



LifeComp® DollarFlex

Conceptual Overview



Overview

LifeComp® DollarFlex plans provide selected employees with valuable supplemental benefits in a manner which is financially attractive to both the participant and the sponsoring employer. LifeComp®'s DollarFlex structure enables the plan to solve multiple needs simultaneously. Typically, plans can be designed to provide a desired pension supplement for the participant, any level of insurance coverage (pre and post retirement) payable to the participant's family, and any level of key executive insurance protection required by the sponsoring employer. LifeComp®'s complete accounting and administration system helps ensure that the plan is properly maintained on the employer's books and that original (or revised) plan objectives are met through proper funding.

Structure

LifeComp® DollarFlex plans are designed to make optimum use of the inherent advantages (tax and otherwise) of an interest or market sensitive universal life insurance policy. Through a unique Joint Ownership Agreement, both sponsoring employer and participating employee share in the policy's benefits, values, and privileges in a carefully prescribed manner. Structure options allow employer control of the plan to be regulated in order to facilitate (within certain limits) either rapid or more modest accumulation of employee-owned values. Generally, employer control (ownership) is systematically relinquished during the employee's final working years so that he/she may retire with full ownership of the policy and its cash values.

The total death benefit available under a LifeComp® DollarFlex plan is shared between the employer and the employee in specified level amounts. Amounts can be set to meet corporate key executive coverage needs and/or provide a specific coverage amount for each employee.

Premiums on a LifeComp® DollarFlex plan are paid by the sponsoring employer. The employer's premium constitutes a "loan" upon which the employee must pay interest. This interest amount is generally bonused to the employee as additional salary. The employer's premium portion remains an asset on its balance sheet in the form of cash value.

The amount of each monthly bonus to the employee is dictated by LifeComp®'s accounting service and is dependent upon plan objectives and factors relating to the employee's attained age, death benefit amounts, and applicable loan interest rate.

Larger bonuses during the employee's final working years enable him/her to systematically "pay off" the employer's loan of premium in the plan. While the employee's only out-of-pocket outlay is payroll taxes attributable to the bonus activity, his/her cost basis in the plan at any given time is the sum of the bonuses reported for loan buy-down.



A substantial cost basis in the LifeComp® plan enables a retiring employee to begin a series of tax free monthly withdrawals from the policy's cash values to supplement his/her qualified retirement plan income. Once the employee has fully recovered basis via withdrawals, a policy loan feature contained in the life insurance contract would, under current tax law, enable him/her to continue a tax deferred supplement as long as sufficient policy values exist. Where policy loans are used, however, it is imperative to avoid a policy lapse. LifeComp® can provide additional services to the retired employee to help prevent such an occurrence.

Net Cost and Accounting Considerations

LifeComp® DollarFlex plans offer a significant difference between the sponsoring employer's required cash flow and its true net plan cost. While each policy premium is paid with corporate dollars, two factors serve to offset the plan's real "bottom line" cost. First, the bonus income for loan interest returns to the employer as income, thus creating a "wash" on the employer's books. Secondly, the employer's portion of each premium (the "loan") remains on the employer's corporate books as its equity interest in the jointly owned policy. LifeComp®'s DollarFlex Joint Ownership Agreement gives the sponsoring employer broad ownership rights in the policy's surrender values including the right to pledge, borrow, or assign them for business purposes. Ultimately, the employer may deduct all premiums as its loan is systematically bonused to the employee in the years preceding retirement.

Bottom Line

LifeComp® offers custom designed and "balance sheet friendly" solutions to combinations of business and personal needs. Complete accounting and plan administrative services ensure that the plan remains on track and properly reflected on the payroll and corporate books.

LifeComp® DollarFlex

Provides a Means for Business Owners to Attractively use their Business Account to Simultaneously:

- Establish a Personally-Owned Tax Deferred Accumulation Fund to Supplement Income at Retirement
- Fund Cost Effective Key Employee Death Benefit Protection for the Business
- Provide a Personal Income Tax Free Death Benefit for the Owner and/or Selected Employee's Family

With Variations in Plan Design, LifeComp® can also:

