Tony Jamison's Leveraged Executive Bonus

For: Town and Country Auto Group, Inc.

"It's not how much money you make, but how much money you keep."

Peter Lynch

Presented By:

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Preface

Background

This arrangement is a financial technique used to reward key executives. The arrangement involves the purchase of a cash value life insurance policy insuring the life of the executive (or the executive and his or her spouse). The owner of the policy is the insured executive.

Funding

The employer 1) pays the premium on the policy as a bonus to the executive and 2) loans the executive a sum equal to the income tax on the bonus. The loans associated with the arrangement are designed to be in compliance with the Final Split Dollar Regulations issued in September 2003 (68 FR 54336).

Promissory Notes: The loans 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 each loan must bear interest equal to or greater than the Applicable Federal Rate ("AFR") established under IRC Sections 7872(f)(2)(A) and 1274(d) at the inception of the loan. As an additional benefit, the employer may choose to offset the executive's tax on any imputed loan interest by way of a bonus.[1] Alternatively, loan interest may be accrued.

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 AFR is determined by the length of the loan transaction, i.e., either the demand loan (blended annual rate), the short-term rate (3 years or less), 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 Federal Rate, no further interest is imputed by the IRS on the transaction.

The loan interest rate for each new loan will likely be different, and each future loan must bear interest equal to or greater than the AFR in effect during the month the new loan is executed. Each new loan should be evidenced by its own promissory note.

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

1. If the executive is paying tax on imputed interest on the split dollar loan, a bonus[1] can be paid from the employer to the executive to help pay this tax. Depending on the relative income tax brackets between the employer and the executive, this could be an attractive option and help reduce the impact of rising interest rates.
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 may be able to withdraw funds from the policy to make up the difference in the loan interest due.
3. Renegotiate the loans: Wait until a time when the AFR 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 arrangement: 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. 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.

AFRs in effect for August 2020

Long-term loans (over 9 years): 1.12%
Mid-term loans (over 3 years; not over 9): 0.41%
Short-term loans (3 years or less): 0.17%
Demand loans (blended annual rate): 0.89%

[1] If a bonus is used to assist with the payment of tax on imputed loan interest, care must be taken so as not to have the executive use these bonus payments to make loan interest payments (or loan repayments) back to the employer. The purpose of this is to comply with the prohibition against the employer making such payments as provided in the split dollar final regulations issued in 2003 (TD 9092, 9/11/03 and Rev. Rul. 2003-105).

Preface (continued)

Repayment of Loans from the Employer

In the event of the executive’s death, the employer’s loans are repaid from the life insurance policy’s death benefit; otherwise, loan repayment is handled in one of the ways listed below.

1. The executive uses personal funds to repay the loans from the employer.
2. The executive borrows against the policy or surrenders a portion of policy values to repay the loans from the employer.

Living Benefits for the Executive

The executive may, if the parties agree, have direct access to policy cash values in excess of the amount required to collateralize the loans from the employer. Such policy cash values are usually accessed via policy loans, withdrawals, or a combination of each. If the loans from the employer are repaid, the executive has unencumbered access to all the policy cash values.

Death Benefits for the Executive's Beneficiaries

Income tax free death benefits from the executive’s share of the life insurance policy’s death benefit can produce income streams for the executive’s family or liquidity to help offset death taxes.

Important Notes:

Stability of loan interest is an important component of any arrangement involving loans. A dramatic rise in loan interest rates at the maturity of a demand, short-term or mid-term loan may result in less-than-acceptable loan interest rates when the loan is renewed. When you are dealing with a financial arrangement of many years, long-term loans produce more stable interest rates that can be renegotiated downward should rates decline, but are capped at rates that are known as each loan is made. Due to the relative stability of the long-term Applicable Federal Rate coupled with the ability to renegotiate it downward, you may want to establish your arrangement using long-term loans.

IRC Section 409A should not apply to this arrangement unless the employer is bound by the agreement between the parties to forgive the loan, waive payments, etc.

Policy loans reduce cash values and death benefits, and the lapse of a policy with such loans could result in negative tax consequences. Be sure to consult with your own legal and tax advisers if you have any questions about this issue.

You should also consult with these advisers before entering into this or any other arrangement involving tax, legal, and economic considerations.

Care must be exercised if a hospital and a doctor employed by that hospital use this arrangement due to the Medicare-Medicaid Anti-Kickback Rule and the Stark II Rules. A plan should be able to be designed that complies with these rules; however, be certain to consult with legal and tax advisers on these issues.

Employer: Town and Country Auto Group

Illustration of Policy Values Funding the Plan

Male Age	Indexed UL Interest Rate	Initial Premium	Initial Death Benefit
45	6.50%	250,000	5,781,708

Year	Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
1	45	250,000	0	223,084	55,010	6,004,792
2	46	250,000	0	464,139	298,435	6,245,847
3	47	250,000	0	724,612	561,394	6,506,320
4	48	250,000	0	1,006,067	845,451	6,787,775
5	49	0	0	1,061,667	903,711	6,843,375
6	50	0	0	1,121,746	966,507	6,903,454
7	51	0	0	1,186,664	1,034,200	6,968,372
8	52	0	0	1,256,812	1,129,788	7,038,520
9	53	0	0	1,332,611	1,230,968	7,114,319
10	54	0	0	1,414,515	1,338,312	7,196,223
11	55	0	0	1,503,017	1,452,196	7,284,725
12	56	0	0	1,598,649	1,573,267	7,380,357
13	57	0	0	1,701,984	1,701,984	7,483,692
14	58	0	0	1,813,643	1,813,643	7,595,351
15	59	0	0	1,933,408	1,933,408	7,715,116
16	60	0	0	2,073,697	2,073,697	7,855,405
17	61	0	0	2,223,541	2,223,541	8,005,249
18	62	0	0	2,383,362	2,383,362	8,165,070
19	63	0	0	2,553,370	2,553,370	8,335,078
20	64	0	0	2,734,110	2,734,110	8,515,818
21	65	0	580,000	2,935,053	2,326,053	5,172,708
22	66	0	260,000	3,149,256	2,236,806	4,869,258
23	67	0	260,000	3,377,856	2,146,783	4,550,636
24	68	0	260,000	3,622,051	2,056,425	4,216,082
25	69	0	260,000	3,882,787	1,965,880	3,864,801
26	70	0	260,000	4,161,606	1,875,854	3,495,955
27	71	0	260,000	4,460,965	1,787,925	3,108,668
28	72	0	260,000	4,783,064	1,703,371	2,702,016
29	73	0	260,000	5,130,475	1,623,798	2,275,031
30	74	0	260,000	5,506,221	1,551,210	1,936,645
		1,000,000	2,920,000			

*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

30 Year Summary

Cum. Policy Premiums	1,000,000
Cum. Net Policy Loan Proceeds	2,920,000
Cash Value	1,551,210
Death Benefit	1,936,645

