

# **Executive Trifecta™**

## **Key Executive Coverage, Survivor Income Benefit, and Subsequent Transfer of Policy to Key Executive**

"Trifecta" refers to a winning sequence of three, and Executive Trifecta delivers three, very powerful, sequential benefits:

- 1) Selected executives whose deaths would cause a serious financial loss for an employer are insured in favor of the employer thereby providing indemnification for such a loss.
- 2) During their participation, each insured executive is provided with employer-paid survivor income benefits should death occur while employed.
- 3) At the executive's retirement, disability, or involuntary severance from employment without cause, all as described in the Agreement between the parties, the life insurance policy is contractually transferred to the participating executive (as a deferred bonus) thereby creating a supplemental retirement asset. After the policy transfer, any payment of the life insurance death benefit is made directly to the executive's personal beneficiaries.

### **Part 1: Key Executive Coverage**

Most firms would not consider operating without insuring against the loss of its property. The same logic should apply to its human capital -- a far more vital asset to the successful continuation of any business. Property can be rebuilt; not so with a human life.

In order to recognize the value of a key executive, a life insurance policy on the executive's life made payable to the business is a prudent strategy. This coverage can provide needed cash to:

- a) Recover the costs of locating a replacement;
- b) Recover the loss of profits while training a replacement;
- c) Recover the permanent loss of profits if the executive is "irreplaceable";
- d) Assure creditors and suppliers that their loans and receivables are safe;
- e) Assure customers that the business will continue its operations;
- f) Fund a stock buyout if the executive is a stockholder.

Features of this coverage for the employer are:

- a) Discriminatory participation as to the selection of participants;
- b) Income tax free policy death benefits;
- c) No regulatory approval required and negligible plan administration.

## **Part 2: Survivor Income Benefit**

With Executive Trifecta, the employer contractually agrees to pay scheduled amounts of income to the survivors of a participating executive. This provides the executive with:

- a) A source of continuing family income;
- b) Relief from purchasing expensive personal life insurance.

Features of this coverage for the employer are:

- a) Discriminatory participation as to the selection of participants;
- b) Deductible benefit payments;
- c) No regulatory approval required and negligible plan administration.

## **Part 3: Policy Transfer**

At the executive's retirement, disability, or involuntary severance from employment without cause, all as described in the Agreement between the parties, the employer transfers ownership of the life insurance policy to the participating executive who, in turn, names personal beneficiaries.

This provides the executive with:

- a) Policy cash values for use as a supplemental retirement asset;
- b) Income tax free policy death benefits for personal beneficiaries.

## **Conclusion**

Executive Trifecta facilitates a nurturing environment that both rewards and helps retain important key personnel while simultaneously providing indemnification for the employer in the event of the untimely death of a covered executive.

## **IRS Circular 230 Disclosure**

In order to comply with requirements imposed by the IRS which may apply to this document (including any attachments, enclosures, or referred material) as distributed or as re-circulated, please be advised that the material contained herein is not intended or written to be used, and it cannot be used, by anyone for the purposes of avoiding any penalty that may be imposed by the Internal Revenue Service under the Internal Revenue Code. In the event that this document (including any attachments, enclosures, or referred material) is also considered to be a "marketed opinion" within the meaning of the IRS guidance, then, as required by the IRS, please be further advised that the material contained herein is written to support the promotions or marketing of the transactions or matters addressed by the material contained herein, and, based on the particular circumstances, you should seek advice from an independent tax advisor.

**Executive Trifecta  
Using  
Pacific Indexed Accumulator II**

**Illustration of Values  
of  
The Policy Used in the Plan**

Values Page: 1  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age	Executive's Tax Bracket	PIA 2 Interest Rate	Initial Payment	Initial Death Benefit
45	35.00%	8.00%	55,000	4,500,000

Year	(1) Net Payment	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Surrender Value*	(5) Policy Death Benefit
1	55,000	0	35,239	54,797	4,500,000
2	55,000	0	85,588	108,006	4,500,000
3	55,000	0	134,795	159,468	4,500,000
4	55,000	0	182,927	208,974	4,500,000
5	55,000	0	229,991	258,293	4,500,000
6	55,000	0	275,970	306,418	4,500,000
7	55,000	0	320,789	353,052	4,500,000
8	55,000	0	364,358	398,545	4,500,000
9	55,000	0	406,596	442,488	4,500,000
10	55,000	0	447,312	484,690	4,500,000
11	55,000	0	531,832	562,610	4,500,000
12	55,000	0	621,951	644,478	4,500,000
13	55,000	0	718,033	718,033	4,500,000
14	55,000	0	820,649	820,649	4,500,000
15	55,000	0	929,994	929,994	4,500,000
16	55,000	0	1,046,135	1,046,135	4,500,000
17	55,000	0	1,170,708	1,170,708	4,500,000
18	55,000	0	1,304,400	1,304,400	4,500,000
19	55,000	0	1,448,002	1,448,002	4,500,000
20	55,000	0	1,602,500	1,602,500	4,500,000
	1,100,000	0			

20 Year Summary

Cum. Payments	1,100,000
Cum. Pre-Tax Cash Flow	0
Accum Value	1,602,500
Death Benefit	4,500,000

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

**Executive Trifecta  
Using  
Pacific Indexed Accumulator II**

**Illustration of Values  
of  
The Policy Used in the Plan**

Values Page: 2  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age	Executive's Tax Bracket	PIA 2 Interest Rate	Initial Payment	Initial Death Benefit
45	35.00%	8.00%	55,000	4,500,000

