,231	11,372	103,980	3,980	5,970
3	47	100,000	300,000	16,800	11,088	25,846	17,058	105,970	5,970	11,940
4	48	100,000	400,000	22,400	14,784	34,462	22,745	107,961	7,961	19,901
5	49	100,000	500,000	28,000	18,480	43,077	28,431	109,951	9,951	29,852
6	50	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	39,803
7	51	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	49,754
8	52	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	59,705
9	53	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	69,656
10	54	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	79,607
11	55	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	89,558
12	56	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	99,509
13	57	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	109,460
14	58	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	119,411
15	59	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	129,362
16	60	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	139,313
17	61	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	149,264
18	62	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	159,215
19	63	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	169,166
20	64	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	179,117
		500,000		504,000	332,640	775,386	511,757	679,117	179,117	

*As of the date of this illustration. (See accompanying Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rates.)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

Employer's Net Payment Analysis

A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Employer's Page: 2
02/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini
Contini Brothers, Inc.

		Male Age 45	Employer's Tax Bracket 34.00%	IRC Sec. 7872 Long Term Rate 5.60%*	Promissory Note Interest Rate 5.60%					
Year	Age	(1) Beginning of Year Loan to Executive	(2) Outstanding Loan to Executive	(3) Year End Loan Interest Received from Executive	(4) After Tax Loan Interest Received from Executive	(5) Bonus Paid to Executive	(6) After Tax Cost of Bonus Paid to Executive	(7) Employer's Net Payment to the Plan (1) - (4) + (6)	(8) Employer's Annual Charge to Earnings (6) - (4)	(9) Employer's Cumulative Charge to Earnings
21	65	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	189,068
22	66	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	199,019
23	67	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	208,970
24	68	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	218,921
25	69	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	228,872
26	70	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	238,823
27	71	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	248,774
28	72	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	258,725
29	73	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	268,676
30	74	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	278,627
31	75	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	288,578
32	76	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	298,529
33	77	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	308,480
34	78	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	318,431
35	79	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	328,382
36	80	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	338,333
37	81	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	348,284
38	82	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	358,235
39	83	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	368,186
40	84	0	500,000	28,000	18,480	43,077	28,431	9,951	9,951	378,137
		500,000		1,064,000	702,240	1,636,926	1,080,377	878,137	378,137	

*As of the date of this illustration. (See accompanying Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rates.)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

Executive's Net Payment Analysis

A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Executive's Page: 1
02/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini
Contini Brothers, Inc.

		Male Age 45	Executive's Tax Bracket 35.00%	IRC Sec. 7872 Long Term Rate 5.60%**	Promissory Note Interest Rate 5.60%				
Year	Age	(1) Policy Premium Due by Executive	(2) Beginning of Year Loan from Employer	(3) Cumulative Loan Due Employer	(4) Year End Loan Interest Paid to Employer	(5) Year End Bonus Received from Employer	(6) After Tax Bonus Received from Employer	(7) Executive's Net Payment to the Plan*	
1	45	100,000	100,000	100,000	5,600	8,615	5,600	0	
2	46	100,000	100,000	200,000	11,200	17,231	11,200	0	
3	47	100,000	100,000	300,000	16,800	25,846	16,800	0	
4	48	100,000	100,000	400,000	22,400	34,462	22,400	0	
5	49	100,000	100,000	500,000	28,000	43,077	28,000	0	
6	50	0	0	500,000	28,000	43,077	28,000	0	
7	51	0	0	500,000	28,000	43,077	28,000	0	
8	52	0	0	500,000	28,000	43,077	28,000	0	
9	53	0	0	500,000	28,000	43,077	28,000	0	
10	54	0	0	500,000	28,000	43,077	28,000	0	
11	55	0	0	500,000	28,000	43,077	28,000	0	
12	56	0	0	500,000	28,000	43,077	28,000	0	
13	57	0	0	500,000	28,000	43,077	28,000	0	
14	58	0	0	500,000	28,000	43,077	28,000	0	
15	59	0	0	500,000	28,000	43,077	28,000	0	
16	60	0	0	500,000	28,000	43,077	28,000	0	
17	61	0	0	500,000	28,000	43,077	28,000	0	
18	62	0	0	500,000	28,000	43,077	28,000	0	
19	63	0	0	500,000	28,000	43,077	28,000	0	
20	64	0	0	500,000	28,000	43,077	28,000	0	
		500,000	500,000		504,000	775,386	504,000	0	

*Column (7) = Columns (1) - (2) + (4) - (6)

**As of the date of this illustration. (See accompanying Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rates.)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

Executive's Net Payment Analysis

A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Executive's Page: 2
02/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini
Contini Brothers, Inc.