Employer: Town and Country Auto Group

Illustration of Policy Values Funding the Plan

Male Age	Indexed UL Interest Rate	Initial Premium	Initial Death Benefit
45	6.50%	250,000	5,781,708

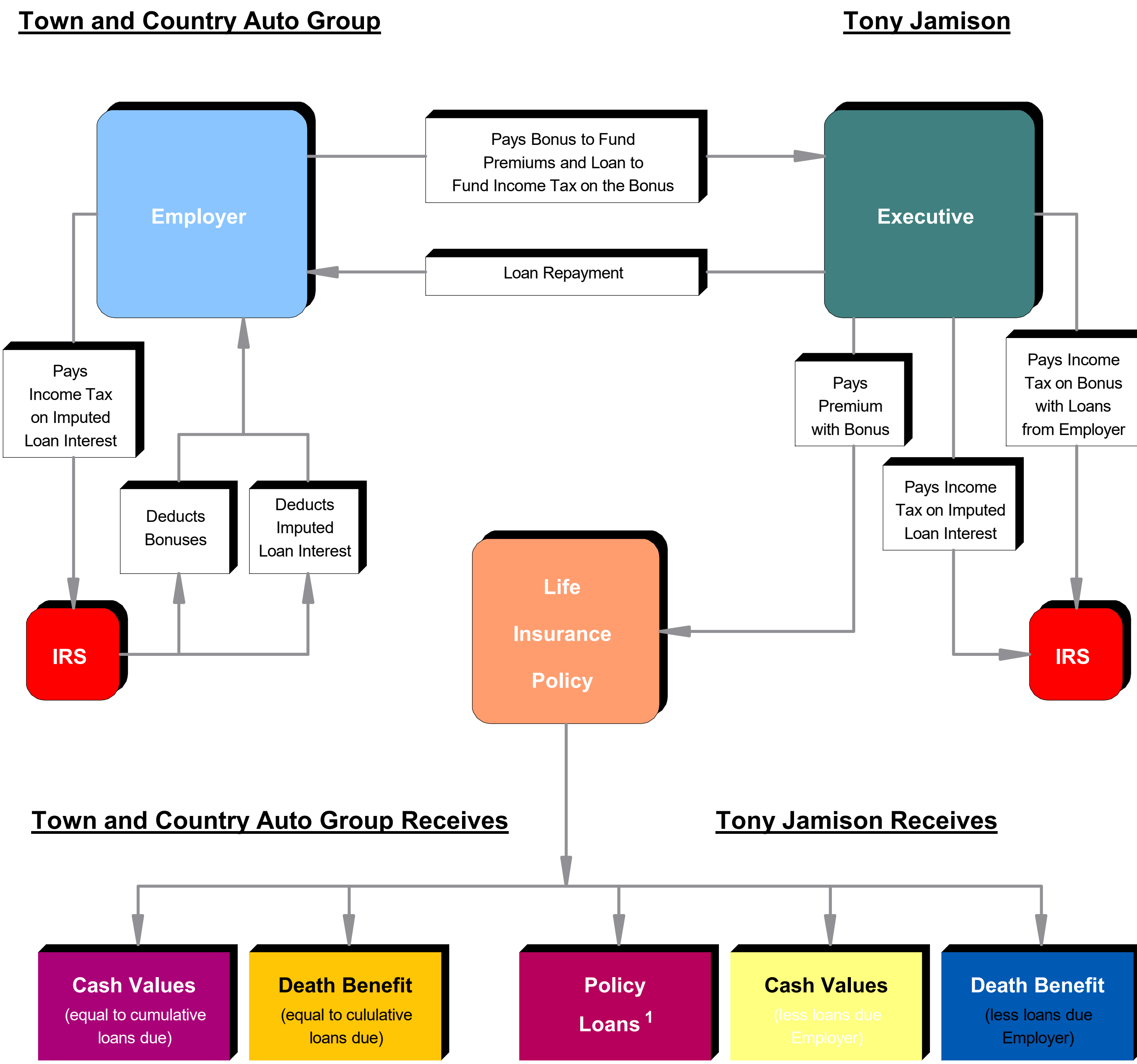
Year	Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
31	75	0	260,000	5,913,862	1,488,100	1,783,793
32	76	0	260,000	6,350,470	1,430,420	1,747,943
33	77	0	260,000	6,817,590	1,378,538	1,719,418
34	78	0	260,000	7,317,305	1,333,301	1,699,166
35	79	0	260,000	7,851,834	1,295,629	1,688,221
36	80	0	260,000	8,423,476	1,266,461	1,687,635
37	81	0	260,000	9,034,535	1,246,669	1,698,396
38	82	0	260,000	9,687,537	1,237,278	1,721,655
39	83	0	260,000	10,385,106	1,239,334	1,758,589
40	84	0	260,000	11,129,444	1,253,383	1,809,855
41	85	0	260,000	11,922,358	1,279,494	1,875,612
42	86	0	260,000	12,766,541	1,318,534	1,956,861
43	87	0	260,000	13,664,120	1,370,712	2,053,918
44	88	0	260,000	14,616,444	1,435,366	2,166,188
45	89	0	260,000	15,624,878	1,511,746	2,292,990
46	90	0	260,000	16,690,134	1,598,346	2,432,852
47	91	0	260,000	17,834,067	1,714,689	2,428,052
48	92	0	260,000	19,068,552	1,870,206	2,442,262
49	93	0	260,000	20,409,278	2,078,014	2,486,200
50	94	0	260,000	21,876,090	2,355,263	2,574,024
51	95	0	260,000	23,492,820	2,722,951	2,722,951
52	96	0	260,000	25,230,604	3,149,242	3,149,242
53	97	0	260,000	27,098,734	3,640,304	3,640,304
54	98	0	260,000	29,107,229	4,202,878	4,202,878
55	99	0	260,000	31,266,889	4,844,320	4,844,320
		1,000,000	9,420,000			

*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

55 Year Summary

Cum. Policy Premiums	1,000,000
Cum. Net Policy Loan Proceeds	9,420,000
Cash Value	4,844,320
Death Benefit	4,844,320

Who Pays What - Who Receives What Flow Chart



Note: If the loan interest rate on each loan is equal to or greater than the Applicable Federal Rate established under IRC Sections 7872(f)(2)(A) and 1274(d), then no additional loan interest will be imputed to the Executive.

[1] For loan repayment and retirement income.