Year	(1) Net Payment	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Surrender Value*	(5) Policy Death Benefit
21	0	622,563	1,056,952	1,056,952	1,268,343
22	0	86,813	1,048,492	1,048,492	1,247,705
23	0	86,813	1,039,306	1,039,306	1,226,381
24	0	86,813	1,029,340	1,029,340	1,204,328
25	0	86,813	1,018,525	1,018,525	1,181,489
26	0	86,813	1,006,817	1,006,817	1,157,839
27	0	86,979	994,062	994,062	1,128,996
28	0	86,813	980,477	980,477	1,102,933
29	0	86,813	965,862	965,862	1,072,914
30	0	86,813	950,199	950,199	1,038,868
31	0	86,813	933,486	933,486	1,000,735
32	0	86,813	915,293	915,293	986,490
33	0	86,813	895,483	895,483	970,655
34	0	86,813	873,904	873,904	953,074
35	0	86,813	850,402	850,402	933,589
36	0	86,813	824,773	824,773	911,987
37	0	86,813	796,814	796,814	888,058
38	0	86,813	766,299	766,299	861,568
39	0	86,813	732,982	732,982	832,259
40	0	86,813	696,589	696,589	799,850
	1,100,000	2,272,176			

40 Year Summary

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

Cum. Payments	1,100,000
Cum. Pre-Tax Cash Flow	2,272,176
Accum Value	696,589
Death Benefit	799,850

**Executive Trifecta  
Using  
Pacific Indexed Accumulator II**

**Illustration of Values  
of  
The Policy Used in the Plan**

Values Page: 3  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age	Executive's Tax Bracket	PIA 2 Interest Rate	Initial Payment	Initial Death Benefit
45	35.00%	8.00%	55,000	4,500,000

Year	(1) Net Payment	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Surrender Value*	(5) Policy Death Benefit
41	0	86,813	656,823	656,823	764,028
42	0	86,813	613,352	613,352	724,451
43	0	86,813	565,813	565,813	680,738
44	0	86,813	513,806	513,806	632,473
45	0	86,813	456,891	456,891	579,198
46	0	86,813	394,354	394,354	520,166
47	0	86,813	327,337	327,337	430,730
48	0	86,813	255,877	255,877	335,438
49	0	86,813	180,127	180,127	234,489
50	0	86,813	100,383	100,383	128,216
51	0	86,813	13,885	13,885	42,335
52	0	0	11,771	11,771	40,837
53	0	0	9,018	9,018	38,708
54	0	0	5,491	5,491	35,812
55	0	0	1,017	1,017	31,975
56	0	0	1,099	1,099	32,753
57	0	0	1,187	1,187	33,554
58	0	0	1,282	1,282	34,378
59	0	0	1,384	1,384	35,226
60	0	0	1,495	1,495	36,099
	1,100,000	3,227,119			

60 Year Summary

Cum. Payments	1,100,000
Cum. Pre-Tax Cash Flow	3,227,119
Accum Value	1,495
Death Benefit	36,099

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**Executive Trifecta  
Using  
Pacific Indexed Accumulator II**

**Illustration of Values  
of  
The Policy Used in the Plan**

Values Page: 4  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age	Executive's Tax Bracket	PIA 2 Interest Rate	Initial Payment	Initial Death Benefit
45	35.00%	8.00%	55,000	4,500,000

Year	(1) Net Payment	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Surrender Value*	(5) Policy Death Benefit
61	0	0	1,615	1,615	36,998
62	0	0	1,744	1,744	37,924
63	0	0	1,883	1,883	38,878
64	0	0	2,034	2,034	39,862
65	0	0	2,197	2,197	40,877
66	0	0	2,372	2,372	41,925
67	0	0	2,562	2,562	43,006
68	0	0	2,767	2,767	44,122
69	0	0	2,988	2,988	45,276
70	0	0	3,227	3,227	46,468
71	0	0	3,486	3,486	47,701
72	0	0	3,764	3,764	48,977
73	0	0	4,066	4,066	50,297
74	0	0	4,391	4,391	51,665

1,100,000	3,227,119
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74 Year Summary

Cum. Payments	1,100,000
Cum. Pre-Tax Cash Flow	3,227,119
Accum Value	4,391
Death Benefit	51,665

