

# EMPLOYEE RETENTION PLAN

Prepared for:



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# Employee Retention Plan

An Employee Retention Plan is a type of benefit plan that provides key individuals with in-service distributions upon vesting. Upon retirement, or stated length of service, a final benefit payment is distributed.

An Employee Retention Plan is an extremely valuable tool to retain the services of key individuals who are instrumental in creating value for the Bank. In addition, an Employee Retention Plan is an important recruiting and incentive tool as the Bank wishes to acquire new individual talent.

- What is an Employee Retention Plan?
  - An Employee Retention Plan is established by an employer to provide select employees with with some or all of the following benefits:
    - Additional in-service income upon vesting
    - Survivor benefits
- What are the Bank's objectives in establishing a Employee Retention Plan?
  - Employee Retention Plans can be used to:
    - Recruit quality individuals
    - Retain the services of key employees over mid or long term period

# Advantages & Disadvantages to the Bank

- Advantages of an Employee Retention Plan:
  - Offers tax effective alternatives to higher current compensation
  - Requires less compliance with government regulations than qualified plans
  - Provides an employer control in selecting the participants in a plan
  - Serves as an excellent retention tool for key individuals including participants who are not considered HCEs (if the plan is structured to provide in-service benefits)
  - Offers flexibility in adding, modifying, or deleting Bank's contributions
  - Allows the Bank to make discretionary contributions based on profitability and performance of each individual
  
- Disadvantages of an Employer Retention Plan:
  - Postpones income tax deduction until benefits are paid
  - Presents the possibility of large benefit liability with no offsetting asset if the plan is not informally funded

# Employee Retention Plan Overview

There is considerable flexibility in designing an Employee Retention Plan. Plan considerations include the following:

- Individuals to be included in the Employee Retention Plan
- Period of years before in-service distributions are paid
- Vesting period for annual bonuses
- Change of Control triggers
- Early retirement and disability features
- Survivor benefits
- Informal plan funding
- Noncompete provisions

Each of the above considerations will be documented in the individual plan agreements between the Bank and the participants.

## **Planning Solution: Implementation of Nonqualified Plans**

Many institutions have adopted Nonqualified Plans as a supplement to their Qualified Plans to mitigate the impact of these limitations on HCEs. Nonqualified Plans enhance a bank's ability to recruit, retain, reward and retire its top employees. Plans can be designed to provide a fixed benefit at retirement, allow a bank to maximize discretionary contributions based on profitability, and to can be extended to other high performers within an organization.

A variation of these Plans, such as an Employee Retention Plan can offer several key advantages:

- Provides a competitive edge in recruiting and retaining key employees
- Enhances the regular compensation package to help promote the dedication of the most important people
- Offers banks flexibility in deciding contribution levels, vesting of benefits, and which key employees to reward

## **Planning Challenge: Limitations of Qualified Plans**

Most institutions offer a Qualified Retirement Plan such as a 401(k) to help employees save for retirement. While these plans are useful for many employees, limitations on Qualified Plans make them less effective for Highly Compensated Employees (HCEs).

Some of the 2024 Specific Restrictions on Highly Compensated Employees are:

- \$69,000 Per Year Defined Contribution Plan Limit
- \$275,000 Per Year Pension Benefit Limit
- \$345,000 Considered Compensation Limit
- 10% Federal Penalty on Distributions before age 59 1/2 (Including 401(k) Plans) plus loss of capital gains deductions for stock option plans
- \$23,000 401(k) Annual Ceiling on Contributions
- \$7,500 401(k) Catch-Up Contribution Limit after Age 50
- Lost IRA Deductions

# Employee Retention Plan Example (Age 40)



Participant Name	Age	Retirement Age	Total Benefit Payments
Employee (Age 40)	40	65	\$814,516
		Total Benefit Payments After Tax	\$529,000

Assumptions:

- Retirement Age: 65
- Annual Contributions Vest After 5 Years
- Marginal Tax Rate - Employee: 35%
- Interest Rate: 5% (Actual rate can vary from year-to-year)

In this example, Annual Contributions are \$26,000 per year until the Participant retires. The actual amount of Annual Contributions will be determined by the Bank and can vary from year-to-year.

# Employee Retention Plan Example (Age 40)



Plan Year	Age	Notional Account Contribution	Interest Earned at 5%	Annual Account Contribution/ Plan Expense	Total Vested/ Non-Vested Account Balance	Annual Benefit Payment	Non-Vested Account Balance
(1)		(3)	(4)	(3) + (4) (5)	(6)	(7)	(6) - (7) (8)
2024	40	\$26,000	\$1,300	\$27,300	\$27,300	\$0	\$27,300
2025	41	\$26,000	\$2,665	\$28,665	\$55,965	\$0	\$55,965
2026	42	\$26,000	\$4,098	\$30,098	\$86,063	\$0	\$86,063
2027	43	\$26,000	\$5,603	\$31,603	\$117,666	\$0	\$117,666
2028	44	\$26,000	\$7,183	\$33,183	\$150,850	\$0	\$150,850
2029	45	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2030	46	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2031	47	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2032	48	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2033	49	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2034	50	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2035	51	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2036	52	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2037	53	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2038	54	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2039	55	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2040	56	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2041	57	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2042	58	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2043	59	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850