Employer: Town and Country Auto Group

Summary

Male Age	Employer's Tax Bracket	Executive's Tax Bracket	Indexed UL Interest Rate	Initial Death Benefit	Assumed Applicable Federal Rate*
45	40.00%	32.00%	6.50%	5,781,708	

		Town and Country Auto Group				Tony Jamison					
Year	Age	(1) Net Payment**	(2) Annual Loan to Executive	(3) Cumulative Loan to Executive**	(4) Employer's Cumulative Charge to Earnings	(5) Net Payment**	(6) Net Policy Loan Proceeds Available for Retirement Income	(7) Year End Policy Accum Value***	(8) Year End Policy Cash Value***	(9) Year End Policy Cash Value*** Net of Loan Due Employer	(10) Year End Policy Death Benefit Net of Loan Due Employer
1	45	230,000	80,000	80,000	150,000	287	0	223,084	55,010	-24,990	5,924,792
2	46	230,000	80,000	160,000	300,000	640	0	464,139	298,435	138,435	6,085,847
3	47	230,000	80,000	240,000	450,000	1,052	0	724,612	561,394	321,394	6,266,320
4	48	230,000	80,000	320,000	600,000	1,536	0	1,006,067	845,451	525,451	6,467,775
5	49	0	0	320,000	600,000	1,536	0	1,061,667	903,711	583,711	6,523,375
6	50	0	0	320,000	600,000	1,536	0	1,121,746	966,507	646,507	6,583,454
7	51	0	0	320,000	600,000	1,536	0	1,186,664	1,034,200	714,200	6,648,372
8	52	0	0	320,000	600,000	1,536	0	1,256,812	1,129,788	809,788	6,718,520
9	53	0	0	320,000	600,000	1,536	0	1,332,611	1,230,968	910,968	6,794,319
10	54	0	0	320,000	600,000	1,536	0	1,414,515	1,338,312	1,018,312	6,876,223
11	55	0	0	320,000	600,000	1,536	0	1,503,017	1,452,196	1,132,196	6,964,725
12	56	0	0	320,000	600,000	1,536	0	1,598,649	1,573,267	1,253,267	7,060,357
13	57	0	0	320,000	600,000	1,536	0	1,701,984	1,701,984	1,381,984	7,163,692
14	58	0	0	320,000	600,000	1,536	0	1,813,643	1,813,643	1,493,643	7,275,351
15	59	0	0	320,000	600,000	1,536	0	1,933,408	1,933,408	1,613,408	7,395,116
16	60	0	0	320,000	600,000	1,536	0	2,073,697	2,073,697	1,753,697	7,535,405
17	61	0	0	320,000	600,000	1,536	0	2,223,541	2,223,541	1,903,541	7,685,249
18	62	0	0	320,000	600,000	1,536	0	2,383,362	2,383,362	2,063,362	7,845,070
19	63	0	0	320,000	600,000	1,536	0	2,553,370	2,553,370	2,233,370	8,015,078
20	64	0	0	320,000	600,000	1,536	0	2,734,110	2,734,110	2,414,110	8,195,818
21	65	-320,000	0	0	600,000	0	260,000	2,935,053	2,326,053	2,326,053	5,172,708
22	66	0	0	0	600,000	0	260,000	3,149,256	2,236,806	2,236,806	4,869,258
23	67	0	0	0	600,000	0	260,000	3,377,856	2,146,783	2,146,783	4,550,636
24	68	0	0	0	600,000	0	260,000	3,622,051	2,056,425	2,056,425	4,216,082
25	69	0	0	0	600,000	0	260,000	3,882,787	1,965,880	1,965,880	3,864,801
26	70	0	0	0	600,000	0	260,000	4,161,606	1,875,854	1,875,854	3,495,955
27	71	0	0	0	600,000	0	260,000	4,460,965	1,787,925	1,787,925	3,108,668
28	72	0	0	0	600,000	0	260,000	4,783,064	1,703,371	1,703,371	2,702,016
29	73	0	0	0	600,000	0	260,000	5,130,475	1,623,798	1,623,798	2,275,031
30	74	0	0	0	600,000	0	260,000	5,506,221	1,551,210	1,551,210	1,936,645
		600,000	320,000			28,091	2,600,000				

Executive's 30 Year Summary

	Living Values †	Death Benefit
Indexed Universal Life:	1,551,210	1,936,645
Less Loan Due Employer:	0	0
Equals Executive's Net Value:	1,551,210	1,936,645
Plus Cum. After Tax Cash Flow:	2,600,000	2,600,000
Equals Executive's Net Value:	4,151,210	4,536,645

†Cash value less employer's loans plus cum. net policy loans.

*See Promissory Note Analysis for assumed Applicable Fed. Rate.

**See appropriate Net Payment Analysis for details.

***This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Employer: Town and Country Auto Group

Summary

Male Age	Employer's Tax Bracket	Executive's Tax Bracket	Indexed UL Interest Rate	Initial Death Benefit	Assumed Applicable Federal Rate*
45	40.00%	32.00%	6.50%	5,781,708	

		Town and Country Auto Group				Tony Jamison					
Year	Age	(1) Net Payment**	(2) Annual Loan to Executive	(3) Cumulative Loan to Executive**	(4) Employer's Cumulative Charge to Earnings	(5) Net Payment**	(6) Net Policy Loan Proceeds Available for Retirement Income	(7) Year End Policy Accum Value***	(8) Year End Policy Cash Value***	(9) Year End Policy Cash Value*** Net of Loan Due Employer	(10) Year End Policy Death Benefit Net of Loan Due Employer
31	75	0	0	0	600,000	0	260,000	5,913,862	1,488,100	1,488,100	1,783,793
32	76	0	0	0	600,000	0	260,000	6,350,470	1,430,420	1,430,420	1,747,943
33	77	0	0	0	600,000	0	260,000	6,817,590	1,378,538	1,378,538	1,719,418
34	78	0	0	0	600,000	0	260,000	7,317,305	1,333,301	1,333,301	1,699,166
35	79	0	0	0	600,000	0	260,000	7,851,834	1,295,629	1,295,629	1,688,221
36	80	0	0	0	600,000	0	260,000	8,423,476	1,266,461	1,266,461	1,687,635
37	81	0	0	0	600,000	0	260,000	9,034,535	1,246,669	1,246,669	1,698,396
38	82	0	0	0	600,000	0	260,000	9,687,537	1,237,278	1,237,278	1,721,655
39	83	0	0	0	600,000	0	260,000	10,385,106	1,239,334	1,239,334	1,758,589
40	84	0	0	0	600,000	0	260,000	11,129,444	1,253,383	1,253,383	1,809,855
41	85	0	0	0	600,000	0	260,000	11,922,358	1,279,494	1,279,494	1,875,612
42	86	0	0	0	600,000	0	260,000	12,766,541	1,318,534	1,318,534	1,956,861
43	87	0	0	0	600,000	0	260,000	13,664,120	1,370,712	1,370,712	2,053,918
44	88	0	0	0	600,000	0	260,000	14,616,444	1,435,366	1,435,366	2,166,188
45	89	0	0	0	600,000	0	260,000	15,624,878	1,511,746	1,511,746	2,292,990
46	90	0	0	0	600,000	0	260,000	16,690,134	1,598,346	1,598,346	2,432,852
47	91	0	0	0	600,000	0	260,000	17,834,067	1,714,689	1,714,689	2,428,052
48	92	0	0	0	600,000	0	260,000	19,068,552	1,870,206	1,870,206	2,442,262
49	93	0	0	0	600,000	0	260,000	20,409,278	2,078,014	2,078,014	2,486,200
50	94	0	0	0	600,000	0	260,000	21,876,090	2,355,263	2,355,263	2,574,024
51	95	0	0	0	600,000	0	260,000	23,492,820	2,722,951	2,722,951	2,722,951
52	96	0	0	0	600,000	0	260,000	25,230,604	3,149,242	3,149,242	3,149,242
53	97	0	0	0	600,000	0	260,000	27,098,734	3,640,304	3,640,304	3,640,304
54	98	0	0	0	600,000	0	260,000	29,107,229	4,202,878	4,202,878	4,202,878
55	99	0	0	0	600,000	0	260,000	31,266,889	4,844,320	4,844,320	4,844,320
		600,000	320,000			28,091	9,100,000				

