

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 6.50% which exceeds the long-term Section 7872 rate of 5.48% in effect for the month in which this report is written (March 2002).

Although the long-term Section 7872 rate in effect for the month in which this report is written is 5.48%, for illustrative purposes the accompanying material shows a constant 6.50% loan interest rate. In the future, the minimum required loan interest rate for each new loan will likely be different, and the loan interest rate for each new loan should be equal to or exceed the applicable Sec. 7872 interest rate in effect when each new loan is made. In addition, each new loan should be evidenced by a separate promissory note.

There are four ways to deal with unknown future Sec. 7872 loan interest rates that may exceed 6.50%:

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.

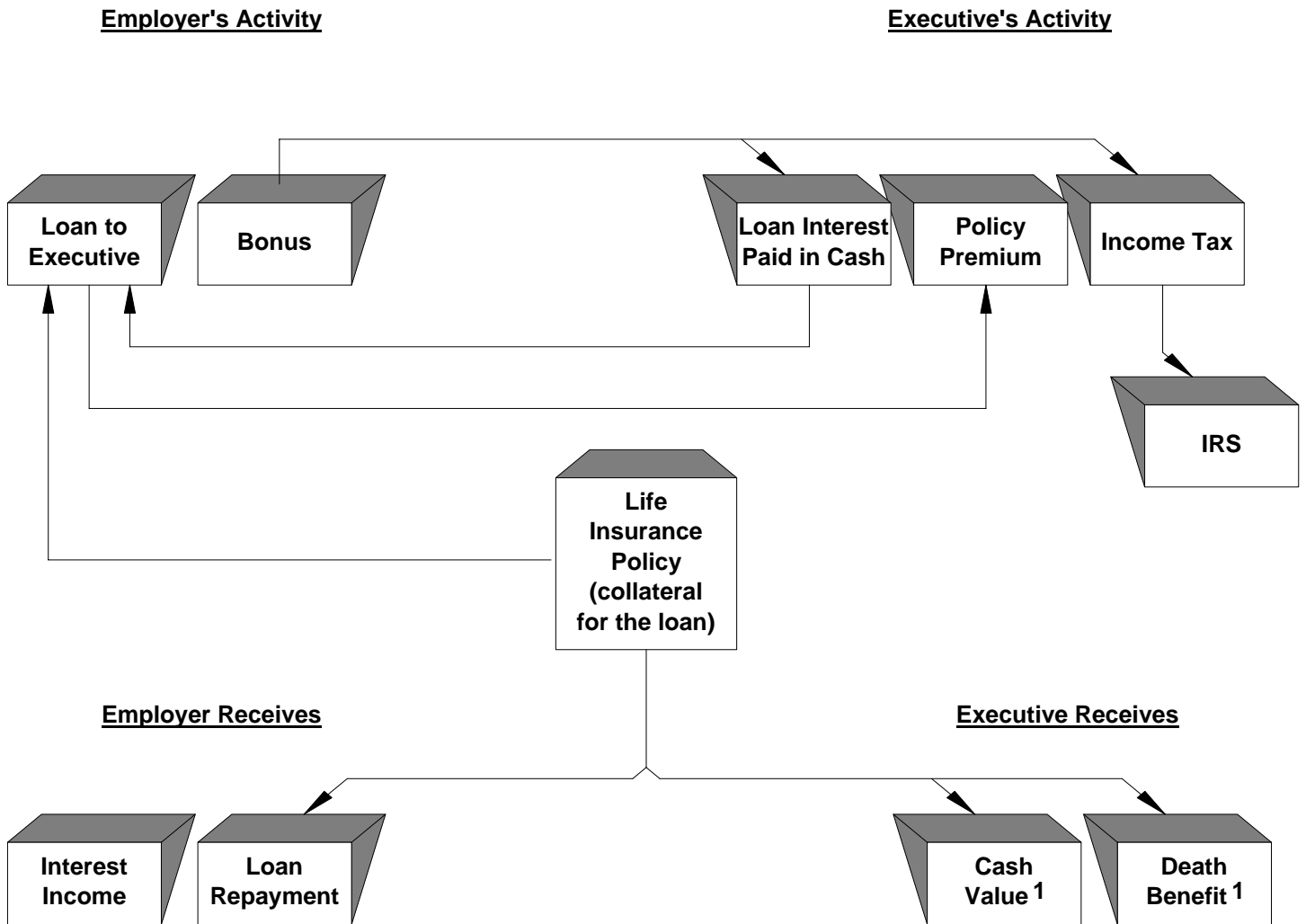
A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

