

Key Executive Life Insurance

For: Tony Callahan



Presented By: _____

[Licensed user's name appears here]

Key Executive Life Insurance

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

For the Beneficiaries of: Tony Callahan

Employer's Analysis of Survivor Income Benefit

Employer: Magnus Electronics, Inc.

Tax Bracket 34.00% Employer's Assumed Use of Money 8.00% Employer's Cost to Provide the Benefit* 1,058,644 Total Survivor Benefit Scheduled 2,000,000

Year Following Executive's Death	Employer's Benefits and Costs		Employer's Survivor Income Account Activity		
	(1) Annual Benefit Payment to Executive's Survivors	(2) Annual After Tax Cost of Payment to Survivors	(3) Beginning of Year Balance in Survivor Benefit Account	(4) Balance in Account to Accrue (3) - (2)	(5) Year End After Tax Accrual of Account
1	200,000	132,000	1,058,644	926,644	975,570
2	200,000	132,000	975,570	843,570	888,111
3	200,000	132,000	888,111	756,111	796,034
4	200,000	132,000	796,034	664,034	699,094
5	200,000	132,000	699,094	567,094	597,037
6	200,000	132,000	597,037	465,037	489,591
7	200,000	132,000	489,591	357,591	376,472
8	200,000	132,000	376,472	244,472	257,380
9	200,000	132,000	257,380	125,380	132,000
10	200,000	132,000	132,000	0	0
	<u>2,000,000</u>	<u>1,320,000</u>			

This table shows the escrow calculations (columns 3, 4 and 5) necessary to produce the survivor benefit shown in column (1). Rounding may cause minor math inconsistencies. Calculation formulae are:

- Column (2) = column (1) times (1-(tax bracket/100))
- Column (4) = column (3) minus column (2)
- Column (5) = column (4) plus the after tax interest credit

*See Column (3), year 1. (Funding source is the proceeds from the Key Executive portion of the coverage.)

Key Executive Life Insurance

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

Insured: Tony Callahan

Employer: Magnus Electronics, Inc.

Employer's Analysis of Annual Net Revenue (gross revenue less cost of goods sold)

Year	Current Executive				Replacement Executive		(7) Loss of Annual Net Revenue from Loss of Current Executive (4) - (6)
	(1) Annual Net Revenue With Current Executive	(2) Column (1) Growth Factor 7.50%	(3) Percent of Revenue Attributable to Current Executive	(4) Annual Net Revenue Attributable to Current Executive (2) x (3)	(5) Annual Percent of Column (4) Expected With Replacement Executive	(6) Annual Net Revenue Attributable to Replacement Executive (4) x (5)	
1	3,500,000	3,762,500	60.00%	2,257,500	50.00%	1,128,750	1,128,750
2	3,500,000	4,044,688	60.00%	2,426,813	60.00%	1,456,088	970,725
3	3,500,000	4,348,039	60.00%	2,608,823	70.00%	1,826,176	782,647
4	3,500,000	4,674,142	60.00%	2,804,485	80.00%	2,243,588	560,897
5	3,500,000	5,024,703	60.00%	3,014,822	90.00%	2,713,340	301,482
6	3,500,000	5,401,555	60.00%	3,240,933	100.00%	3,240,933	0
7	3,500,000	5,806,672	60.00%	3,484,003	100.00%	3,484,003	0
8	3,500,000	6,242,172	60.00%	3,745,303	100.00%	3,745,303	0
9	3,500,000	6,710,335	60.00%	4,026,201	100.00%	4,026,201	0
10	3,500,000	7,213,610	60.00%	4,328,166	100.00%	4,328,166	0
							<u>3,744,501</u>

Key Executive Life Insurance

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Insured: Tony Callahan

Employer's Analysis of Executive Compensation (including expected bonuses and the cost of all Employer-paid benefits)

Employer: Magnus Electronics, Inc.

Year	Current Executive		Replacement Executive		(5) Diference in Compensation (2) - (4)
	(1) Current Executive's Compensation	(2) Column (1) Growth Factor 10.00%	(3) Replacement Executive's Compensation	(4) Column (3) Growth Factor 6.00% for 6 yrs, 10.00% Thereafter	
1	300,000	330,000	300,000	318,000	12,000
2	300,000	363,000	300,000	337,080	25,920
3	300,000	399,300	300,000	357,305	41,995
4	300,000	439,230	300,000	378,743	60,487
5	300,000	483,153	300,000	401,468	81,685
6	300,000	531,468	300,000	425,556	105,913
7	300,000	584,615	300,000	468,111	116,504
8	300,000	643,077	300,000	514,922	128,154
9	300,000	707,384	300,000	566,415	140,970
10	300,000	778,123	300,000	623,056	155,067
					868,695

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Insured: Tony Callahan

Employer's Analysis of Key Executive Life Insurance Coverage

Employer: Magnus Electronics, Inc.

Year	Column (1) Growth Factor 7.50%	Column (2) Growth Factor 7.50%	Column (3) Difference in Annual Net Revenue (1) - (2)	Column (4) Growth Factor 10.00%	Column (5) Growth Factor 6.00% for 6 yrs, 10.00% Thereafter	Column (6) Difference in Compensation (4) - (5)	Column (7) Loss Due to Death of Current Executive (3) - (6)
	(1) Annual Net Revenue With Current Executive†	(2) Annual Net Revenue With Replacement Executive†		(4) Current Executive's Compensation††	(5) Replacement Executive's Compensation††		
1	2,257,500	1,128,750	1,128,750	330,000	318,000	12,000	1,116,750
2	2,426,813	1,456,088	970,725	363,000	337,080	25,920	944,805
3	2,608,823	1,826,176	782,647	399,300	357,305	41,995	740,652
4	2,804,485	2,243,588	560,897	439,230	378,743	60,487	500,410
5	3,014,822	2,713,340	301,482	483,153	401,468	81,685	219,797
6	3,240,933	3,240,933	0	531,468	425,556	105,913	-105,913
7	3,484,003	3,484,003	0	584,615	468,111	116,504	-116,504
8	3,745,303	3,745,303	0	643,077	514,922	128,154	-128,154
9	4,026,201	4,026,201	0	707,384	566,415	140,970	-140,970
10	4,328,166	4,328,166	0	778,123	623,056	155,067	-155,067
			3,744,501			868,695	2,875,806

Analysis of Key Executive Coverage Required

Present Value* of Column (7) Loss	2,603,100
Cost of Signing Bonus	50,000
Cost of Relocation Package	50,000
Cost for Executive Search Firm	75,000
Portion of Policy Death Benefit Allocated for Key Executive Coverage	2,778,100
Portion of Policy Death Benefit Allocated for Survivor Income Benefit**	1,058,644
Total Key Executive Coverage Required	3,836,744

*Present value interest rate assumption: 8.00%

**See attached Employer's Analysis of Survivor Income Benefit

† See the report named Employer's Analysis of Annual Net Revenue.

†† See the report named Employer's Analysis of Executive Compensation.