Executive's 55 Year Summary

	Living Values†	Death Benefit
Indexed Universal Life:	4,844,320	4,844,320
Less Loan Due Employer:	0	0
Equals Executive's Net Value:	4,844,320	4,844,320
Plus Cum. After Tax Cash Flow:	9,100,000	9,100,000
Equals Executive's Net Value:	13,944,320	13,944,320

†Cash value less employer's loans plus cum. net policy loans.

*See Promissory Note Analysis for assumed Applicable Fed. Rate.

**See appropriate Net Payment Analysis for details.

***This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Employer: Town and Country Auto Group

Promissory Note Analysis

Male Age 45

Assumed Applicable Federal Rate** (See Col. 2)

Yr	Age	(1) Loan to Executive	(2) Assumed Applicable Federal Rate	(3) Annual Loan Interest Paid from Non-Policy Values	(4) Annual Loan Interest Paid from Policy Values	(5) Loan Repayments from Non-Policy Values	(6) Loan Repayments from Policy Values	(7) Cumulative Loan to Executive (Value of Promissory Note)	(8) Policy Accum Value* Net of Loan Due Employer	(9) Policy Cash Value* Net of Loan Due Employer	(10) Policy Death Benefit* Net of Loan Due Employer
1	45	80,000	1.12%	0	0	0	0	80,000	143,084	-24,990	5,924,792
2	46	80,000	1.25%	0	0	0	0	160,000	304,139	138,435	6,085,847
3	47	80,000	1.37%	0	0	0	0	240,000	484,612	321,394	6,266,320
4	48	80,000	1.50%	0	0	0	0	320,000	686,067	525,451	6,467,775
5	49	0	1.50%	0	0	0	0	320,000	741,667	583,711	6,523,375
6	50	0	1.50%	0	0	0	0	320,000	801,746	646,507	6,583,454
7	51	0	1.50%	0	0	0	0	320,000	866,664	714,200	6,648,372
8	52	0	1.50%	0	0	0	0	320,000	936,812	809,788	6,718,520
9	53	0	1.50%	0	0	0	0	320,000	1,012,611	910,968	6,794,319
10	54	0	1.50%	0	0	0	0	320,000	1,094,515	1,018,312	6,876,223
11	55	0	1.50%	0	0	0	0	320,000	1,183,017	1,132,196	6,964,725
12	56	0	1.50%	0	0	0	0	320,000	1,278,649	1,253,267	7,060,357
13	57	0	1.50%	0	0	0	0	320,000	1,381,984	1,381,984	7,163,692
14	58	0	1.50%	0	0	0	0	320,000	1,493,643	1,493,643	7,275,351
15	59	0	1.50%	0	0	0	0	320,000	1,613,408	1,613,408	7,395,116
16	60	0	1.50%	0	0	0	0	320,000	1,753,697	1,753,697	7,535,405
17	61	0	1.50%	0	0	0	0	320,000	1,903,541	1,903,541	7,685,249
18	62	0	1.50%	0	0	0	0	320,000	2,063,362	2,063,362	7,845,070
19	63	0	1.50%	0	0	0	0	320,000	2,233,370	2,233,370	8,015,078
20	64	0	1.50%	0	0	0	0	320,000	2,414,110	2,414,110	8,195,818
21	65	0	n/a	0	0	0	320,000	0	2,935,053	2,326,053	5,172,708
22	66	0	n/a	0	0	0	0	0	3,149,256	2,236,806	4,869,258
23	67	0	n/a	0	0	0	0	0	3,377,856	2,146,783	4,550,636
24	68	0	n/a	0	0	0	0	0	3,622,051	2,056,425	4,216,082
25	69	0	n/a	0	0	0	0	0	3,882,787	1,965,880	3,864,801
26	70	0	n/a	0	0	0	0	0	4,161,606	1,875,854	3,495,955
27	71	0	n/a	0	0	0	0	0	4,460,965	1,787,925	3,108,668
28	72	0	n/a	0	0	0	0	0	4,783,064	1,703,371	2,702,016
29	73	0	n/a	0	0	0	0	0	5,130,475	1,623,798	2,275,031
30	74	0	n/a	0	0	0	0	0	5,506,221	1,551,210	1,936,645
		320,000		0	0	0	320,000				

*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

**See Preface for notes regarding loan interest rates.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Town and Country Auto Group

Promissory Note Analysis

Male Age 45

Assumed Applicable Federal Rate** (See Col. 2)