03/01/2002

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
03/01/2002

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
03/01/2002

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 Cumulative Charge to Earnings				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 (2) - (3)	(5) Net Payment to the Plan	Loan Collateral		
						Accum Value*	Cash Value*	Death Benefit	
1	45	102,310	102,310	100,000	2,310	0	101,714	66,714	2,500,000
2	46	104,620	206,930	200,000	6,930	0	212,346	142,346	2,500,000
3	47	106,930	313,860	300,000	13,860	0	332,215	257,715	2,500,000
4	48	109,240	423,100	400,000	23,100	0	462,138	387,638	2,500,000
5	49	111,550	534,650	500,000	34,650	0	603,023	528,523	2,500,000
6	50	11,550	546,200	500,000	46,200	0	646,994	576,219	2,500,000
7	51	11,550	557,750	500,000	57,750	0	694,192	627,887	2,500,000
8	52	11,550	569,300	500,000	69,300	0	744,896	683,806	2,500,000
9	53	11,550	580,850	500,000	80,850	0	799,374	744,244	2,500,000
10	54	11,550	592,400	500,000	92,400	0	857,934	809,509	2,500,000
11	55	11,550	603,950	500,000	103,950	0	920,944	879,969	2,500,000
12	56	11,550	615,500	500,000	115,500	0	988,800	956,020	2,500,000
13	57	11,550	627,050	500,000	127,050	0	1,061,919	1,038,079	2,500,000
14	58	11,550	638,600	500,000	138,600	0	1,140,815	1,126,660	2,500,000
15	59	11,550	650,150	500,000	150,150	0	1,226,058	1,226,058	2,500,000
16	60	11,550	661,700	500,000	161,700	0	1,318,255	1,318,255	2,500,000
17	61	11,550	673,250	500,000	173,250	0	1,418,159	1,418,159	2,500,000
18	62	11,550	684,800	500,000	184,800	0	1,526,610	1,526,610	2,500,000
19	63	11,550	696,350	500,000	196,350	0	1,644,559	1,644,559	2,500,000
20	64	11,550	707,900	500,000	207,900	0	1,773,121	1,773,121	2,500,000
		707,900				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
03/01/2002

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 Cumulative Charge to Earnings				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 (2) - (3)	(5) Net Payment to the Plan	Loan Collateral		
						Accum Value*	Cash Value*	Death Benefit	
21	65	11,550	719,450	500,000	219,450	0	1,913,603	1,913,603	2,500,000
22	66	11,550	731,000	500,000	231,000	0	2,067,528	2,067,528	2,500,000
23	67	11,550	742,550	500,000	242,550	0	2,236,164	2,236,164	2,638,673
24	68	11,550	754,100	500,000	254,100	0	2,418,300	2,418,300	2,829,411
25	69	11,550	765,650	500,000	265,650	0	2,615,007	2,615,007	3,033,409
26	70	11,550	777,200	500,000	277,200	0	2,827,461	2,827,461	3,251,581
27	71	11,550	788,750	500,000	288,750	0	3,057,736	3,057,736	3,455,242
28	72	11,550	800,300	500,000	300,300	0	3,307,592	3,307,592	3,671,427
29	73	11,550	811,850	500,000	311,850	0	3,579,041	3,579,041	3,901,155
30	74	11,550	823,400	500,000	323,400	0	3,874,395	3,874,395	4,145,602
31	75	11,550	834,950	500,000	334,950	0	4,196,334	4,196,333	4,406,151
32	76	11,550	846,500	500,000	346,500	0	4,544,260	4,544,260	4,771,473
33	77	11,550	858,050	500,000	358,050	0	4,920,122	4,920,122	5,166,128
34	78	11,550	869,600	500,000	369,600	0	5,325,987	5,325,987	5,592,287
35	79	11,550	881,150	500,000	381,150	0	5,764,046	5,764,046	6,052,248
36	80	11,550	892,700	500,000	392,700	0	6,236,609	6,236,609	6,548,440
37	81	11,550	904,250	500,000	404,250	0	6,746,095	6,746,095	7,083,400
38	82	11,550	915,800	500,000	415,800	0	7,295,046	7,295,046	7,659,798
39	83	11,550	927,350	500,000	427,350	0	7,886,100	7,886,100	8,280,405
40	84	11,550	938,900	500,000	438,900	0	8,521,998	8,521,998	8,948,098
		938,900				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
03/01/2002