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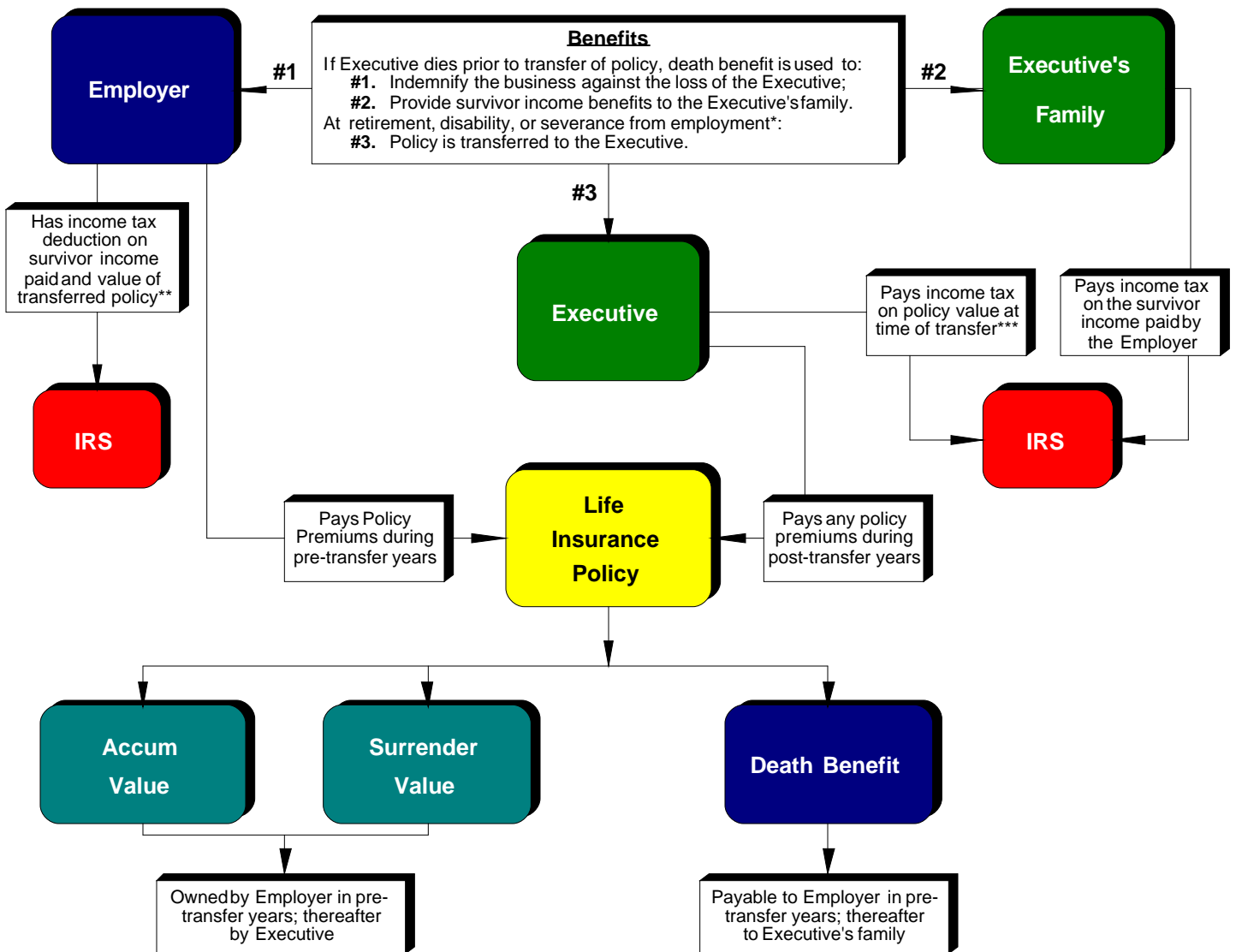
# Executive Trifecta Using Pacific Indexed Accumulator II

## Who Pays What - Who Receives What

Presented By: Kenneth B. Sapon, LUTCF  
Date: 03/08/2007

For: Tony Callahan  
Employer: Magnus Electronics, Inc.

### Flow Chart Analysis



\*As described in the Agreement between the parties. Note: See specimen plan documents for details of this arrangement.

\*\*The Employer must recognize gain to the extent that the policy value exceeds the Employer's premium payments; however, the Employer is entitled to a deduction under IRC Section 162 equal to the amount the Executive includes in income on the transfer - which is generally approximated by the policy value without regard to any surrender charges.

\*\*\*The Executive has taxable income to the extent of the policy's fair market value (IRC Section 83) which is generally approximated by the policy value without reduction for surrender charges (IRS Rev. Proc. 2005-25).

## Executive Trifecta

### Details of the Tax Consequences When the Policy is Transferred to the Executive

Details Page: 1  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male	Form of Transaction	Policy Transfer to	Employer's	Executive's
Age	(Key Executive Coverage with	Executive is Illustrated	Tax Bracket	Tax Bracket
45	Deferred Transfer of Policy	at Beginning of Year	34.00%	35.00%
	To Executive)	21		

#### Transfer Details:

Accumulation value of policy in year of transfer: \$1,602,500

Employer's cumulative premiums: \$1,100,000

Executive's cumulative premiums: \$0

Year transfer is illustrated: Beginning of year 21

#### Employer's Transfer Tax Consequences:

The employer must recognize gain to the extent that the accumulation value exceeds the employer's premium payments; however, the employer is entitled to a deduction under IRC Section 162 equal to the amount the executive includes in income on the transfer -- which is generally approximated by the accumulation value without regard to any surrender charges.

Therefore, for this case:

1. The employer has a taxable gain of the difference between \$1,602,500 (accumulation value of policy) and \$1,100,000 (employer's cumulative premium share) which equals \$502,500 in taxable gain.  $\$502,500 \times 34.00\%$  (the employer's tax bracket) = \$170,850 of income tax due.
2. In addition, the employer has an income tax deduction of the difference between \$1,602,500 (policy accumulation value) and \$0 (executive's cumulative premium share) which equals \$1,602,500 in taxable gain.  $\$1,602,500 \times 34.00\%$  = \$544,850 of income tax savings.
3. \$544,850 of income tax savings less \$170,850 of income tax due = \$374,000 of net income tax savings to the employer at transfer.

#### Executive's Transfer Tax Consequences:

The executive has taxable income to the extent of the policy's fair market value (IRC Section 83) which is generally approximated by the policy's accumulation value without reduction for surrender charges (IRS Rev. Proc. 2005-25).

Therefore, for this case:

1. The executive has a taxable income of \$1,602,500 (the policy accumulation value).
2.  $\$1,602,500 \times 35.00\%$  = \$560,875 of income tax due.

Note: Any premium payments, increase in policy values, or policy activity (loans, withdrawals, etc.) in the year of transfer are presumed to occur after the transfer takes place.