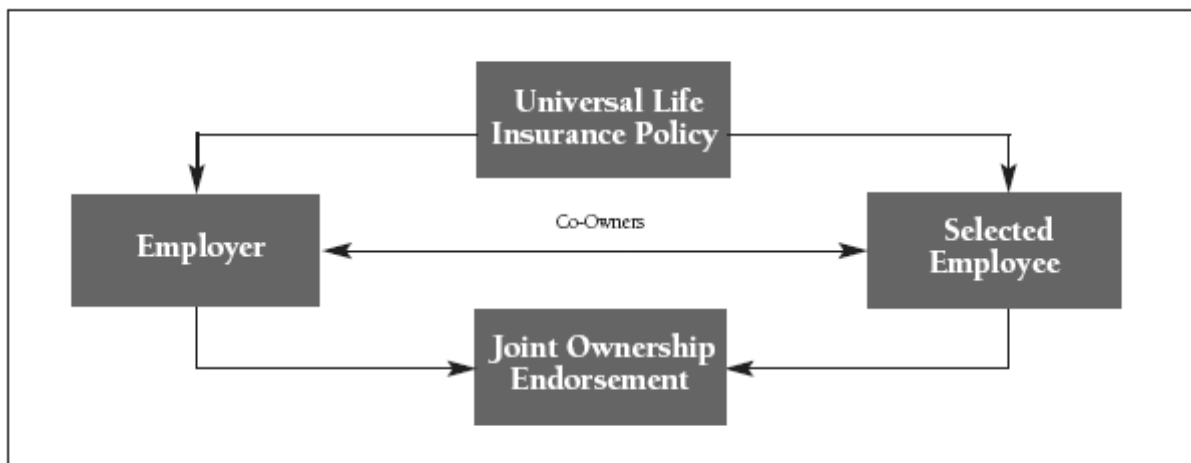
- Fund Business Buy-Sell Plans
- Solve Estate Liquidity Needs

LifeComp® DollarFlex Plans:

- Include only Business Owners and/or Selected Employees
- Can be Installed in addition to Existing Tax Qualified or "Non-Qualified" Plans
- Require no IRS or DOL Approval or Reporting
- Create no Bookable Liability
- Require No Post-Retirement Business Obligation
- Are Balance Sheet Friendly