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 5.48%*	Promissory Note Interest Rate 6.50%					
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	6,500	4,290	10,000	6,600	102,310	2,310	2,310
2	46	100,000	200,000	13,000	8,580	20,000	13,200	104,620	4,620	6,930
3	47	100,000	300,000	19,500	12,870	30,000	19,800	106,930	6,930	13,860
4	48	100,000	400,000	26,000	17,160	40,000	26,400	109,240	9,240	23,100
5	49	100,000	500,000	32,500	21,450	50,000	33,000	111,550	11,550	34,650
6	50	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	46,200
7	51	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	57,750
8	52	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	69,300
9	53	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	80,850
10	54	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	92,400
11	55	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	103,950
12	56	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	115,500
13	57	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	127,050
14	58	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	138,600
15	59	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	150,150
16	60	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	161,700
17	61	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	173,250
18	62	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	184,800
19	63	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	196,350
20	64	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	207,900
		500,000		585,000	386,100	900,000	594,000	707,900	207,900	

*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
03/01/2002

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 5.48%*	Promissory Note Interest Rate 6.50%					
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	32,500	21,450	50,000	33,000	11,550	11,550	219,450
22	66	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	231,000
23	67	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	242,550
24	68	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	254,100
25	69	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	265,650
26	70	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	277,200
27	71	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	288,750
28	72	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	300,300
29	73	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	311,850
30	74	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	323,400
31	75	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	334,950
32	76	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	346,500
33	77	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	358,050
34	78	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	369,600
35	79	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	381,150
36	80	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	392,700
37	81	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	404,250
38	82	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	415,800
39	83	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	427,350
40	84	0	500,000	32,500	21,450	50,000	33,000	11,550	11,550	438,900
		500,000		1,235,000	815,100	1,900,000	1,254,000	938,900	438,900	

*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
03/01/2002

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 5.48%**	Promissory Note Interest Rate 6.50%				
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	6,500	10,000	6,500	0	
2	46	100,000	100,000	200,000	13,000	20,000	13,000	0	
3	47	100,000	100,000	300,000	19,500	30,000	19,500	0	
4	48	100,000	100,000	400,000	26,000	40,000	26,000	0	
5	49	100,000	100,000	500,000	32,500	50,000	32,500	0	
6	50	0	0	500,000	32,500	50,000	32,500	0	
7	51	0	0	500,000	32,500	50,000	32,500	0	
8	52	0	0	500,000	32,500	50,000	32,500	0	
9	53	0	0	500,000	32,500	50,000	32,500	0	
10	54	0	0	500,000	32,500	50,000	32,500	0	
11	55	0	0	500,000	32,500	50,000	32,500	0	
12	56	0	0	500,000	32,500	50,000	32,500	0	
13	57	0	0	500,000	32,500	50,000	32,500	0	
14	58	0	0	500,000	32,500	50,000	32,500	0	
15	59	0	0	500,000	32,500	50,000	32,500	0	
16	60	0	0	500,000	32,500	50,000	32,500	0	
17	61	0	0	500,000	32,500	50,000	32,500	0	
18	62	0	0	500,000	32,500	50,000	32,500	0	
19	63	0	0	500,000	32,500	50,000	32,500	0	
20	64	0	0	500,000	32,500	50,000	32,500	0	
		500,000	500,000		585,000	900,000	585,000	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
03/01/2002