		Male Age 45	Executive's Tax Bracket 35.00%	IRC Sec. 7872 Long Term Rate 5.60%**	Promissory Note Interest Rate 5.60%			
Year	Age	(1) Policy Premium Due by Executive	(2) Beginning of Year Loan from Employer	(3) Cumulative Loan Due Employer	(4) Year End Loan Interest Paid to Employer	(5) Year End Bonus Received from Employer	(6) After Tax Bonus Received from Employer	(7) Executive's Net Payment to the Plan*
21	65	0	0	500,000	28,000	43,077	28,000	0
22	66	0	0	500,000	28,000	43,077	28,000	0
23	67	0	0	500,000	28,000	43,077	28,000	0
24	68	0	0	500,000	28,000	43,077	28,000	0
25	69	0	0	500,000	28,000	43,077	28,000	0
26	70	0	0	500,000	28,000	43,077	28,000	0
27	71	0	0	500,000	28,000	43,077	28,000	0
28	72	0	0	500,000	28,000	43,077	28,000	0
29	73	0	0	500,000	28,000	43,077	28,000	0
30	74	0	0	500,000	28,000	43,077	28,000	0
31	75	0	0	500,000	28,000	43,077	28,000	0
32	76	0	0	500,000	28,000	43,077	28,000	0
33	77	0	0	500,000	28,000	43,077	28,000	0
34	78	0	0	500,000	28,000	43,077	28,000	0
35	79	0	0	500,000	28,000	43,077	28,000	0
36	80	0	0	500,000	28,000	43,077	28,000	0
37	81	0	0	500,000	28,000	43,077	28,000	0
38	82	0	0	500,000	28,000	43,077	28,000	0
39	83	0	0	500,000	28,000	43,077	28,000	0
40	84	0	0	500,000	28,000	43,077	28,000	0
		500,000	500,000		1,064,000	1,636,926	1,064,000	0

*Column (7) = Columns (1) - (2) + (4) - (6)

**As of the date of this illustration. (See accompanying Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rates.)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

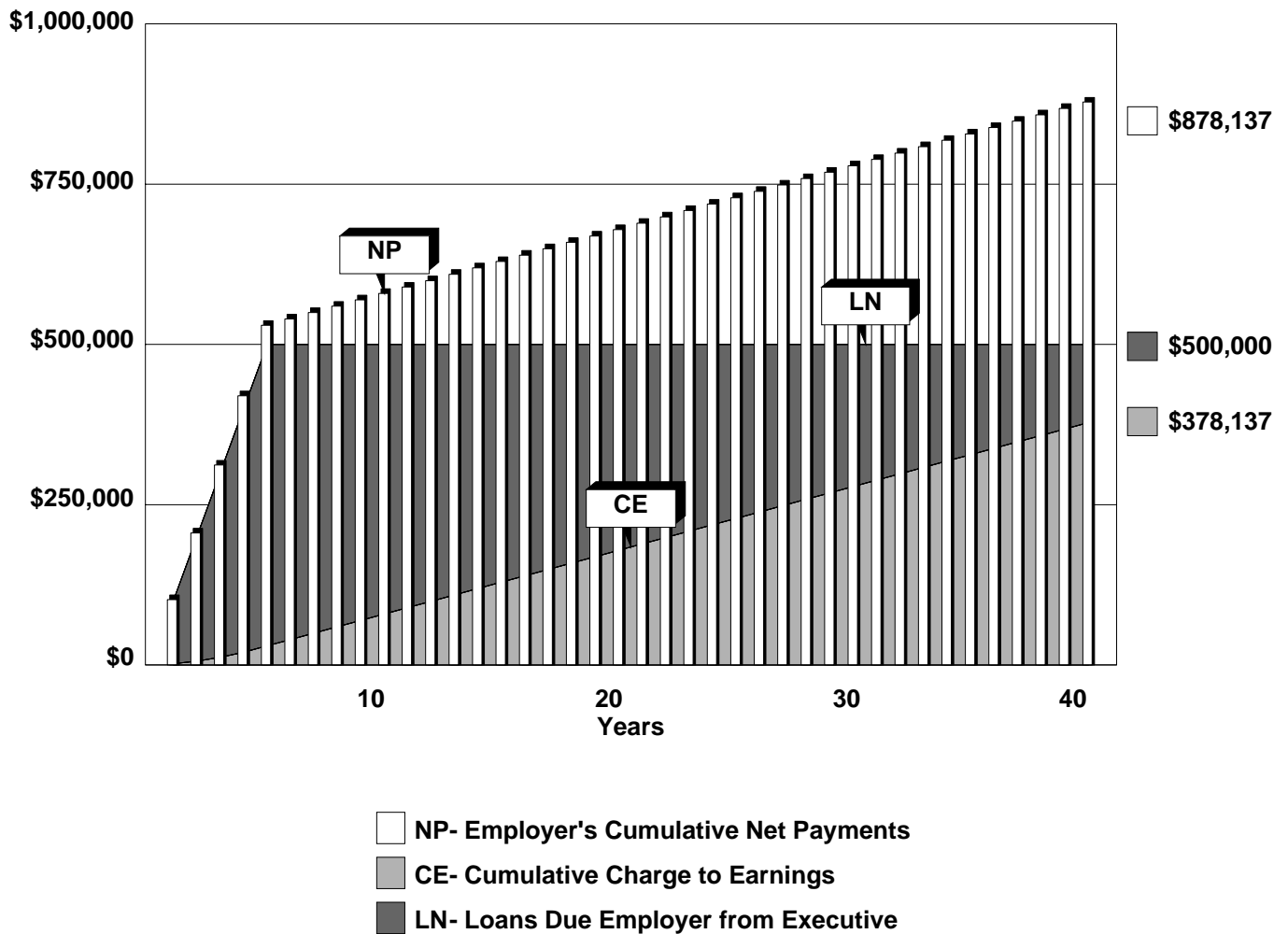
A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