Yr	Age	(1) Loan to Executive	(2) Assumed Applicable Federal Rate	(3) Annual Loan Interest Paid from Non-Policy Values	(4) Annual Loan Interest Paid from Policy Values	(5) Loan Repayments from Non-Policy Values	(6) Loan Repayments from Policy Values	(7) Cumulative Loan to Executive (Value of Promissory Note)	(8) Policy Accum Value* Net of Loan Due Employer	(9) Policy Cash Value* Net of Loan Due Employer	(10) Policy Death Benefit* Net of Loan Due Employer
31	75	0	n/a	0	0	0	0	0	5,913,862	1,488,100	1,783,793
32	76	0	n/a	0	0	0	0	0	6,350,470	1,430,420	1,747,943
33	77	0	n/a	0	0	0	0	0	6,817,590	1,378,538	1,719,418
34	78	0	n/a	0	0	0	0	0	7,317,305	1,333,301	1,699,166
35	79	0	n/a	0	0	0	0	0	7,851,834	1,295,629	1,688,221
36	80	0	n/a	0	0	0	0	0	8,423,476	1,266,461	1,687,635
37	81	0	n/a	0	0	0	0	0	9,034,535	1,246,669	1,698,396
38	82	0	n/a	0	0	0	0	0	9,687,537	1,237,278	1,721,655
39	83	0	n/a	0	0	0	0	0	10,385,106	1,239,334	1,758,589
40	84	0	n/a	0	0	0	0	0	11,129,444	1,253,383	1,809,855
41	85	0	n/a	0	0	0	0	0	11,922,358	1,279,494	1,875,612
42	86	0	n/a	0	0	0	0	0	12,766,541	1,318,534	1,956,861
43	87	0	n/a	0	0	0	0	0	13,664,120	1,370,712	2,053,918
44	88	0	n/a	0	0	0	0	0	14,616,444	1,435,366	2,166,188
45	89	0	n/a	0	0	0	0	0	15,624,878	1,511,746	2,292,990
46	90	0	n/a	0	0	0	0	0	16,690,134	1,598,346	2,432,852
47	91	0	n/a	0	0	0	0	0	17,834,067	1,714,689	2,428,052
48	92	0	n/a	0	0	0	0	0	19,068,552	1,870,206	2,442,262
49	93	0	n/a	0	0	0	0	0	20,409,278	2,078,014	2,486,200
50	94	0	n/a	0	0	0	0	0	21,876,090	2,355,263	2,574,024
51	95	0	n/a	0	0	0	0	0	23,492,820	2,722,951	2,722,951
52	96	0	n/a	0	0	0	0	0	25,230,604	3,149,242	3,149,242
53	97	0	n/a	0	0	0	0	0	27,098,734	3,640,304	3,640,304
54	98	0	n/a	0	0	0	0	0	29,107,229	4,202,878	4,202,878
55	99	0	n/a	0	0	0	0	0	31,266,889	4,844,320	4,844,320
		320,000		0	0	0	320,000				

*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

**See Preface for notes regarding loan interest rates.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Town and Country Auto Group

Executive's Personal Report

Male Age	Executive's Tax Bracket	Indexed UL Interest Rate
45	32.00%	6.50%

		Tony Jamison Costs	Tony Jamison Values			
Year	Age	(1) Executive's Net Payment*	(2) Net Policy Loan Proceeds Available for Retirement Income	(3) Executive's Share of Accum Value**	(4) Executive's Share of Cash Value**	(5) Executive's Share of Death Benefit
1	45	287	0	143,084	-24,990	5,924,792
2	46	640	0	304,139	138,435	6,085,847
3	47	1,052	0	484,612	321,394	6,266,320
4	48	1,536	0	686,067	525,451	6,467,775
5	49	1,536	0	741,667	583,711	6,523,375
6	50	1,536	0	801,746	646,507	6,583,454
7	51	1,536	0	866,664	714,200	6,648,372
8	52	1,536	0	936,812	809,788	6,718,520
9	53	1,536	0	1,012,611	910,968	6,794,319
10	54	1,536	0	1,094,515	1,018,312	6,876,223
11	55	1,536	0	1,183,017	1,132,196	6,964,725
12	56	1,536	0	1,278,649	1,253,267	7,060,357
13	57	1,536	0	1,381,984	1,381,984	7,163,692
14	58	1,536	0	1,493,643	1,493,643	7,275,351
15	59	1,536	0	1,613,408	1,613,408	7,395,116
16	60	1,536	0	1,753,697	1,753,697	7,535,405
17	61	1,536	0	1,903,541	1,903,541	7,685,249
18	62	1,536	0	2,063,362	2,063,362	7,845,070
19	63	1,536	0	2,233,370	2,233,370	8,015,078
20	64	1,536	0	2,414,110	2,414,110	8,195,818
21	65	0	260,000	2,935,053	2,326,053	5,172,708
22	66	0	260,000	3,149,256	2,236,806	4,869,258
23	67	0	260,000	3,377,856	2,146,783	4,550,636
24	68	0	260,000	3,622,051	2,056,425	4,216,082
25	69	0	260,000	3,882,787	1,965,880	3,864,801
26	70	0	260,000	4,161,606	1,875,854	3,495,955
27	71	0	260,000	4,460,965	1,787,925	3,108,668
28	72	0	260,000	4,783,064	1,703,371	2,702,016
29	73	0	260,000	5,130,475	1,623,798	2,275,031
30	74	0	260,000	5,506,221	1,551,210	1,936,645
		28,091	2,600,000			

*Assuming all parties follow the procedure outlined on the Executive's Net Payment Analysis page.

**This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Town and Country Auto Group

Executive's Personal Report

Male Age	Executive's Tax Bracket	Indexed UL Interest Rate
45	32.00%	6.50%

		Tony Jamison Costs	Tony Jamison Values			
Year	Age	(1) Executive's Net Payment*	(2) Net Policy Loan Proceeds Available for Retirement Income	(3) Executive's Share of Accum Value**	(4) Executive's Share of Cash Value**	(5) Executive's Share of Death Benefit
31	75	0	260,000	5,913,862	1,488,100	1,783,793
32	76	0	260,000	6,350,470	1,430,420	1,747,943
33	77	0	260,000	6,817,590	1,378,538	1,719,418
34	78	0	260,000	7,317,305	1,333,301	1,699,166
35	79	0	260,000	7,851,834	1,295,629	1,688,221
36	80	0	260,000	8,423,476	1,266,461	1,687,635
37	81	0	260,000	9,034,535	1,246,669	1,698,396
38	82	0	260,000	9,687,537	1,237,278	1,721,655
39	83	0	260,000	10,385,106	1,239,334	1,758,589
40	84	0	260,000	11,129,444	1,253,383	1,809,855
41	85	0	260,000	11,922,358	1,279,494	1,875,612
42	86	0	260,000	12,766,541	1,318,534	1,956,861
43	87	0	260,000	13,664,120	1,370,712	2,053,918
44	88	0	260,000	14,616,444	1,435,366	2,166,188
45	89	0	260,000	15,624,878	1,511,746	2,292,990
46	90	0	260,000	16,690,134	1,598,346	2,432,852
47	91	0	260,000	17,834,067	1,714,689	2,428,052
48	92	0	260,000	19,068,552	1,870,206	2,442,262
49	93	0	260,000	20,409,278	2,078,014	2,486,200
50	94	0	260,000	21,876,090	2,355,263	2,574,024
51	95	0	260,000	23,492,820	2,722,951	2,722,951
52	96	0	260,000	25,230,604	3,149,242	3,149,242
53	97	0	260,000	27,098,734	3,640,304	3,640,304
54	98	0	260,000	29,107,229	4,202,878	4,202,878
55	99	0	260,000	31,266,889	4,844,320	4,844,320
		28,091	9,100,000			

*Assuming all parties follow the procedure outlined on the Executive's Net Payment Analysis page.