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 5.48%**	Promissory Note Interest Rate 6.50%			
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	32,500	50,000	32,500	0
22	66	0	0	500,000	32,500	50,000	32,500	0
23	67	0	0	500,000	32,500	50,000	32,500	0
24	68	0	0	500,000	32,500	50,000	32,500	0
25	69	0	0	500,000	32,500	50,000	32,500	0
26	70	0	0	500,000	32,500	50,000	32,500	0
27	71	0	0	500,000	32,500	50,000	32,500	0
28	72	0	0	500,000	32,500	50,000	32,500	0
29	73	0	0	500,000	32,500	50,000	32,500	0
30	74	0	0	500,000	32,500	50,000	32,500	0
31	75	0	0	500,000	32,500	50,000	32,500	0
32	76	0	0	500,000	32,500	50,000	32,500	0
33	77	0	0	500,000	32,500	50,000	32,500	0
34	78	0	0	500,000	32,500	50,000	32,500	0
35	79	0	0	500,000	32,500	50,000	32,500	0
36	80	0	0	500,000	32,500	50,000	32,500	0
37	81	0	0	500,000	32,500	50,000	32,500	0
38	82	0	0	500,000	32,500	50,000	32,500	0
39	83	0	0	500,000	32,500	50,000	32,500	0
40	84	0	0	500,000	32,500	50,000	32,500	0
		500,000	500,000		1,235,000	1,900,000	1,235,000	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.

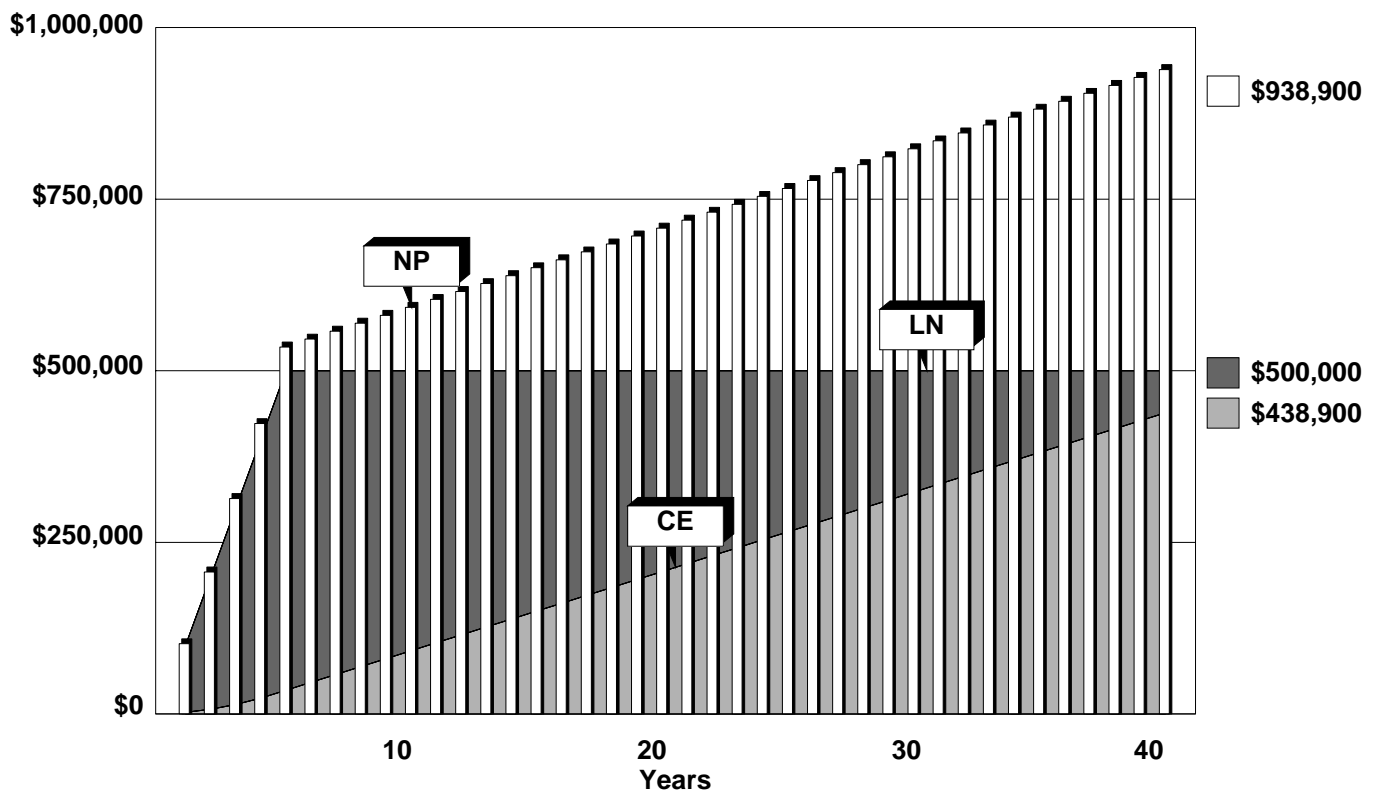
A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