# Employer's Summary of Costs and Benefits

## Executive Trifecta Using Pacific Indexed Accumulator II

Employer's Summary Page: 1  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

	Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Employer's Tax Bracket 34.00%	PIA 2 Interest Rate 8.00%				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Portion of Policy Death Benefit Allocated for Key Executive Coverage	Portion of Policy Death Benefit Allocated for Survivor Income Benefit**	Total Policy Death Benefit Required (5) + (6)	Total Policy Death Benefit Provided	Excess Policy Death Benefit (8) - (7)
Year	Net Payment	Cumulative Net Payments	Policy Accum Value*	Policy Surrender Value*					
1	55,000	55,000	35,239	54,797	3,598,306	895,556	4,493,862	4,500,000	6,138
2	55,000	110,000	85,588	108,006	3,598,306	895,556	4,493,862	4,500,000	6,138
3	55,000	165,000	134,795	159,468	3,598,306	895,556	4,493,862	4,500,000	6,138
4	55,000	220,000	182,927	208,974	3,598,306	895,556	4,493,862	4,500,000	6,138
5	55,000	275,000	229,991	258,293	3,598,306	895,556	4,493,862	4,500,000	6,138
6	55,000	330,000	275,970	306,418	3,598,306	895,556	4,493,862	4,500,000	6,138
7	55,000	385,000	320,789	353,052	3,598,306	895,556	4,493,862	4,500,000	6,138
8	55,000	440,000	364,358	398,545	3,598,306	895,556	4,493,862	4,500,000	6,138
9	55,000	495,000	406,596	442,488	3,598,306	895,556	4,493,862	4,500,000	6,138
10	55,000	550,000	447,312	484,690	3,598,306	895,556	4,493,862	4,500,000	6,138
11	55,000	605,000	531,832	562,610	3,598,306	895,556	4,493,862	4,500,000	6,138
12	55,000	660,000	621,951	644,478	3,598,306	895,556	4,493,862	4,500,000	6,138
13	55,000	715,000	718,033	718,033	3,598,306	895,556	4,493,862	4,500,000	6,138
14	55,000	770,000	820,649	820,649	3,598,306	895,556	4,493,862	4,500,000	6,138
15	55,000	825,000	929,994	929,994	3,598,306	895,556	4,493,862	4,500,000	6,138
16	55,000	880,000	1,046,135	1,046,135	3,598,306	895,556	4,493,862	4,500,000	6,138
17	55,000	935,000	1,170,708	1,170,708	3,598,306	895,556	4,493,862	4,500,000	6,138
18	55,000	990,000	1,304,400	1,304,400	3,598,306	895,556	4,493,862	4,500,000	6,138
19	55,000	1,045,000	1,448,002	1,448,002	3,598,306	895,556	4,493,862	4,500,000	6,138
20	55,000	1,100,000	1,602,500	1,602,500	3,598,306	895,556	4,493,862	4,500,000	6,138
	<u>1,100,000</u>								

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*\*Key Executive Coverage and Survivor Income Benefit are terminated at the beginning of year 21 when the policy is transferred to the executive.

# Employer's Summary of Costs and Benefits

## Executive Trifecta Using Pacific Indexed Accumulator II

Employer's Summary Page: 2  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

	Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Employer's Tax Bracket 34.00%	PIA 2 Interest Rate 8.00%				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Portion of Death Benefit Allocated for Key Executive Coverage	Portion of Death Benefit Allocated for Survivor Income Benefit**	Total Policy Death Benefit Required (5) + (6)	Total Policy Death Benefit Provided	Excess Policy Death Benefit (8) - (7)
Year	Net Payment	Cumulative Net Payments	Policy Accum Value*	Policy Surrender Value*					
21	-374,000	726,000	0	0	0	0	0	0	0
22	0	726,000	0	0	0	0	0	0	0
23	0	726,000	0	0	0	0	0	0	0
24	0	726,000	0	0	0	0	0	0	0
25	0	726,000	0	0	0	0	0	0	0
26	0	726,000	0	0	0	0	0	0	0
27	0	726,000	0	0	0	0	0	0	0
28	0	726,000	0	0	0	0	0	0	0
29	0	726,000	0	0	0	0	0	0	0
30	0	726,000	0	0	0	0	0	0	0
31	0	726,000	0	0	0	0	0	0	0
32	0	726,000	0	0	0	0	0	0	0
33	0	726,000	0	0	0	0	0	0	0
34	0	726,000	0	0	0	0	0	0	0
35	0	726,000	0	0	0	0	0	0	0
36	0	726,000	0	0	0	0	0	0	0
37	0	726,000	0	0	0	0	0	0	0
38	0	726,000	0	0	0	0	0	0	0
39	0	726,000	0	0	0	0	0	0	0
40	0	726,000	0	0	0	0	0	0	0
	726,000								

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\*\*Key Executive Coverage and Survivor Income Benefit are terminated at the beginning of year 21 when the policy is transferred to the executive.

# Employer's Summary of Costs and Benefits

## Executive Trifecta Using Pacific Indexed Accumulator II

Employer's Summary Page: 3  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

	Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Employer's Tax Bracket 34.00%	PIA 2 Interest Rate 8.00%				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Portion of Policy Death Benefit Allocated for Key Executive Coverage	Portion of Policy Death Benefit Allocated for Survivor Income Benefit**	Total Policy Death Benefit Required (5) + (6)	Total Policy Death Benefit Provided	Excess Policy Death Benefit (8) - (7)
Year	Net Payment	Cumulative Net Payments	Policy Accum Value*	Policy Surrender Value*					
41	0	726,000	0	0	0	0	0	0	0
42	0	726,000	0	0	0	0	0	0	0
43	0	726,000	0	0	0	0	0	0	0
44	0	726,000	0	0	0	0	0	0	0
45	0	726,000	0	0	0	0	0	0	0
46	0	726,000	0	0	0	0	0	0	0
47	0	726,000	0	0	0	0	0	0	0
48	0	726,000	0	0	0	0	0	0	0
49	0	726,000	0	0	0	0	0	0	0
50	0	726,000	0	0	0	0	0	0	0
51	0	726,000	0	0	0	0	0	0	0
52	0	726,000	0	0	0	0	0	0	0
53	0	726,000	0	0	0	0	0	0	0
54	0	726,000	0	0	0	0	0	0	0
55	0	726,000	0	0	0	0	0	0	0
56	0	726,000	0	0	0	0	0	0	0
57	0	726,000	0	0	0	0	0	0	0
58	0	726,000	0	0	0	0	0	0	0
59	0	726,000	0	0	0	0	0	0	0
60	0	726,000	0	0	0	0	0	0	0
	726,000								