**This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

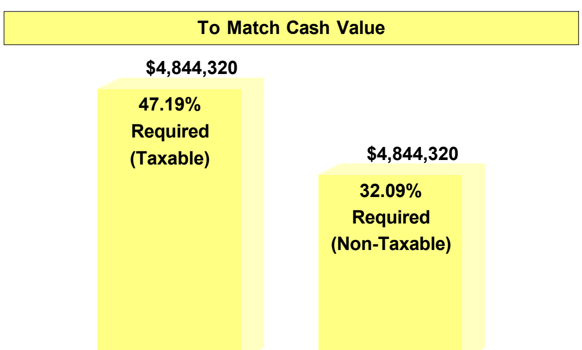
Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

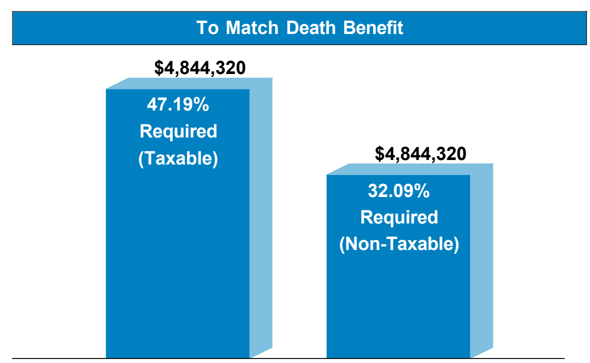
Matching Values at Age 99 (Year 55)

Male Age	Executive's Tax Bracket	Indexed UL Interest Rate
45	32.00%	6.50%

Gross Interest Rate Required on
a Hypothetical Taxable and Non-Taxable Investment
to Match Indexed Universal Life Policy Values Over 55 Years
(Executive's After Tax Cost of the Plan Used as the Hypothetical Investment)

		Hypothetical Taxable Alternative	Hypothetical Non-Taxable Alternative
To match Cash Value of:	$4,844,320	47.19%	32.09%
To match Death Benefit of:	$4,844,320	47.19%	32.09%





Income Tax Considerations

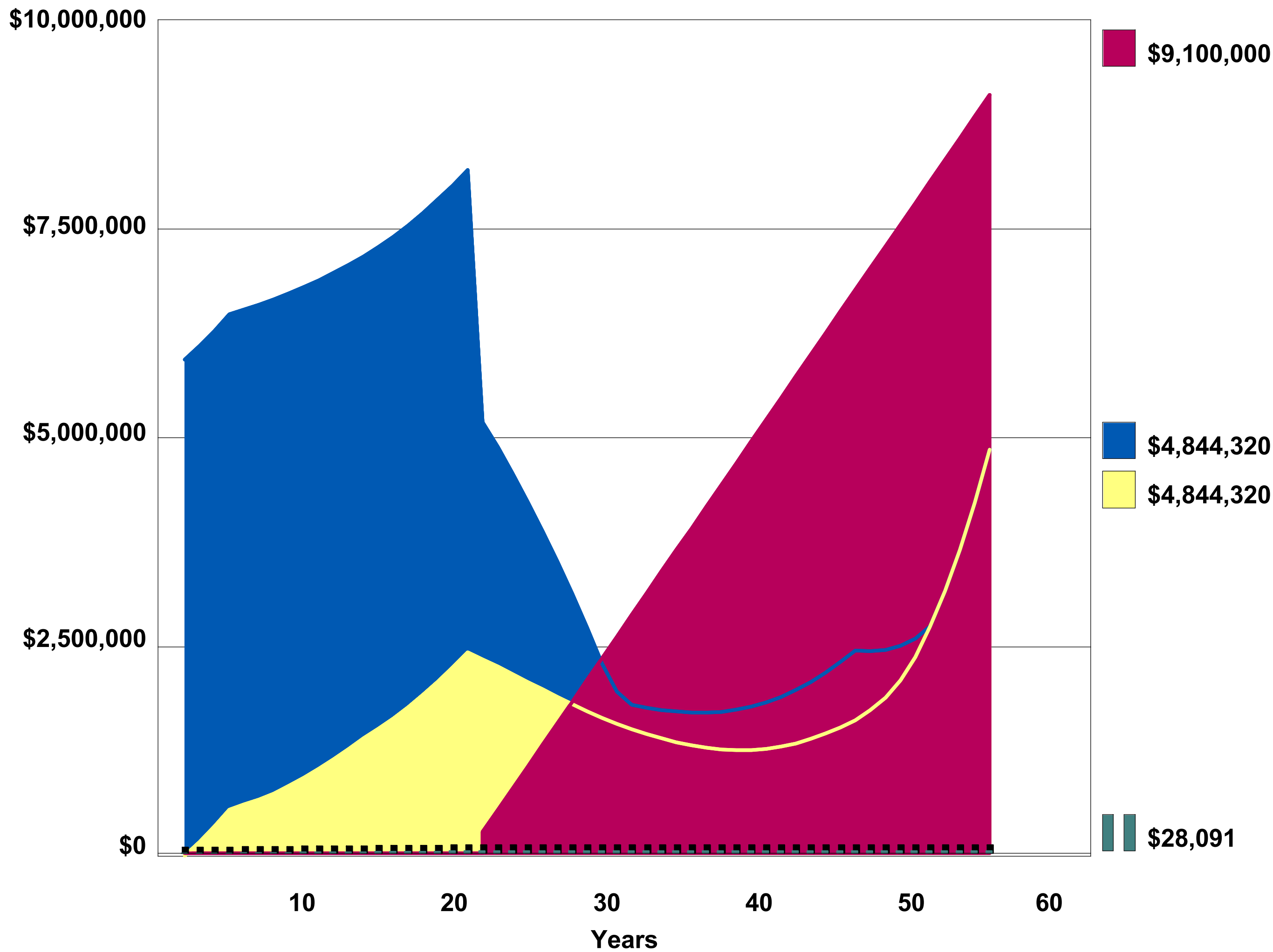
1. a. A hypothetical taxable investment: Interest is taxed as earned.
   b. A hypothetical non-taxable investment: Interest is tax exempt.

2. Indexed Universal Life:
   a. Death Benefit including available cash value component is income tax free.
   b. Loans are income tax free as long as the policy is kept in force.
   c. Withdrawals and other non-loan policy cash flow up to cost basis (not in violation of IRC Section 7702(A)) are income tax free as a return of premium.
   d. Cash values shown assume most favorable combination of b and/or c.