# Employee Retention Plan Example (Age 40) (Cont.)



Plan Year	Age	Notional Account Contribution	Interest Earned at 5%	Annual Account Contribution/ Plan Expense	Total Vested/ Non-Vested Account Balance	Annual Benefit Payment	Non-Vested Account Balance
(1)		(3)	(4)	(3) + (4) (5)	(6)	(7)	(6) - (7) (8)
2044	60	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2045	61	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2046	62	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2047	63	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2048	64	\$26,000	\$7,183	\$33,183	\$184,033	\$33,183	\$150,850
2049	65	\$0	\$0	\$0	\$150,850	\$150,850	\$0
		<u>\$650,000</u>	<u>\$164,516</u>	<u>\$814,516</u>		<u>\$814,516</u>	



# Employee Retention Plan Example (Age 40) - Financial Summary



		ABC Community Bank										Participant			
		Cash Flow				Balance Sheet		Profit & Loss				Employee (Age 40)			
		(1)	(2)	(3)	(1)+(2)+(3) (4)	(5)	(6)	(7)	(8)	(9)	(7)+(8)+(9) (10)	(11)	(12)	(13)	(14)
Plan Year	Age	Premium Outlay	After-Tax Bonus Payments	Policy Benefits Received <sup>1</sup>	Annual Cash Flow	Plan Assets*	Plan Liabilities	BOLI Income*	Plan Expense	Tax Benefit <sup>2</sup>	Net Income/(Net Cost)*	Non-Vested Benefit	Vested Benefit	Total Benefit	Bonus Payments
2024	40	(333,333)	0	0	(333,333)	348,387	27,300	15,054	(6,500)	1,950	10,504	27,300	0	27,300	0
2025	41	0	0	0	0	363,687	55,965	15,300	(13,065)	3,920	6,155	55,965	0	55,965	0
2026	42	0	0	0	0	379,253	86,063	15,567	(19,698)	5,909	1,778	86,063	0	86,063	0
2027	43	0	0	0	0	395,095	117,666	15,841	(26,403)	7,921	(2,641)	117,666	0	117,666	0
2028	44	0	0	0	0	411,219	150,850	16,124	(33,183)	9,955	(7,104)	150,850	0	150,850	0
2029	45	0	(23,228)	0	(23,228)	427,629	184,033	16,410	(33,183)	9,955	(6,818)	150,850	33,183	184,033	33,183
2030	46	0	(23,228)	0	(23,228)	444,339	184,033	16,710	(33,183)	9,955	(6,518)	150,850	33,183	184,033	33,183
2031	47	0	(23,228)	0	(23,228)	461,359	184,033	17,019	(33,183)	9,955	(6,209)	150,850	33,183	184,033	33,183
2032	48	0	(23,228)	0	(23,228)	479,117	184,033	17,758	(33,183)	9,955	(5,471)	150,850	33,183	184,033	33,183
2033	49	0	(23,228)	0	(23,228)	497,647	184,033	18,530	(33,183)	9,955	(4,698)	150,850	33,183	184,033	33,183
2034	50	0	(23,228)	0	(23,228)	517,039	184,033	19,392	(33,183)	9,955	(3,836)	150,850	33,183	184,033	33,183
2035	51	0	(23,228)	0	(23,228)	537,261	184,033	20,222	(33,183)	9,955	(3,006)	150,850	33,183	184,033	33,183
2036	52	0	(23,228)	0	(23,228)	558,352	184,033	21,091	(33,183)	9,955	(2,138)	150,850	33,183	184,033	33,183
2037	53	0	(23,228)	0	(23,228)	580,347	184,033	21,995	(33,183)	9,955	(1,233)	150,850	33,183	184,033	33,183
2038	54	0	(23,228)	0	(23,228)	603,276	184,033	22,929	(33,183)	9,955	(300)	150,850	33,183	184,033	33,183
2039	55	0	(23,228)	0	(23,228)	627,172	184,033	23,896	(33,183)	9,955	668	150,850	33,183	184,033	33,183
2040	56	0	(23,228)	0	(23,228)	652,078	184,033	24,906	(33,183)	9,955	1,678	150,850	33,183	184,033	33,183
2041	57	0	(23,228)	0	(23,228)	678,032	184,033	25,954	(33,183)	9,955	2,726	150,850	33,183	184,033	33,183
2042	58	0	(23,228)	0	(23,228)	705,080	184,033	27,048	(33,183)	9,955	3,820	150,850	33,183	184,033	33,183
2043	59	0	(23,228)	0	(23,228)	733,270	184,033	28,190	(33,183)	9,955	4,961	150,850	33,183	184,033	33,183
2044	60	0	(23,228)	0	(23,228)	762,634	184,033	29,364	(33,183)	9,955	6,136	150,850	33,183	184,033	33,183
2045	61	0	(23,228)	0	(23,228)	793,213	184,033	30,578	(33,183)	9,955	7,350	150,850	33,183	184,033	33,183
2046	62	0	(23,228)	0	(23,228)	825,048	184,033	31,835	(33,183)	9,955	8,606	150,850	33,183	184,033	33,183
2047	63	0	(23,228)	0	(23,228)	858,181	184,033	33,134	(33,183)	9,955	9,905	150,850	33,183	184,033	33,183
2048	64	0	(23,228)	0	(23,228)	892,659	184,033	34,478	(33,183)	9,955	11,249	150,850	33,183	184,033	33,183

- (1) Assume Death occurs at Age 80
- (2) Marginal Tax Rate at 30%
- (3) Discount Rate at 2%

\*Includes non-guaranteed life insurance values taken from the accompanying life insurance illustrations. Non-guaranteed values include dividends, which are not guaranteed. Illustrated policy values are not estimates or guarantees of future results; they reflect current claim, expense and investment experience. Actual results may be more or less favorable. See the Basic Illustration for guaranteed elements and other important information.