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# Employer's Summary of Costs and Benefits

## Executive Trifecta Using Pacific Indexed Accumulator II

Employer's Summary Page: 4  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

	Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Employer's Tax Bracket 34.00%	PIA 2 Interest Rate 8.00%				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Cumulative Net Payments	Policy Accum Value*	Policy Surrender Value*	Portion of Death Benefit Allocated for Key Executive Coverage	Portion of Death Benefit Allocated for Survivor Income Benefit**	Total Policy Death Benefit Required (5) + (6)	Total Policy Death Benefit Provided	Excess Policy Death Benefit (8) - (7)
Year	Net Payment								
61	0	726,000	0	0	0	0	0	0	0
62	0	726,000	0	0	0	0	0	0	0
63	0	726,000	0	0	0	0	0	0	0
64	0	726,000	0	0	0	0	0	0	0
65	0	726,000	0	0	0	0	0	0	0
66	0	726,000	0	0	0	0	0	0	0
67	0	726,000	0	0	0	0	0	0	0
68	0	726,000	0	0	0	0	0	0	0
69	0	726,000	0	0	0	0	0	0	0
70	0	726,000	0	0	0	0	0	0	0
71	0	726,000	0	0	0	0	0	0	0
72	0	726,000	0	0	0	0	0	0	0
73	0	726,000	0	0	0	0	0	0	0
74	0	726,000	0	0	0	0	0	0	0

726,000

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*\*Key Executive Coverage and Survivor Income Benefit are terminated at the beginning of year 21 when the policy is transferred to the executive.

# Executive's Summary of Costs and Benefits

## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Summary Page: 1  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%		
Year	(1) Net Payment	(2) Retirement Income After Tax Policy Cash Flow	(3) Policy Accum Value*	(4) Policy Surrender Value*	(5) Policy Death Benefit	(6) Total Survivor Income Benefit**
1	0	0	0	0	0	1,500,000
2	0	0	0	0	0	1,500,000
3	0	0	0	0	0	1,500,000
4	0	0	0	0	0	1,500,000
5	0	0	0	0	0	1,500,000
6	0	0	0	0	0	1,500,000
7	0	0	0	0	0	1,500,000
8	0	0	0	0	0	1,500,000
9	0	0	0	0	0	1,500,000
10	0	0	0	0	0	1,500,000
11	0	0	0	0	0	1,500,000
12	0	0	0	0	0	1,500,000
13	0	0	0	0	0	1,500,000
14	0	0	0	0	0	1,500,000
15	0	0	0	0	0	1,500,000
16	0	0	0	0	0	1,500,000
17	0	0	0	0	0	1,500,000
18	0	0	0	0	0	1,500,000
19	0	0	0	0	0	1,500,000
20	0	0	0	0	0	1,500,000
	0	0				

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*\*Survivor Income Benefit is terminated at the beginning of year 21 when the policy is transferred to the executive.

# Executive's Summary of Costs and Benefits

## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Summary Page: 2  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%		
Year	(1) Net Payment	(2) Retirement Income After Tax Policy Cash Flow	(3) Policy Accum Value*	(4) Policy Surrender Value*	(5) Policy Death Benefit	(6) Total Survivor Income Benefit**
21	0	61,688	1,056,952	1,056,952	1,268,343	0
22	0	86,813	1,048,492	1,048,492	1,247,705	0
23	0	86,813	1,039,306	1,039,306	1,226,381	0
24	0	86,813	1,029,340	1,029,340	1,204,328	0
25	0	86,813	1,018,525	1,018,525	1,181,489	0
26	0	86,813	1,006,817	1,006,817	1,157,839	0
27	0	86,979	994,062	994,062	1,128,996	0
28	0	86,813	980,477	980,477	1,102,933	0
29	0	86,813	965,862	965,862	1,072,914	0
30	0	86,813	950,199	950,199	1,038,868	0
31	0	86,813	933,486	933,486	1,000,735	0
32	0	86,813	915,293	915,293	986,490	0
33	0	86,813	895,483	895,483	970,655	0
34	0	86,813	873,904	873,904	953,074	0
35	0	86,813	850,402	850,402	933,589	0
36	0	86,813	824,773	824,773	911,987	0
37	0	86,813	796,814	796,814	888,058	0
38	0	86,813	766,299	766,299	861,568	0
39	0	86,813	732,982	732,982	832,259	0
40	0	86,813	696,589	696,589	799,850	0
	0	1,711,301				

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*\*Survivor Income Benefit is terminated at the beginning of year 21 when the policy is transferred to the executive.