03/01/2002

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

For: Frank Contini

Employer's 40 Year Graphic Analysis



- NP - Employer's Cumulative Net Payments
- CE - Cumulative Charge to Earnings
- LN - Loans Due Employer from Executive

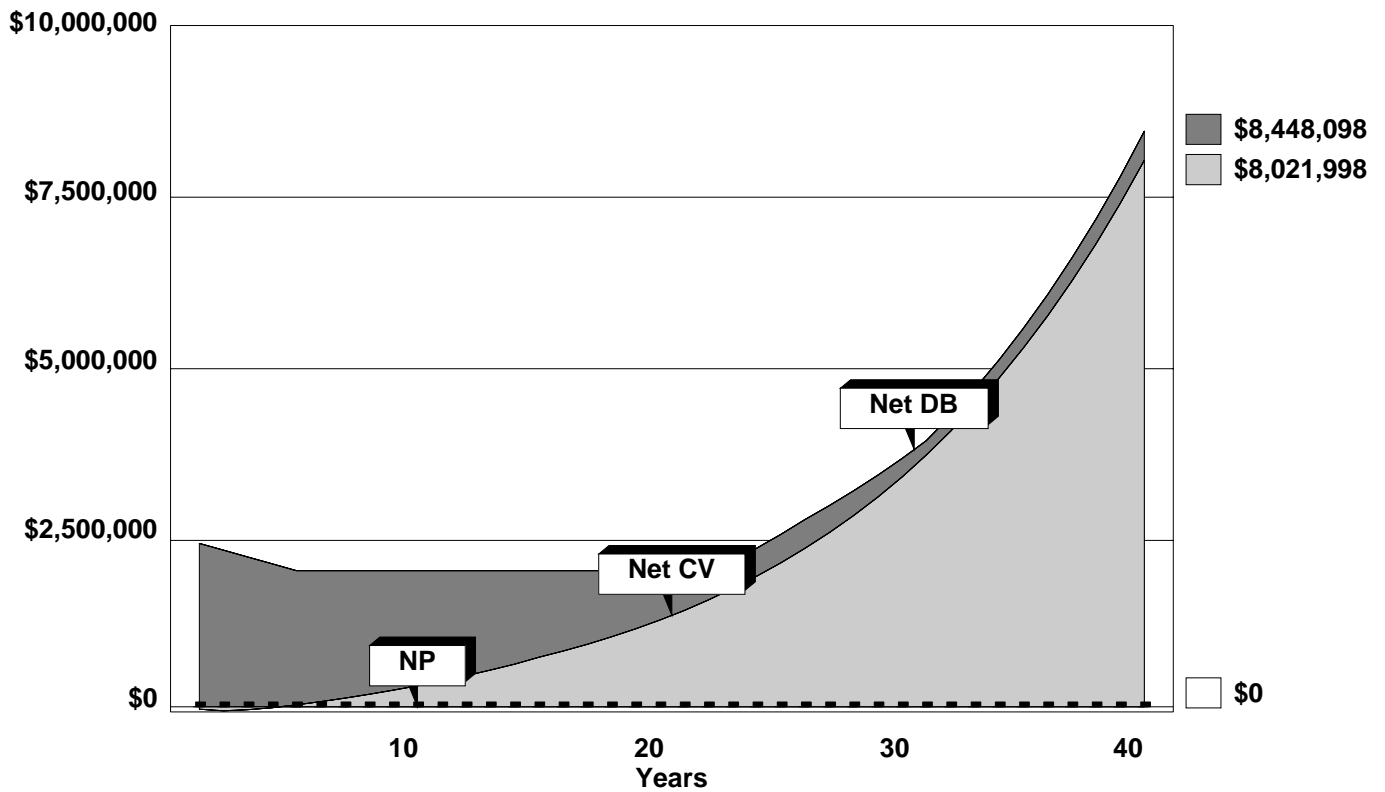
A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

03/01/2002

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For: Frank Contini

Executive's 40 Year Graphic Analysis



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