# Employee Retention Plan Example (Age 40) - Financial Summary (Cont.)



		ABC Community Bank										Participant			
		Cash Flow				Balance Sheet		Profit & Loss				Employee (Age 40)			
		(1)	(2)	(3)	(1)+(2)+(3) (4)	(5)	(6)	(7)	(8)	(9)	(7)+(8)+(9) (10)	(11)	(12)	(13)	(14)
Plan Year	Age	Premium Outlay	After-Tax Bonus Payments	Policy Benefits <sup>1</sup> Received*	Annual Cash Flow	Plan Assets*	Plan Liabilities	BOLI Income*	Plan Expense	Tax Benefit <sup>2</sup>	Net Income/ (Net Cost)*	Non-Vested Benefit	Vested Benefit	Total Benefit	Bonus Payments
2049	65	0	(105,595)	0	(105,595)	928,369	150,850	35,710	(52,000)	15,600	(690)	0	150,850	150,850	150,850
2050	66	0	0	0	0	965,494	0	37,125	0	0	37,125	0	0	0	0
2051	67	0	0	0	0	1,004,093	0	38,599	0	0	38,599	0	0	0	0
2052	68	0	0	0	0	1,044,214	0	40,121	0	0	40,121	0	0	0	0
2053	69	0	0	0	0	1,085,928	0	41,714	0	0	41,714	0	0	0	0
2054	70	0	0	0	0	1,129,264	0	43,336	0	0	43,336	0	0	0	0
2055	71	0	0	0	0	1,174,277	0	45,013	0	0	45,013	0	0	0	0
2056	72	0	0	0	0	1,220,991	0	46,714	0	0	46,714	0	0	0	0
2057	73	0	0	0	0	1,269,458	0	48,467	0	0	48,467	0	0	0	0
2058	74	0	0	0	0	1,319,749	0	50,291	0	0	50,291	0	0	0	0
2059	75	0	0	0	0	1,371,910	0	52,161	0	0	52,161	0	0	0	0
2060	76	0	0	0	0	1,425,997	0	54,088	0	0	54,088	0	0	0	0
2061	77	0	0	0	0	1,482,057	0	56,060	0	0	56,060	0	0	0	0
2062	78	0	0	0	0	1,540,118	0	58,061	0	0	58,061	0	0	0	0
2063	79	0	0	0	0	1,600,203	0	60,085	0	0	60,085	0	0	0	0
2064	80	0	0	1,895,391	1,895,391	0	0	295,188	0	0	295,188	0	0	0	0
<b>Life of Plan</b>		<b>(\$333,333)</b>	<b>(\$570,161)</b>	<b>\$1,895,391</b>	<b>\$991,897</b>			<b>\$1,562,058</b>	<b>(\$814,516)</b>	<b>\$244,355</b>	<b>\$991,897</b>		<b>\$814,516</b>		<b>\$814,516</b>
				<b>IRR</b>	<b>2.44%</b>										

- (1) Assume Death occurs at Age 80
- (2) Marginal Tax Rate at 30%
- (3) Discount Rate at 2%

\*Includes non-guaranteed life insurance values taken from the accompanying life insurance illustrations. Non-guaranteed values include dividends, which are not guaranteed. Illustrated policy values are not estimates or guarantees of future results; they reflect current claim, expense and investment experience. Actual results may be more or less favorable. See the Basic Illustration for guaranteed elements and other important information.

# Vendor Information



# EBS Organization and Background

EBS is a marketing, consulting and service firm that specializes in the placement of Bank Owned Life Insurance (BOLI) programs. These programs utilize BOLI to finance existing employee benefits, as well as to informally fund new or existing nonqualified executive benefit and retention plans. The members of EBS, who are financial representatives, provide clients with access to the leading carriers in the BOLI arena. EBS also delivers comprehensive implementation services and related consultation required to support a BOLI program. These services include assistance with regulatory due diligence, analysis of census data, product selection, periodic credit reviews of the insurance carriers, updates on BOLI legislative issues, and more.

- National consulting, sales and service firm founded in 1998
- Clients are located in 39 states
- \$10 billion of cash value assets from over 300 BOLI/COLI transactions
- Innovative solutions
- Access to the highest rated life insurance carriers
- Over 500 nonqualified benefit plans implemented
- Professional designations include CPA, CLU, MBA, CFP and ChFC
- Outstanding service

# EBS Competitive Advantages



- EBS has developed an industry-leading service platform\*
  - One firm to contact for all implementation and servicing
  - Superior privacy protection

\* Now owned by Iron Key Insurance Services

- EBS Partners have selling agreements with top mutual carriers:
  - Guardian Life
  - Mass Mutual
  - Midland National
  - New York Life
  - Northwestern Mutual
  - Protective Life
  - Securian (Minnesota Life)

- Secure private client information internet portal
- No direct billings for BOLI policy servicing