# Executive's Summary of Costs and Benefits

## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Summary Page: 3  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%		
Year	(1) Net Payment	(2) Retirement Income After Tax Policy Cash Flow	(3) Policy Accum Value*	(4) Policy Surrender Value*	(5) Policy Death Benefit	(6) Total Survivor Income Benefit**
41	0	86,813	656,823	656,823	764,028	0
42	0	86,813	613,352	613,352	724,451	0
43	0	86,813	565,813	565,813	680,738	0
44	0	86,813	513,806	513,806	632,473	0
45	0	86,813	456,891	456,891	579,198	0
46	0	86,813	394,354	394,354	520,166	0
47	0	86,813	327,337	327,337	430,730	0
48	0	86,813	255,877	255,877	335,438	0
49	0	86,813	180,127	180,127	234,489	0
50	0	86,813	100,383	100,383	128,216	0
51	0	86,813	13,885	13,885	42,335	0
52	0	0	11,771	11,771	40,837	0
53	0	0	9,018	9,018	38,708	0
54	0	0	5,491	5,491	35,812	0
55	0	0	1,017	1,017	31,975	0
56	0	0	1,099	1,099	32,753	0
57	0	0	1,187	1,187	33,554	0
58	0	0	1,282	1,282	34,378	0
59	0	0	1,384	1,384	35,226	0
60	0	0	1,495	1,495	36,099	0
	0	2,666,244				

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*\*Survivor Income Benefit is terminated at the beginning of year 21 when the policy is transferred to the executive.

# Executive's Summary of Costs and Benefits

## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Summary Page: 4  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%
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Year	(1) Net Payment	(2) Retirement Income After Tax Policy Cash Flow	(3) Policy Accum Value*	(4) Policy Surrender Value*	(5) Policy Death Benefit	(6) Total Survivor Income Benefit**
61	0	0	1,615	1,615	36,998	0
62	0	0	1,744	1,744	37,924	0
63	0	0	1,883	1,883	38,878	0
64	0	0	2,034	2,034	39,862	0
65	0	0	2,197	2,197	40,877	0
66	0	0	2,372	2,372	41,925	0
67	0	0	2,562	2,562	43,006	0
68	0	0	2,767	2,767	44,122	0
69	0	0	2,988	2,988	45,276	0
70	0	0	3,227	3,227	46,468	0
71	0	0	3,486	3,486	47,701	0
72	0	0	3,764	3,764	48,977	0
73	0	0	4,066	4,066	50,297	0
74	0	0	4,391	4,391	51,665	0

0 2,666,244

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*\*Survivor Income Benefit is terminated at the beginning of year 21 when the policy is transferred to the executive.



# Employer's Cost Analysis

## Executive Trifecta Using Pacific Indexed Accumulator II

Employer's Cost Analysis Page: 1  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Employer's Tax Bracket 34.00%	PIA 2 Interest Rate 8.00%	
Year	(1) Premium Payment	(2) Cumulative Premium Payment	(3) Income Tax Savings from Transfer*	(4) Net Payment (1) - (3)	(5) Cumulative Net Payments
1	55,000	55,000	0	55,000	55,000
2	55,000	110,000	0	55,000	110,000
3	55,000	165,000	0	55,000	165,000
4	55,000	220,000	0	55,000	220,000
5	55,000	275,000	0	55,000	275,000
6	55,000	330,000	0	55,000	330,000
7	55,000	385,000	0	55,000	385,000
8	55,000	440,000	0	55,000	440,000
9	55,000	495,000	0	55,000	495,000
10	55,000	550,000	0	55,000	550,000
11	55,000	605,000	0	55,000	605,000
12	55,000	660,000	0	55,000	660,000
13	55,000	715,000	0	55,000	715,000
14	55,000	770,000	0	55,000	770,000
15	55,000	825,000	0	55,000	825,000
16	55,000	880,000	0	55,000	880,000
17	55,000	935,000	0	55,000	935,000
18	55,000	990,000	0	55,000	990,000
19	55,000	1,045,000	0	55,000	1,045,000
20	55,000	1,100,000	0	55,000	1,100,000
	<u>1,100,000</u>			<u>1,100,000</u>	

This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*The key executive coverage and the survivor income benefit are presumed terminated at the beginning of year 21 via a transfer of the policy to the executive. The transfer produces: 1) taxable income to the employer to the extent its accumulation value (without regard to surrender charges) exceeds its cost basis and 2) an income tax deduction equal to the amount the executive includes in income. (See the report entitled "Details of the Tax Consequences When the Policy is Transferred to the Executive".)

# Employer's Cost Analysis

## Executive Trifecta Using Pacific Indexed Accumulator II

Employer's Cost Analysis Page: 2  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Employer's Tax Bracket 34.00%	PIA 2 Interest Rate 8.00%	
Year	(1) Premium Payment	(2) Cumulative Premium Payment	(3) Income Tax Savings from Transfer*	(4) Net Payment (1) - (3)	(5) Cumulative Net Payments
21	0	0	374,000	-374,000	726,000
22	0	0	0	0	726,000
23	0	0	0	0	726,000
24	0	0	0	0	726,000
25	0	0	0	0	726,000
26	0	0	0	0	726,000
27	0	0	0	0	726,000
28	0	0	0	0	726,000
29	0	0	0	0	726,000
30	0	0	0	0	726,000
31	0	0	0	0	726,000
32	0	0	0	0	726,000
33	0	0	0	0	726,000
34	0	0	0	0	726,000
35	0	0	0	0	726,000
36	0	0	0	0	726,000
37	0	0	0	0	726,000
38	0	0	0	0	726,000
39	0	0	0	0	726,000
40	0	0	0	0	726,000
	1,100,000			726,000	

This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*The key executive coverage and the survivor income benefit are presumed terminated at the beginning of year 21 via a transfer of the policy to the executive. The transfer produces: 1) taxable income to the employer to the extent its accumulation value (without regard to surrender charges) exceeds its cost basis and 2) an income tax deduction equal to the amount the executive includes in income. (See the report entitled "Details of the Tax Consequences When the Policy is Transferred to the Executive".)