This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Employer: Town and Country Auto Group

Tony Jamison 55 Year Analysis

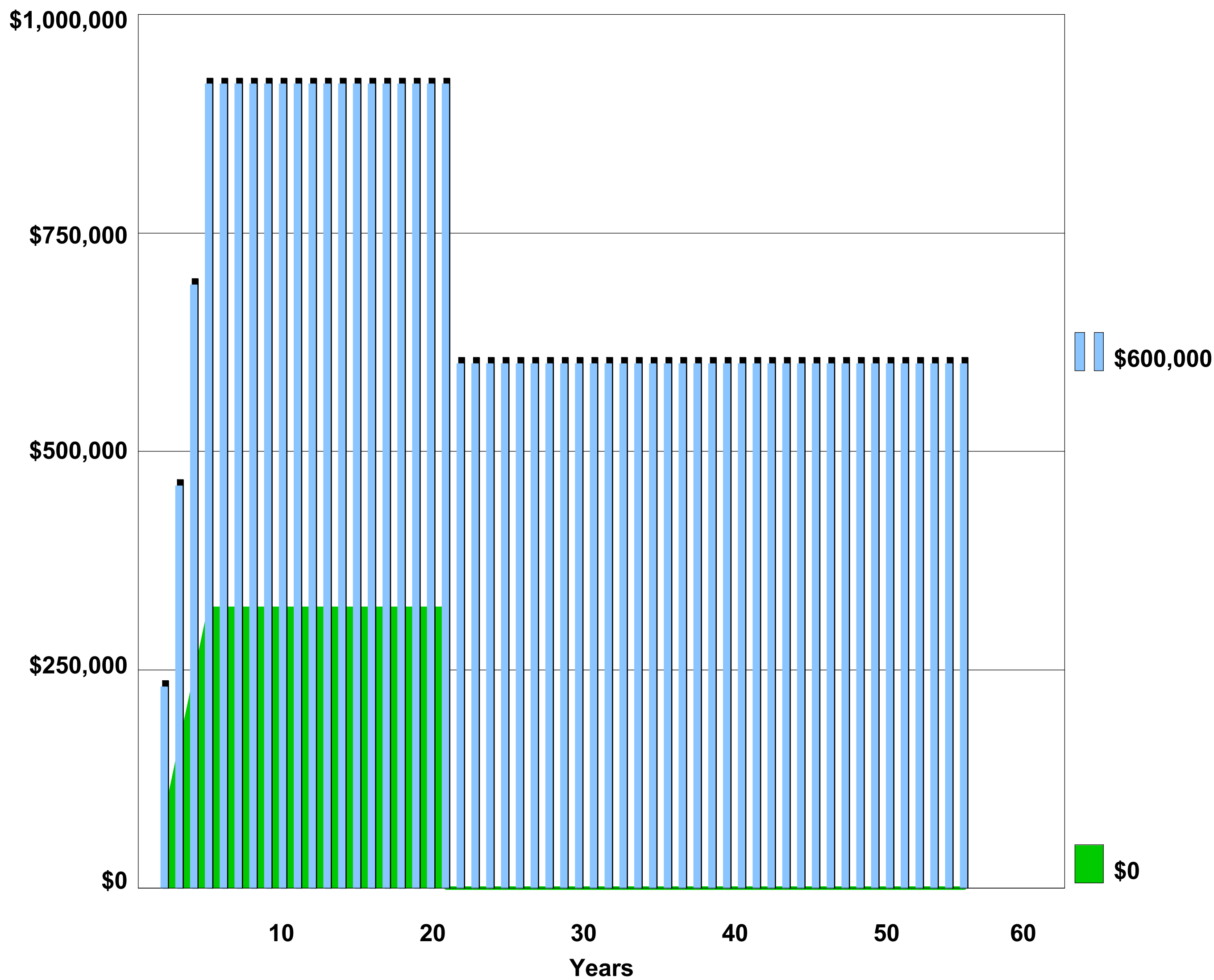


		At Year 55
Executive's Cumulative Net Payments		$28,091
Executive's Cumulative Net Loan Proceeds[1]		$9,100,000
Executive's Cash Value Less Cum. Loan Due Employer		$4,844,320
Executive's Death Benefit Less Cum. Loan Due Employer		$4,844,320

[1] For retirement income.

Employer: Town and Country Auto Group

Town and Country Auto Group 55 Year Analysis



		At Year 55
Employer's Cumulative Net Payments		$600,000
Loans Due Employer from Executive		$0

Employer: Town and Country Auto Group

Executive's Net Payment Analysis

Male Age	Executive's Tax Bracket	Assumed Applicable Federal Rate*
45	32.00%	

Year	Age	(1) Policy Premium Due by Executive	−	(2) Bonus from Employer for Premium Payment	+	(3) Income Tax on Bonus for Premium Payment	−	(4) Beginning of Year Loan from Employer	(5) Executive's Split Dollar Imputed Loan Interest	(6) Income Tax on Split Dollar Imputed Loan Interest	=	(7) Executive's Net Payment (1)-(2)+(3) -(4)+(6)
1	45	250,000		250,000		80,000		80,000	896	287		287
2	46	250,000		250,000		80,000		80,000	2,000	640		640
3	47	250,000		250,000		80,000		80,000	3,288	1,052		1,052
4	48	250,000		250,000		80,000		80,000	4,800	1,536		1,536
5	49	0		0		0		0	4,800	1,536		1,536
6	50	0		0		0		0	4,800	1,536		1,536
7	51	0		0		0		0	4,800	1,536		1,536
8	52	0		0		0		0	4,800	1,536		1,536
9	53	0		0		0		0	4,800	1,536		1,536
10	54	0		0		0		0	4,800	1,536		1,536
11	55	0		0		0		0	4,800	1,536		1,536
12	56	0		0		0		0	4,800	1,536		1,536
13	57	0		0		0		0	4,800	1,536		1,536
14	58	0		0		0		0	4,800	1,536		1,536
15	59	0		0		0		0	4,800	1,536		1,536
16	60	0		0		0		0	4,800	1,536		1,536
17	61	0		0		0		0	4,800	1,536		1,536
18	62	0		0		0		0	4,800	1,536		1,536
19	63	0		0		0		0	4,800	1,536		1,536
20	64	0		0		0		0	4,800	1,536		1,536
21	65	0		0		0		0	0	0		0
22	66	0		0		0		0	0	0		0
23	67	0		0		0		0	0	0		0
24	68	0		0		0		0	0	0		0
25	69	0		0		0		0	0	0		0
26	70	0		0		0		0	0	0		0
27	71	0		0		0		0	0	0		0
28	72	0		0		0		0	0	0		0
29	73	0		0		0		0	0	0		0
30	74	0		0		0		0	0	0		0
		1,000,000		1,000,000		320,000		320,000	87,784	28,091		28,091

*See Promissory Note Analysis for assumed Applicable Fed. Rate. See Preface for notes regarding loan interest rates.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Town and Country Auto Group