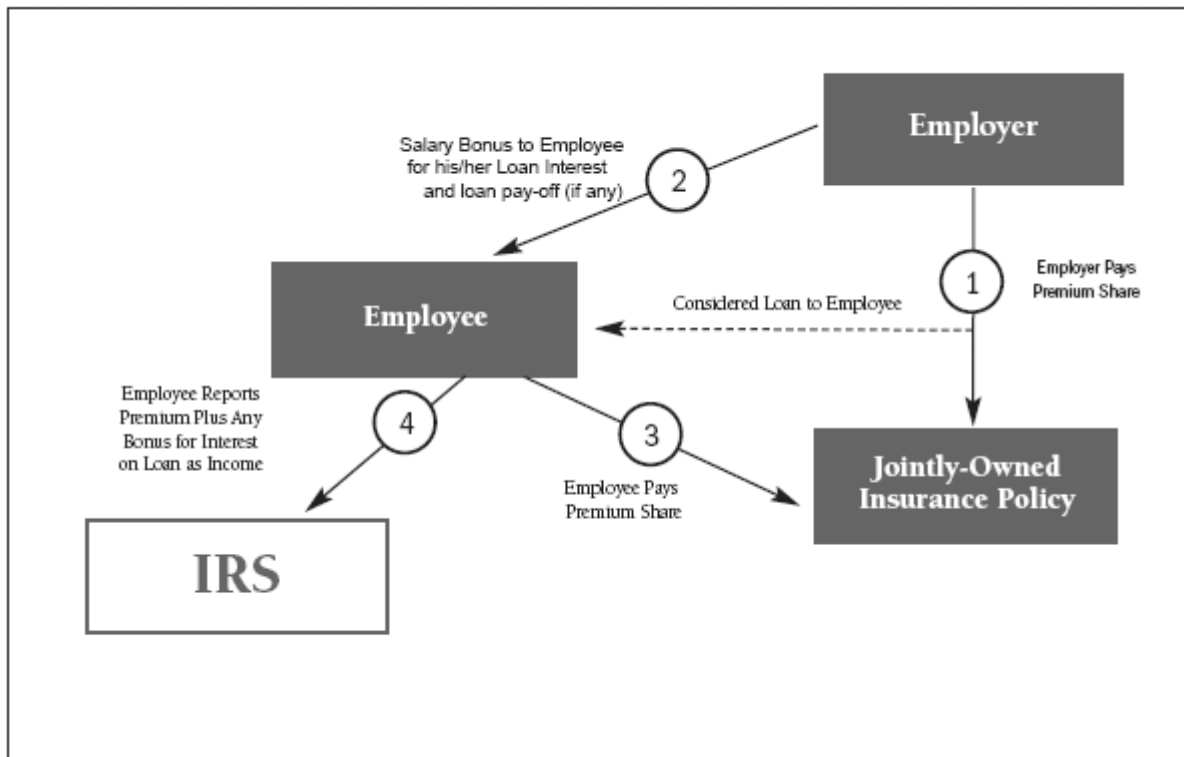
LifeComp® DollarFlex Employer Summary



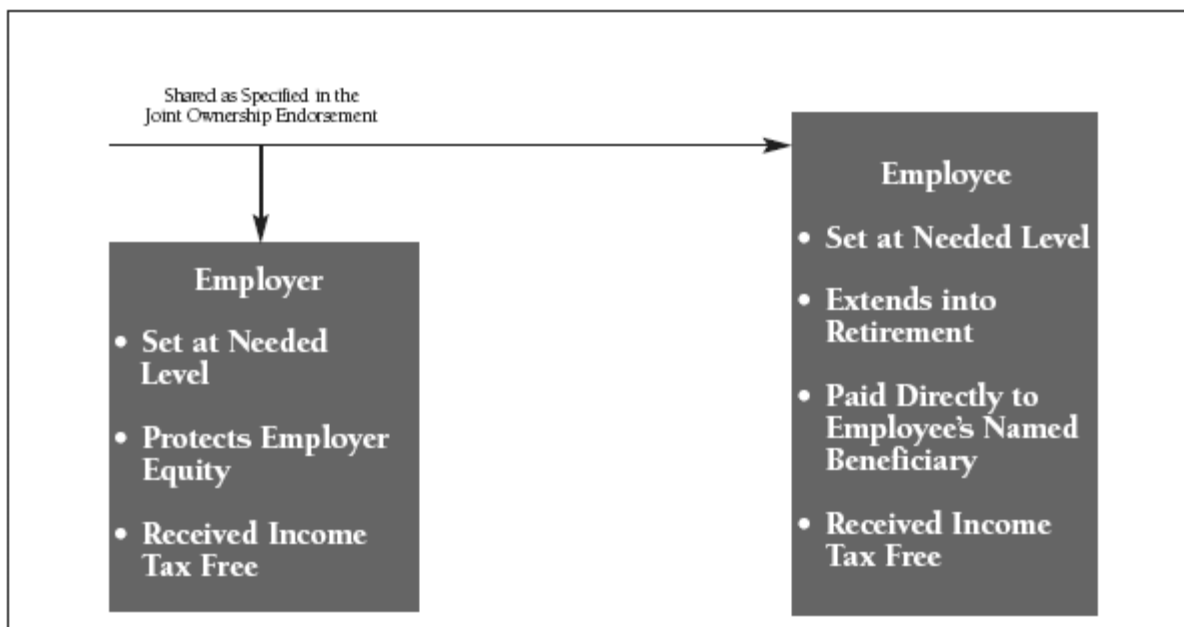
LifeComp®'s DollarFlex Exclusive Joint Ownership Endorsement

- Becomes a part of the Life Insurance Policy
- Negates the need for Custom Drafted Legal Documentation
- Defines each Co-Owner's share of the Death Benefit
- Grants Specific Ownership Privileges to each Co-Owner
- Defines how the Plan may be Restructured in event of the Employee's Termination of Employment

LifeComp® DollarFlex Premium Structure



LifeComp® DollarFlex Policy Death Benefit (Net of Policy Loans and Withdrawals)





LifeComp® Full Plan Administration

For A Deductible Annual Fee, LifeComp® Provides A Full Plan Accounting And Administrative Package. Services Include:

Monthly Accounting Memorandums which furnish the accountant with exact LifeComp® accounting entries for salary bonuses and Employer equity.

Fiscal Year-End Reports based on the Employer's fiscal year enabling the accountant to balance salary allocations and Employer equity in the plan to-the-penny.

Annual Re-Evaluations which track the original plan's progress in light of actual premiums paid, insurance costs incurred, and interest credited.

Annual Re-Proposals may offer recommended modifications to the plan based on changes in contribution amounts, insurance costs, interest credited, and/or plan objectives.

Post-Retirement Services are available for retiring employees. Monitors policy values throughout income period in order to help prevent adverse tax implications due to a policy lapse.