# Employer's Cost Analysis

## Executive Trifecta Using Pacific Indexed Accumulator II

Employer's Cost Analysis Page: 3  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Employer's Tax Bracket 34.00%	PIA 2 Interest Rate 8.00%	
Year	(1) Premium Payment	(2) Cumulative Premium Payment	(3) Income Tax Savings from Transfer*	(4) Net Payment (1) - (3)	(5) Cumulative Net Payments
41	0	0	0	0	726,000
42	0	0	0	0	726,000
43	0	0	0	0	726,000
44	0	0	0	0	726,000
45	0	0	0	0	726,000
46	0	0	0	0	726,000
47	0	0	0	0	726,000
48	0	0	0	0	726,000
49	0	0	0	0	726,000
50	0	0	0	0	726,000
51	0	0	0	0	726,000
52	0	0	0	0	726,000
53	0	0	0	0	726,000
54	0	0	0	0	726,000
55	0	0	0	0	726,000
56	0	0	0	0	726,000
57	0	0	0	0	726,000
58	0	0	0	0	726,000
59	0	0	0	0	726,000
60	0	0	0	0	726,000
	1,100,000			726,000	

This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*The key executive coverage and the survivor income benefit are presumed terminated at the beginning of year 21 via a transfer of the policy to the executive. The transfer produces: 1) taxable income to the employer to the extent its accumulation value (without regard to surrender charges) exceeds its cost basis and 2) an income tax deduction equal to the amount the executive includes in income. (See the report entitled "Details of the Tax Consequences When the Policy is Transferred to the Executive".)

# Employer's Cost Analysis

## Executive Trifecta Using Pacific Indexed Accumulator II

Employer's Cost Analysis Page: 4  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Employer's Tax Bracket 34.00%	PIA 2 Interest Rate 8.00%
-------------------	---	--	-------------------------------------	---------------------------------

Year	(1) Premium Payment	(2) Cumulative Premium Payment	(3) Income Tax Savings from Transfer*	(4) Net Payment (1) - (3)	(5) Cumulative Net Payments
61	0	0	0	0	726,000
62	0	0	0	0	726,000
63	0	0	0	0	726,000
64	0	0	0	0	726,000
65	0	0	0	0	726,000
66	0	0	0	0	726,000
67	0	0	0	0	726,000
68	0	0	0	0	726,000
69	0	0	0	0	726,000
70	0	0	0	0	726,000
71	0	0	0	0	726,000
72	0	0	0	0	726,000
73	0	0	0	0	726,000
74	0	0	0	0	726,000

1,100,000

726,000

This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*The key executive coverage and the survivor income benefit are presumed terminated at the beginning of year 21 via a transfer of the policy to the executive. The transfer produces: 1) taxable income to the employer to the extent its accumulation value (without regard to surrender charges) exceeds its cost basis and 2) an income tax deduction equal to the amount the executive includes in income. (See the report entitled "Details of the Tax Consequences When the Policy is Transferred to the Executive".)

# Employer's Analysis of Key Executive Life Insurance Coverage

Analysis Page: 1  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

	Column (1) Growth Factor 7.50%	Column (2) Growth Factor 7.50%		Column (4) Growth Factor 10.00%	Column (5) Growth Factor 6.00% for 6 yrs, 10.00% Thereafter		
Year	(1) Annual Net Revenue With Current Executive†	(2) Annual Net Revenue With Replacement Executive†	(3) Difference in Annual Net Revenue (1) - (2)	(4) Current Executive's Compensation††	(5) Replacement Executive's Compensation††	(6) Difference in Compensation (4) - (5)	(7) Loss Due to Death of Current Executive (3) - (6)
1	2,257,500	1,290,000	967,500	330,000	318,000	12,000	955,500
2	2,426,813	1,560,094	866,719	363,000	337,080	25,920	840,799
3	2,608,823	1,863,445	745,378	399,300	357,305	41,995	703,383
4	2,804,485	2,203,524	600,961	439,230	378,743	60,487	540,474
5	3,014,822	2,584,133	430,689	483,153	401,468	81,685	349,004
6	3,240,933	3,009,438	231,495	531,468	425,556	105,913	125,582
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
			3,842,742			868,695	2,974,047

### Analysis of Key Executive Coverage Required

Present Value* of Column (7) Loss	2,598,306
Funds for Stock Redemption	1,000,000
Portion of Policy Death Benefit Allocated for Key Executive Coverage	3,598,306
Portion of Policy Death Benefit Allocated for Survivor Income Benefit**	895,556
Total Key Executive Coverage Required	4,493,862
Key Executive Coverage Provided	4,500,000

\*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.

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

Analysis Page: 2  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Year	Current Executive				Replacement Executive				(9) Loss of Annual Net Revenue from Loss of Current Executive (4) - (8)
	(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 Net Revenue Expected With Replacement Executive	(6) Column (5) Growth Factor 7.50%	(7) Percent of Revenue Attributable to Replacement Executive	(8) Annual Net Revenue Attributable to Replacement Executive (6) x (7)	
1	3,500,000	3,762,500	60.00%	2,257,500	2,000,000	2,150,000	60.00%	1,290,000	967,500
2	3,500,000	4,044,688	60.00%	2,426,813	2,250,000	2,600,156	60.00%	1,560,094	866,719
3	3,500,000	4,348,039	60.00%	2,608,823	2,500,000	3,105,742	60.00%	1,863,445	745,378
4	3,500,000	4,674,142	60.00%	2,804,485	2,750,000	3,672,540	60.00%	2,203,524	600,961
5	3,500,000	5,024,703	60.00%	3,014,822	3,000,000	4,306,888	60.00%	2,584,133	430,689
6	3,500,000	5,401,555	60.00%	3,240,933	3,250,000	5,015,730	60.00%	3,009,438	231,495
7	3,500,000	5,806,672	60.00%	3,484,003	3,500,000	5,806,672	60.00%	3,484,003	0
8	3,500,000	6,242,172	60.00%	3,745,303	3,500,000	6,242,172	60.00%	3,745,303	0
9	3,500,000	6,710,335	60.00%	4,026,201	3,500,000	6,710,335	60.00%	4,026,201	0
10	3,500,000	7,213,610	60.00%	4,328,166	3,500,000	7,213,610	60.00%	4,328,166	0
									3,842,742

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

Analysis Page: 3  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
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

# Employer's Analysis of Survivor Income Benefit

## Executive Trifecta Using Pacific Indexed Accumulator II

Analysis Page: 4  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

For the Beneficiaries of: Tony Callahan  
Employer: Magnus Electronics, Inc.