- Service Organization Control Reports
  - SOC I, SSAE 18
  - SOC II, Privacy Protection

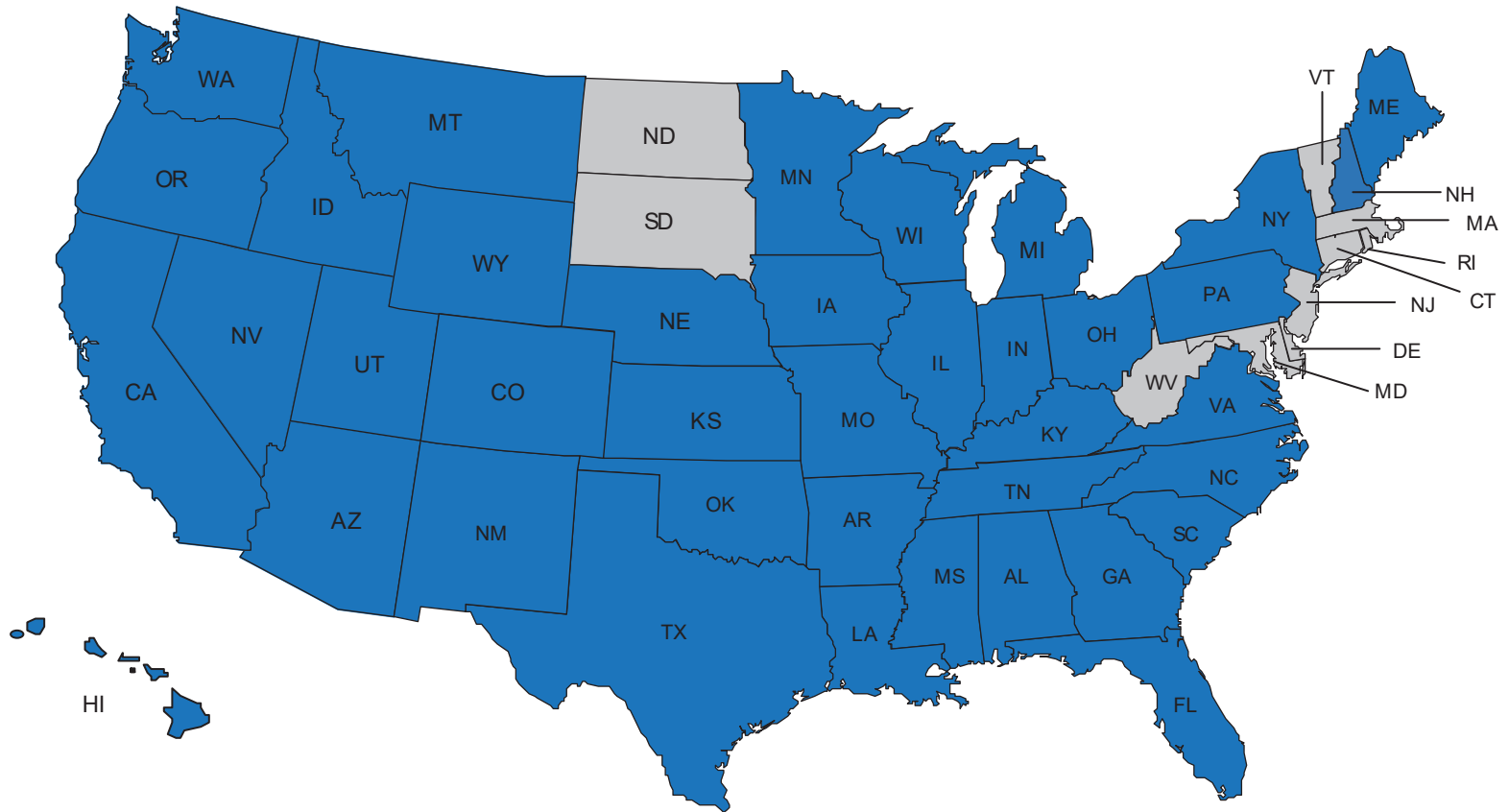


- EBS upholds a commitment to meeting client needs which has resulted in outstanding retention and satisfaction

- Endorsed vendor with multiple banking associations
  - Alabama Bankers Association (ABA)
  - Georgia Bankers Association (GBA)
  - Community Bankers Association of Ohio (CBAO)
  - Community Bankers of Michigan (CBM)
  - California Community Banking Network (CCB)



# EBS Client Map



 EBS Clients



**Phillip A. Pickett, CPA (License Inactive) Birmingham, AL**

Phil works closely with corporations and financial institutions across the country on the design, implementation, and administration of Bank Owned Life Insurance (BOLI) and Corporate Owned Life Insurance (COLI) programs. Phil also assists companies with the design and implementation of Nonqualified Executive Benefit Plans and Deferred Compensation Plans to help companies attract, retain, and reward their talent.

Phil is a CPA (License Inactive) and a member of the American Institute of Certified Public Accountants (AICPA) and the Million Dollar Round Table (Top of the Table). He is also an Ambassador of Finseca (formerly the Association for Advanced Life Underwriting (AALU)) and a former member of AALU's Nonqualified Plans Committee.

Phil was a tax manager for an international accounting firm prior to joining EBS in 2003. During his ten years in public accounting, Phil specialized in tax consulting and implementation services for a variety of corporate clients, executives, and high-wealth individuals.