LifeComp® vs. Split Dollar

| Legal Structure, Asset Quality, and Plan Administration | | |
|---|--------|---|
| DollarFlex LifeComp® | V S | Conventional Split Dollar* |
| Joint Ownership Created by Lincoln Financial Company Form | | Requires Custom Drafted Legal Documentation And Assignment. |
| Lincoln Financial Participation In Plan. Joint Ownership Agreement Included in Policy File. | | Insurance Company Not A Party To Split Dollar Agreement. |
| Business OWNS Its Cash Surrender Value. "Hard" Asset which may Be Pledged, Borrowed, or Assigned. | | Business Asset "Contingent" And Similar In Quality To An "Account Reveivable". (Collateral Right Only). |
| Full Monthly Accounting And Administrative Services. | | No Formal Service. |

* Traditional Collateral Assignment Split Dollar



LifeComp® DollarFlex vs. Salary Continuation

Nonqualified Executive Benefit Plan Comparison

“Company” is the employer sponsoring the plan and “Employee” is the participant in the plan.

The LifeComp® DollarFlex plan is a loan regime split dollar arrangement using a unique joint ownership arrangement and offering plan administration.

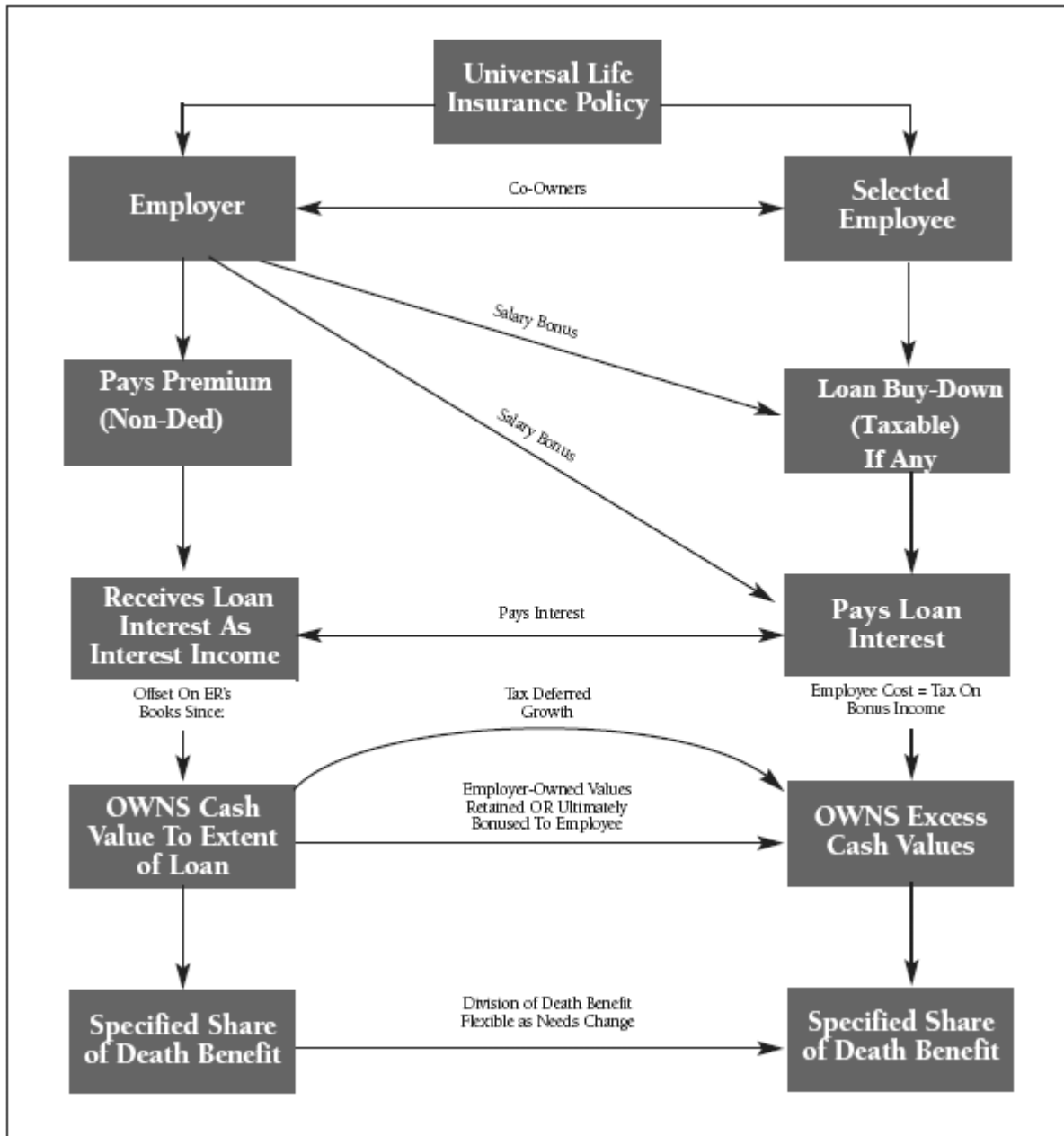
The salary continuation and deferred compensation plans are informally funded with life insurance policies and subject to Section 409A.