Executive's Net Payment Analysis

Male Age	Executive's Tax Bracket	Assumed Applicable Federal Rate*
45	32.00%	

Year	Age	(1) Policy Premium Due by Executive	–	(2) Bonus from Employer for Premium Payment	+	(3) Income Tax on Bonus for Premium Payment	–	(4) Beginning of Year Loan from Employer	(5) Executive's Split Dollar Imputed Loan Interest	(6) Income Tax on Split Dollar Imputed Loan Interest	=	(7) Executive's Net Payment (1)-(2)+(3) -(4)+(6)
31	75	0		0		0		0	0	0		0
32	76	0		0		0		0	0	0		0
33	77	0		0		0		0	0	0		0
34	78	0		0		0		0	0	0		0
35	79	0		0		0		0	0	0		0
36	80	0		0		0		0	0	0		0
37	81	0		0		0		0	0	0		0
38	82	0		0		0		0	0	0		0
39	83	0		0		0		0	0	0		0
40	84	0		0		0		0	0	0		0
41	85	0		0		0		0	0	0		0
42	86	0		0		0		0	0	0		0
43	87	0		0		0		0	0	0		0
44	88	0		0		0		0	0	0		0
45	89	0		0		0		0	0	0		0
46	90	0		0		0		0	0	0		0
47	91	0		0		0		0	0	0		0
48	92	0		0		0		0	0	0		0
49	93	0		0		0		0	0	0		0
50	94	0		0		0		0	0	0		0
51	95	0		0		0		0	0	0		0
52	96	0		0		0		0	0	0		0
53	97	0		0		0		0	0	0		0
54	98	0		0		0		0	0	0		0
55	99	0		0		0		0	0	0		0
		1,000,000		1,000,000		320,000		320,000	87,784	28,091		28,091

*See Promissory Note Analysis for assumed Applicable Fed. Rate. See Preface for notes regarding loan interest rates.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Town and Country Auto Group

Employer's Net Payment Analysis

Male Age	Employer's Tax Bracket	Assumed Applicable Federal Rate*
45	40.00%	

Yr	Age	(1) Bonus to Executive for Premium Payment	(2) After Tax Cost of Bonus for Premium Payment	(3) Loan to Executive for Income Tax on Bonus	(4) Loan Repayment from Executive	(5) Employer's Deemed Loan Interest Income	(6) Employer's Deemed Loan Interest Expense	(7) Employer's Net Payment (2)+(3)-(4)+(5)-(6)	(8) Employer's Annual Charge to Earnings (2)	(9) Employer's Cumulative Charge to Earnings
1	45	250,000	150,000	80,000	0	896	896	230,000	150,000	150,000
2	46	250,000	150,000	80,000	0	2,000	2,000	230,000	150,000	300,000
3	47	250,000	150,000	80,000	0	3,288	3,288	230,000	150,000	450,000
4	48	250,000	150,000	80,000	0	4,800	4,800	230,000	150,000	600,000
5	49	0	0	0	0	4,800	4,800	0	0	600,000
6	50	0	0	0	0	4,800	4,800	0	0	600,000
7	51	0	0	0	0	4,800	4,800	0	0	600,000
8	52	0	0	0	0	4,800	4,800	0	0	600,000
9	53	0	0	0	0	4,800	4,800	0	0	600,000
10	54	0	0	0	0	4,800	4,800	0	0	600,000
11	55	0	0	0	0	4,800	4,800	0	0	600,000
12	56	0	0	0	0	4,800	4,800	0	0	600,000
13	57	0	0	0	0	4,800	4,800	0	0	600,000
14	58	0	0	0	0	4,800	4,800	0	0	600,000
15	59	0	0	0	0	4,800	4,800	0	0	600,000
16	60	0	0	0	0	4,800	4,800	0	0	600,000
17	61	0	0	0	0	4,800	4,800	0	0	600,000
18	62	0	0	0	0	4,800	4,800	0	0	600,000
19	63	0	0	0	0	4,800	4,800	0	0	600,000
20	64	0	0	0	0	4,800	4,800	0	0	600,000
21	65	0	0	0	320,000	0	0	-320,000	0	600,000
22	66	0	0	0	0	0	0	0	0	600,000
23	67	0	0	0	0	0	0	0	0	600,000
24	68	0	0	0	0	0	0	0	0	600,000
25	69	0	0	0	0	0	0	0	0	600,000
26	70	0	0	0	0	0	0	0	0	600,000
27	71	0	0	0	0	0	0	0	0	600,000
28	72	0	0	0	0	0	0	0	0	600,000
29	73	0	0	0	0	0	0	0	0	600,000
30	74	0	0	0	0	0	0	0	0	600,000
		1,000,000	600,000	320,000	320,000	87,784	87,784	600,000	600,000	

*See Promissory Note Analysis for assumed Applicable Fed. Rate. See Preface for notes regarding loan interest rates.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Town and Country Auto Group

Employer's Net Payment Analysis

Male Age	Employer's Tax Bracket	Assumed Applicable Federal Rate*
45	40.00%	

Yr	Age	(1) Bonus to Executive for Premium Payment	(2) After Tax Cost of Bonus for Premium Payment	(3) Loan to Executive for Income Tax on Bonus	(4) Loan Repayment from Executive	(5) Employer's Deemed Loan Interest Income	(6) Employer's Deemed Loan Interest Expense	(7) Employer's Net Payment (2)+(3)-(4) +(5)-(6)	(8) Employer's Annual Charge to Earnings (2)	(9) Employer's Cumulative Charge to Earnings
31	75	0	0	0	0	0	0	0	0	600,000
32	76	0	0	0	0	0	0	0	0	600,000
33	77	0	0	0	0	0	0	0	0	600,000
34	78	0	0	0	0	0	0	0	0	600,000
35	79	0	0	0	0	0	0	0	0	600,000
36	80	0	0	0	0	0	0	0	0	600,000
37	81	0	0	0	0	0	0	0	0	600,000
38	82	0	0	0	0	0	0	0	0	600,000
39	83	0	0	0	0	0	0	0	0	600,000
40	84	0	0	0	0	0	0	0	0	600,000
41	85	0	0	0	0	0	0	0	0	600,000
42	86	0	0	0	0	0	0	0	0	600,000
43	87	0	0	0	0	0	0	0	0	600,000
44	88	0	0	0	0	0	0	0	0	600,000
45	89	0	0	0	0	0	0	0	0	600,000
46	90	0	0	0	0	0	0	0	0	600,000
47	91	0	0	0	0	0	0	0	0	600,000
48	92	0	0	0	0	0	0	0	0	600,000
49	93	0	0	0	0	0	0	0	0	600,000
50	94	0	0	0	0	0	0	0	0	600,000
51	95	0	0	0	0	0	0	0	0	600,000
52	96	0	0	0	0	0	0	0	0	600,000
53	97	0	0	0	0	0	0	0	0	600,000
54	98	0	0	0	0	0	0	0	0	600,000
55	99	0	0	0	0	0	0	0	0	600,000
		1,000,000	600,000	320,000	320,000	87,784	87,784	600,000	600,000	

*See Promissory Note Analysis for assumed Applicable Fed. Rate. See Preface for notes regarding loan interest rates.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.