Phil serves on the board of Mitchell's Place, a facility that provides early learning and therapeutic services for children affected by autism. He is also on the Development Committee for the Ronald McDonald House Charities of Alabama (RMHCA).

Phil received his M.B.A. from the University of Alabama and his B.S. in Accounting from Florida State University.



**Jeffrey P. Peterson, CLU, ChFC San Francisco, CA**

Jeff has spent over 30 years in executive benefit consulting for private and public sector corporations as well as consulting with their top executives. He has worked with several industries but has focused on the banking, technology and service industries, and his practice emphasizes all areas of executive benefit planning and informal funding.

As the Managing Partner in the San Francisco office, Jeff oversees client services for the entire western region. He specializes in helping firms to attract, retain and reward their leadership teams. He is a frequent national speaker on the topic of Nonqualified Plans.

Jeff is a past president of the National Association of Insurance and Financial Advisors and the Society of Financial Service Professionals in San Francisco. He is a member of the Million Dollar Round Table, Top of the Table, and a multiple recipient of the highly coveted National Quality Award. He is also a member and ambassador of Finseca and Treasurer on the Board of the Tahoe Maritime Foundation.

Jeff received his Bachelor of Science in Economics from the University of the Pacific and holds two advanced degrees from the American College.





# Employee Retention Plan – Census



Participant	Age	M/F	Bonus @ 10% of Compensation	Initial Insurance	Single Premium
Employee 1	39	F	20,000	752,990	333,333
Employee 2	39	M	37,000	752,990	333,333
Employee 3	39	M	22,500	752,990	333,333
Employee 4	40	M	26,000	739,804	333,333
Employee 5	41	M	14,500	726,945	333,333
Employee 6	42	M	16,000	714,358	333,333
Employee 7	42	F	14,500	714,358	333,333
Employee 8	45	M	19,800	677,948	333,333
Employee 9	46	F	14,500	666,227	333,333
Employee 10	49	F	22,500	632,200	333,333
Employee 11	49	M	19,800	632,200	333,333
Employee 12	49	M	16,000	632,200	333,333
Employee 13	53	M	15,000	589,595	333,333
Employee 14	54	F	18,500	579,479	333,333
Employee 15	55	F	19,000	569,587	333,333
			<b>295,600</b>	<b>10,133,871</b>	<b>5,000,000</b>

# Employee Retention Plan - Composite



Plan Year	Notional Account Contribution	Interest Earned at 5%	Annual Account Contribution/ Plan Expense	Total Vested/ Non-Vested Account Balance	Annual Benefit Payment	Non-Vested Account Balance
(1)	(3)	(4)	(3) + (4) (5)	(6)	(7)	(6) - (7) (8)
2024	\$295,600	\$14,780	\$310,380	\$310,380	\$0	\$310,380
2025	\$295,600	\$30,299	\$325,899	\$636,279	\$0	\$636,279
2026	\$295,600	\$46,594	\$342,194	\$978,473	\$0	\$978,473
2027	\$295,600	\$63,704	\$359,304	\$1,337,777	\$0	\$1,337,777
2028	\$295,600	\$81,669	\$377,269	\$1,715,045	\$0	\$1,715,045
2029	\$295,600	\$81,669	\$377,269	\$2,092,314	\$377,269	\$1,715,045
2030	\$295,600	\$81,669	\$377,269	\$2,092,314	\$377,269	\$1,715,045
2031	\$295,600	\$81,669	\$377,269	\$2,092,314	\$377,269	\$1,715,045
2032	\$295,600	\$81,669	\$377,269	\$2,092,314	\$377,269	\$1,715,045
2033	\$295,600	\$81,669	\$377,269	\$2,092,314	\$377,269	\$1,715,045
2034	\$276,600	\$76,419	\$353,019	\$2,068,065	\$463,256	\$1,604,809
2035	\$258,100	\$71,308	\$329,408	\$1,934,217	\$436,744	\$1,497,474
2036	\$243,100	\$67,164	\$310,264	\$1,807,738	\$397,293	\$1,410,445
2037	\$243,100	\$67,164	\$310,264	\$1,720,709	\$310,264	\$1,410,445
2038	\$243,100	\$67,164	\$310,264	\$1,720,709	\$310,264	\$1,410,445
2039	\$243,100	\$67,164	\$310,264	\$1,720,709	\$310,264	\$1,410,445
2040	\$184,800	\$51,057	\$235,857	\$1,646,302	\$574,108	\$1,072,193
2041	\$184,800	\$51,057	\$235,857	\$1,308,050	\$235,857	\$1,072,193
2042	\$184,800	\$51,057	\$235,857	\$1,308,050	\$235,857	\$1,072,193
2043	\$170,300	\$47,051	\$217,351	\$1,289,544	\$301,478	\$988,066