02/01/2002

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For: Frank Contini

Employer's 40 Year Graphic Analysis



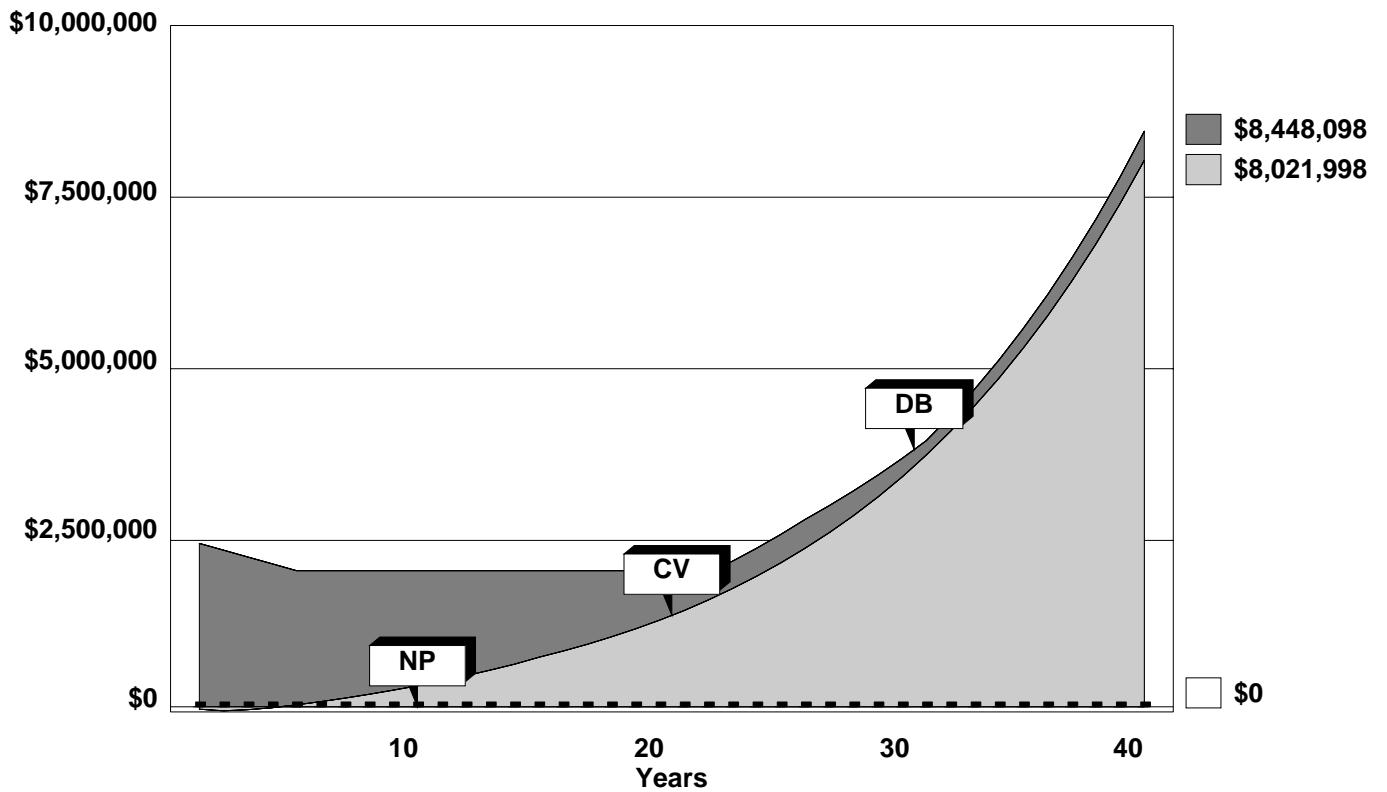
A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

02/01/2002

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For: Frank Contini

Executive's 40 Year Graphic Analysis



- NP- Executive's Cumulative Net Payments
- CV- Executive's Cash Value Less Cum. Loan Due Employer
- DB- Executive's Death Benefit Less Cum. Loan Due Employer