| Feature | LifeComp® DollarFlex | Salary Continuation | Deferred Compensation |
|--|---|---|---|
| Ownership | DollarFlex - Employee owns all policy cash values in excess of Employer's net premium eventually may own the entire policy. | Employee has an unsecured promise from the Company. Company owns life insurance policy at all times. | Employee has an unsecured promise from the Company. Company owns life insurance policy at all times. |
| Tax deductibility By Company | DollarFlex - Company may deduct salary bonuses for the loan interest and loan buy-down. | Company may not deduct any portion of premium. Company may deduct the benefit payments when paid to the Employee. | Company may not deduct any amounts deferred by employee or any portion of premium. Company may deduct the benefit payments when paid to the Employee. |
| Benefit accessibility | Both DollarFlex - After end of joint ownership arrangement, Employee makes distributions whenever needed through withdrawals and/or loans from cash values. | Benefits may be distributed only at a time specified in the plan, or upon separation from service, death, disability, unforeseeable severe financial emergency or a change of control of the Company. | Benefits may be distributed only at a time specified in the plan, such as separation from service, death, disability, unforeseeable severe financial emergency or a change of control of the Company. |
| Taxation of lifetime benefits | Both DollarFlex - Employee is taxed on all salary bonuses from the Employer. After the end of the joint ownership arrangement, Employee's withdrawals are tax-free to basis and loans may be taken without current income taxation. | Benefit payments are taxable to the Employee when received. | Benefit payments are taxable to the Employee when received. |
| Taxation of survivor benefits | Both DollarFlex - Pre- and post-retirement policy death benefits received by the Employee's named beneficiary income tax free. | Pre- and post-retirement survivor benefit payments are taxable to the recipient when received. | Pre- and post-retirement survivor benefit payments are taxable to the recipient when received. |
| Company accounting treatment | Both DollarFlex - Company carries no liability on its books under the plan. | Present value of promised benefits are accrued as a liability on the Company's books. Current policy cash surrender value is carried as an asset. | Present value of promised benefits are accrued as a liability on the Company's books. Current policy cash surrender value is carried as an asset. |
| Company obligation | Both DollarFlex - Company involvement terminates when its ownership interest in the policy is ended | Company's obligation (and liability) continues until last benefit is paid. | Company's obligation (and liability) continues until last benefit is paid. |
| Effect of Company bankruptcy | Both DollarFlex - In event of Company bankruptcy, only the Company's cash values are subject to bankruptcy proceedings. | In event of Company bankruptcy, Employee is treated as an unsecured general creditor. | In event of Company bankruptcy, Employee is treated as an unsecured general creditor. |
| COLI Best Practices (Pension Protection Act of 2006) | Not Applicable as defined | Applies | Applies |
| Plan documentation | Uniform plan documentation provided at no cost | Company must obtain plan document. Periodic updates for plan modifications and future guidance should be expected. | Company must obtain plan document. Periodic updates for plan modifications and future guidance should be expected. |
| Plan Administration | DollarFlex - available through LifeComp® | Company must provide or contract for accounting and plan administration services. | Company must provide or contract for accounting and plan administration services. |



LifeComp® DollarFlex Summary

- Co-Ownership Established With Special Lincoln Financial Policy Agreement. No Custom-Drafted Legal Documents Required.
- Full Monthly Accounting And Plan Administration Services Provided By LifeComp® For A Deductible Fee.



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Lincoln Financial Group has filed a patent on the Lincoln LifeComp® system and its various programs, which include LifeComp® ExecBonus, LifeComp® DollarFlex, LifeComp® DuoFlex, LifeComp® FlexKey, LifeComp® Private Estate Solutions, and LifeComp® Private Value Access.

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| Not guaranteed by any bank or savings association | | May go down in value |