# Employee Retention Plan - Composite



Plan Year	Notional Account Contribution	Interest Earned at 5%	Annual Account Contribution/ Plan Expense	Total Vested/ Non-Vested Account Balance	Annual Benefit Payment	Non-Vested Account Balance
(1)	(3)	(4)	(3) + (4) (5)	(6)	(7)	(6) - (7) (8)
2044	\$150,500	\$41,580	\$192,080	\$1,180,146	\$306,958	\$873,188
2045	\$150,500	\$41,580	\$192,080	\$1,065,268	\$192,080	\$873,188
2046	\$150,500	\$41,580	\$192,080	\$1,065,268	\$192,080	\$873,188
2047	\$120,000	\$33,154	\$153,154	\$1,026,342	\$330,112	\$696,230
2048	\$105,500	\$29,148	\$134,648	\$830,877	\$218,775	\$612,102
2049	\$79,500	\$21,964	\$101,464	\$713,566	\$252,314	\$461,252
2050	\$0	\$0	\$0	\$461,252	\$461,252	\$0
	<u>\$5,944,300</u>	<u>\$1,471,002</u>	<u>\$7,415,302</u>		<u>\$7,415,302</u>	

# Employee Retention Plan - Financial Summary Composite



Plan Year	ABC Community Bank										Participant			
	Cash Flow				Balance Sheet		Profit & Loss				All Employees			
	(1)	(2)	(3)	(1)+(2)+(3) (4)	(5)	(6)	(7)	(8)	(9)	(7)+(8)+(9) (10)	(11)	(12)	(13)	(14)
	Premium Outlay	After-Tax Bonus Payments	Policy Benefits <sup>1</sup> Received*	Annual Cash Flow	Plan Assets*	Plan Liabilities	BOLI Income*	Plan Expense	Tax Benefit <sup>2</sup>	Net Income/(Net Cost)*	Non-Vested Benefit	Vested Benefit	Total Benefit	Bonus Payments
2024	(5,000,000)	0	0	(5,000,000)	5,223,403	310,380	223,403	(73,900)	22,170	171,673	310,380	0	310,380	0
2025	0	0	0	0	5,450,150	636,279	226,747	(148,539)	44,562	122,769	636,279	0	636,279	0
2026	0	0	0	0	5,680,477	978,473	230,327	(223,954)	67,186	73,560	978,473	0	978,473	0
2027	0	0	0	0	5,914,544	1,337,777	234,067	(300,184)	90,055	23,938	1,337,777	0	1,337,777	0
2028	0	0	0	0	6,152,420	1,715,045	237,876	(377,269)	113,181	(26,212)	1,715,045	0	1,715,045	0
2029	0	(264,088)	0	(264,088)	6,394,196	2,092,314	241,776	(377,269)	113,181	(22,312)	1,715,045	377,269	2,092,314	377,269
2030	0	(264,088)	0	(264,088)	6,639,926	2,092,314	245,730	(377,269)	113,181	(18,358)	1,715,045	377,269	2,092,314	377,269
2031	0	(264,088)	0	(264,088)	6,889,728	2,092,314	249,803	(377,269)	113,181	(14,286)	1,715,045	377,269	2,092,314	377,269
2032	0	(264,088)	0	(264,088)	7,149,920	2,092,314	260,191	(377,269)	113,181	(3,897)	1,715,045	377,269	2,092,314	377,269
2033	0	(264,088)	0	(264,088)	7,420,918	2,092,314	270,999	(377,269)	113,181	6,911	1,715,045	377,269	2,092,314	377,269
2034	0	(324,279)	0	(324,279)	7,704,334	2,068,065	283,416	(391,019)	117,306	9,702	1,604,809	463,256	2,068,065	463,256
2035	0	(305,721)	0	(305,721)	7,999,538	1,934,217	295,204	(366,408)	109,922	38,719	1,497,474	436,744	1,934,217	436,744
2036	0	(278,105)	0	(278,105)	8,307,021	1,807,738	307,482	(340,264)	102,079	69,297	1,410,445	397,293	1,807,738	397,293
2037	0	(217,185)	0	(217,185)	8,627,201	1,720,709	320,181	(310,264)	93,079	102,996	1,410,445	310,264	1,720,709	310,264
2038	0	(217,185)	0	(217,185)	8,960,463	1,720,709	333,262	(310,264)	93,079	116,077	1,410,445	310,264	1,720,709	310,264
2039	0	(217,185)	0	(217,185)	9,307,244	1,720,709	346,781	(310,264)	93,079	129,596	1,410,445	310,264	1,720,709	310,264
2040	0	(401,876)	0	(401,876)	9,668,057	1,646,302	360,813	(352,457)	105,737	114,093	1,072,193	574,108	1,646,302	574,108
2041	0	(165,100)	0	(165,100)	10,043,471	1,308,050	375,414	(235,857)	70,757	210,315	1,072,193	235,857	1,308,050	235,857
2042	0	(165,100)	0	(165,100)	10,434,020	1,308,050	390,549	(235,857)	70,757	225,449	1,072,193	235,857	1,308,050	235,857
2043	0	(211,035)	0	(211,035)	10,840,316	1,289,544	406,296	(246,351)	73,905	233,851	988,066	301,478	1,289,544	301,478
2044	0	(214,871)	0	(214,871)	11,262,731	1,180,146	422,414	(231,680)	69,504	260,238	873,188	306,958	1,180,146	306,958
2045	0	(134,456)	0	(134,456)	11,701,870	1,065,268	439,139	(192,080)	57,624	304,683	873,188	192,080	1,065,268	192,080
2046	0	(134,456)	0	(134,456)	12,158,246	1,065,268	456,376	(192,080)	57,624	321,919	873,188	192,080	1,065,268	192,080
2047	0	(231,078)	0	(231,078)	12,632,429	1,026,342	474,183	(214,154)	64,246	324,276	696,230	330,112	1,026,342	330,112
2048	0	(153,143)	0	(153,143)	13,125,037	830,877	492,608	(163,648)	49,094	378,055	612,102	218,775	830,877	218,775

- (1) Assume Death occurs at Age 80
- (2) Marginal Tax Rate at 30%
- (3) Discount Rate at 2%

\*Includes non-guaranteed life insurance values taken from the accompanying life insurance illustrations. Non-guaranteed values include dividends, which are not guaranteed. Illustrated policy values are not estimates or guarantees of future results; they reflect current claim, expense and investment experience. Actual results may be more or less favorable. See the Basic Illustration for guaranteed elements and other important information.



# Employee Retention Plan - Financial Summary Composite (Continued)



Plan Year	ABC Community Bank										Participant			
	Cash Flow				Balance Sheet		Profit & Loss				All Employees			
	(1)	(2)	(3)	(1)+(2)+(3) (4)	(5)	(6)	(7)	(8)	(9)	(7)+(8)+(9) (10)	(11)	(12)	(13)	(14)
	Premium Outlay	After-Tax Bonus Payments	Policy Benefits <sup>1</sup> Received*	Annual Cash Flow	Plan Assets*	Plan Liabilities	BOLI Income*	Plan Expense	Tax Benefit <sup>2</sup>	Net Income/(Net Cost)*	Non-Vested Benefit	Vested Benefit	Total Benefit	Bonus Payments
2049	0	(176,620)	991,811	815,191	12,765,502	713,566	632,276	(153,464)	46,039	524,851	461,252	252,314	713,566	252,314
2050	0	(322,876)	1,033,638	710,761	12,357,267	461,252	625,402	(159,000)	47,700	514,102	0	461,252	461,252	461,252
2051	0	0	1,077,481	1,077,481	11,896,625	0	616,838	0	0	616,838	0	0	0	0
2052	0	0	0	0	12,362,802	0	466,177	0	0	466,177	0	0	0	0
2053	0	0	0	0	12,846,612	0	483,810	0	0	483,810	0	0	0	0
2054	0	0	0	0	13,348,517	0	501,905	0	0	501,905	0	0	0	0
2055	0	0	3,832,076	3,832,076	10,513,027	0	996,586	0	0	996,586	0	0	0	0
2056	0	0	0	0	10,927,840	0	414,813	0	0	414,813	0	0	0	0
2057	0	0	0	0	11,358,004	0	430,164	0	0	430,164	0	0	0	0
2058	0	0	1,458,932	1,458,932	10,525,481	0	626,409	0	0	626,409	0	0	0	0
2059	0	0	1,527,034	1,527,034	9,600,940	0	602,493	0	0	602,493	0	0	0	0
2060	0	0	0	0	9,978,976	0	378,036	0	0	378,036	0	0	0	0
2061	0	0	0	0	10,370,668	0	391,692	0	0	391,692	0	0	0	0
2062	0	0	3,473,628	3,473,628	7,730,560	0	833,520	0	0	833,520	0	0	0	0
2063	0	0	1,819,030	1,819,030	6,438,179	0	526,649	0	0	526,649	0	0	0	0
2064	0	0	1,895,391	1,895,391	5,027,657	0	484,870	0	0	484,870	0	0	0	0
2065	0	0	5,955,106	5,955,106	0	0	927,448	0	0	927,448	0	0	0	0
<b>Life of Plan</b>	<b>(\$5,000,000)</b>	<b>(\$5,190,711)</b>	<b>\$23,064,125</b>	<b>\$12,873,414</b>			<b>\$18,064,125</b>	<b>(\$7,415,302)</b>	<b>\$2,224,591</b>	<b>\$12,873,414</b>			<b>\$7,415,302</b>	<b>\$7,415,302</b>
			<b>IRR</b>	<b>2.87%</b>										

(1) Assume Death occurs at Age 80

(2) Marginal Tax Rate at 30%

(3) Discount Rate at 2%

\*Includes non-guaranteed life insurance values taken from the accompanying life insurance illustrations. Non-guaranteed values include dividends, which are not guaranteed. Illustrated policy values are not estimates or guarantees of future results; they reflect current claim, expense and investment experience. Actual results may be more or less favorable. See the Basic Illustration for guaranteed elements and other important information.

# Employee Retention Plan – Composite BOLI Projection of Earnings



(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Plan Year	Year	Premium	Total Cash Value*	BOLI Income [(3)+Δ(4)+(8)]	Cash Value Yield	Pre-Tax Equivalent Yield	Policy Benefits Received @ Age 80	Death Benefits*
2024	1	(\$5,000,000)	\$5,223,403	\$223,403	4.47%	5.96%	0	\$10,419,034
2025	2	\$0	\$5,450,150	\$226,747	4.34%	5.79%	0	\$10,419,034
2026	3	\$0	\$5,680,477	\$230,327	4.23%	5.63%	0	\$10,684,081
2027	4	\$0	\$5,914,544	\$234,067	4.12%	5.49%	0	\$10,944,352
2028	5	\$0	\$6,152,420	\$237,876	4.02%	5.36%	0	\$11,200,083
2029	6	\$0	\$6,394,196	\$241,776	3.93%	5.24%	0	\$11,451,312
2030	7	\$0	\$6,639,926	\$245,730	3.84%	5.12%	0	\$11,698,280
2031	8	\$0	\$6,889,728	\$249,803	3.76%	5.02%	0	\$11,941,229
2032	9	\$0	\$7,149,920	\$260,191	3.78%	5.04%	0	\$12,180,527
2033	10	\$0	\$7,420,918	\$270,999	3.79%	5.05%	0	\$12,427,139
2034	11	\$0	\$7,704,334	\$283,416	3.82%	5.09%	0	\$12,681,514
2035	12	\$0	\$7,999,538	\$295,204	3.83%	5.11%	0	\$12,945,847
2036	13	\$0	\$8,307,021	\$307,482	3.84%	5.12%	0	\$13,218,718
2037	14	\$0	\$8,627,201	\$320,181	3.85%	5.14%	0	\$13,500,577
2038	15	\$0	\$8,960,463	\$333,262	3.86%	5.15%	0	\$13,791,711
2039	16	\$0	\$9,307,244	\$346,781	3.87%	5.16%	0	\$14,092,285
2040	17	\$0	\$9,668,057	\$360,813	3.88%	5.17%	0	\$14,402,790
2041	18	\$0	\$10,043,471	\$375,414	3.88%	5.18%	0	\$14,723,515
2042	19	\$0	\$10,434,020	\$390,549	3.89%	5.18%	0	\$15,055,099
2043	20	\$0	\$10,840,316	\$406,296	3.89%	5.19%	0	\$15,398,075
2044	21	\$0	\$11,262,731	\$422,414	3.90%	5.20%	0	\$15,752,897
2045	22	\$0	\$11,701,870	\$439,139	3.90%	5.20%	0	\$16,119,933
2046	23	\$0	\$12,158,246	\$456,376	3.90%	5.20%	0	\$16,499,801
2047	24	\$0	\$12,632,429	\$474,183	3.90%	5.20%	0	\$16,892,955
2048	25	\$0	\$13,125,037	\$492,608	3.90%	5.20%	0	\$17,299,880

**Notes:**

Hypothetical purchase of: \$5,000,000

Marginal tax rate equals: 25.00%

Carriers: Northwestern Mutual

Earnings are tax-free if policies are held until death.

*\*Includes non-guaranteed life insurance values taken from the accompanying life insurance illustrations. Non-guaranteed values include dividends, which are not guaranteed. Illustrated policy values are not estimates or guarantees of future results; they reflect current claim, expense and investment experience. Actual results may be more or less favorable. See the Basic Illustration for guaranteed elements and other important information.*

# Employee Retention Plan – Composite BOLI Projection of Earnings

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Plan Year	Year	Premium	Total Cash Value*	BOLI Income [(3)+Δ(4)+(8)]	Cash Value Yield	Pre-Tax Equivalent Yield	Policy Benefits Received @ Age 80	Death Benefits*
2049	26	\$0	\$12,765,502	\$632,276	4.82%	6.42%	991,811	\$17,721,233
2050	27	\$0	\$12,357,267	\$625,402	4.90%	6.53%	1,033,638	\$17,135,441
2051	28	\$0	\$11,896,625	\$616,838	4.99%	6.66%	1,077,481	\$16,496,124
2052	29	\$0	\$12,362,802	\$466,177	3.92%	5.22%	0	\$15,799,616
2053	30	\$0	\$12,846,612	\$483,810	3.91%	5.22%	0	\$16,194,706
2054	31	\$0	\$13,348,517	\$501,905	3.91%	5.21%	0	\$16,603,393
2055	32	\$0	\$10,513,027	\$996,586	7.47%	9.95%	3,832,076	\$17,026,211
2056	33	\$0	\$10,927,840	\$414,813	3.95%	5.26%	0	\$13,528,407
2057	34	\$0	\$11,358,004	\$430,164	3.94%	5.25%	0	\$13,878,347
2058	35	\$0	\$10,525,481	\$626,409	5.52%	7.35%	1,458,932	\$14,240,771
2059	36	\$0	\$9,600,940	\$602,493	5.72%	7.63%	1,527,034	\$13,117,036
2060	37	\$0	\$9,978,976	\$378,036	3.94%	5.25%	0	\$11,896,186
2061	38	\$0	\$10,370,668	\$391,692	3.93%	5.23%	0	\$12,214,902
2062	39	\$0	\$7,730,560	\$833,520	8.04%	10.72%	3,473,628	\$12,544,747
2063	40	\$0	\$6,438,179	\$526,649	6.81%	9.08%	1,819,030	\$9,314,254
2064	41	\$0	\$5,027,657	\$484,870	7.53%	10.04%	1,895,391	\$7,698,420
2065	42	\$0	\$0	\$927,448	0.00%	0.00%	5,955,106	\$5,960,825

**Notes:**

Hypothetical purchase of: \$5,000,000

Marginal tax rate equals: 25.00%

Carriers: Northwestern Mutual

Earnings are tax-free if policies are held until death.

*\*Includes non-guaranteed life insurance values taken from the accompanying life insurance illustrations. Non-guaranteed values include dividends, which are not guaranteed. Illustrated policy values are not estimates or guarantees of future results; they reflect current claim, expense and investment experience. Actual results may be more or less favorable. See the Basic Illustration for guaranteed elements and other important information.*

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