Employer's Tax Bracket 34.00%	Employer's Assumed Use of Money 8.00%	Employer's Cost to Provide the Benefit* 895,556	Total Survivor Benefit Scheduled 1,500,000
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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 AfterTax Cost of Payment to Survivors	(3) Beginning of Year Balance inSurvivor Benefit Account	(4) Balance in Account to Accrue (3) - (2)	(5) Year End AfterTax Accrual of Account
1	300,000	198,000	895,556	697,556	734,387
2	300,000	198,000	734,387	536,387	564,708
3	300,000	198,000	564,708	366,708	386,070
4	300,000	198,000	386,070	188,070	198,000
5	300,000	198,000	198,000	0	0

1,500,000	990,000
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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.)



# Executive's Cost Analysis

## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Cost Analysis Page: 1  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%
Age				
45				

Year	(1) Premium Payment	(2) Income from Transfer*	(3) Income Tax Due on Col (2)	(4) AfterTax Policy Cash Flow	(5) Net Payment (1)+(3)-(4)
1	0	0	0	0	0
2	0	0	0	0	0
3	0	0	0	0	0
4	0	0	0	0	0
5	0	0	0	0	0
6	0	0	0	0	0
7	0	0	0	0	0
8	0	0	0	0	0
9	0	0	0	0	0
10	0	0	0	0	0
11	0	0	0	0	0
12	0	0	0	0	0
13	0	0	0	0	0
14	0	0	0	0	0
15	0	0	0	0	0
16	0	0	0	0	0
17	0	0	0	0	0
18	0	0	0	0	0
19	0	0	0	0	0
20	0	0	0	0	0
	0	0	0	0	0

This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*The key executive coverage and the survivor income benefit are presumed terminated at the beginning of year 21 via a transfer of the policy to the executive. The transfer produces taxable income to the executive equal to the accumulation value transferred without regard to surrender charges. (See the report entitled "Details of the Tax Consequences When the Policy is Transferred to the Executive".)

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Executive's Cost Analysis Page: 2  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%
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Year	(1) Premium Payment	(2) Income from Transfer*	(3) Income Tax Due on Col (2)	(4) After Tax Policy Cash Flow	(5) Net Payment (1)+(3)-(4)
21	0	1,602,500	560,875	560,875	0
22	0	0	0	0	0
23	0	0	0	0	0
24	0	0	0	0	0
25	0	0	0	0	0
26	0	0	0	0	0
27	0	0	0	0	0
28	0	0	0	0	0
29	0	0	0	0	0
30	0	0	0	0	0
31	0	0	0	0	0
32	0	0	0	0	0
33	0	0	0	0	0
34	0	0	0	0	0
35	0	0	0	0	0
36	0	0	0	0	0
37	0	0	0	0	0
38	0	0	0	0	0
39	0	0	0	0	0
40	0	0	0	0	0
	0	1,602,500	560,875	560,875	0

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Executive's Cost Analysis Page: 3  
Date: 03/08/2007

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Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%
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	(1)	(2)	(3)	(4)	(5)
Year	Premium Payment	Income from Transfer*	Income Tax Due on Col (2)	AfterTax Policy Cash Flow	Net Payment (1)+(3)-(4)
41	0	0	0	0	0
42	0	0	0	0	0
43	0	0	0	0	0
44	0	0	0	0	0
45	0	0	0	0	0
46	0	0	0	0	0
47	0	0	0	0	0
48	0	0	0	0	0
49	0	0	0	0	0
50	0	0	0	0	0
51	0	0	0	0	0
52	0	0	0	0	0
53	0	0	0	0	0
54	0	0	0	0	0
55	0	0	0	0	0
56	0	0	0	0	0
57	0	0	0	0	0
58	0	0	0	0	0
59	0	0	0	0	0
60	0	0	0	0	0
	0	1,602,500	560,875	560,875	0

This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

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## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Cost Analysis Page: 4  
Date: 03/08/2007

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Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%
-------------------	---	--	--------------------------------------	---------------------------------

	(1)	(2)	(3)	(4)	(5)
Year	Premium Payment	Income from Transfer*	Income Tax Due on Col (2)	AfterTax Policy Cash Flow	Net Payment (1)+(3)-(4)
61	0	0	0	0	0
62	0	0	0	0	0
63	0	0	0	0	0
64	0	0	0	0	0
65	0	0	0	0	0
66	0	0	0	0	0
67	0	0	0	0	0
68	0	0	0	0	0
69	0	0	0	0	0
70	0	0	0	0	0
71	0	0	0	0	0
72	0	0	0	0	0
73	0	0	0	0	0
74	0	0	0	0	0
	0	1,602,500	560,875	560,875	0

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# Executive's Personal Report

## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Personal Report Page: 1  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%
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Year	Executive's Costs		Executive's Values			
	(1) Net Payment	(2) Retirement Income AfterTax Policy Cash Flow	(3) Policy Accum Value*	(4) Policy Surrender Value*	(5) Policy Death Benefit	(6) Total Survivor Income Benefit**
1	0	0	0	0	0	1,500,000
2	0	0	0	0	0	1,500,000
3	0	0	0	0	0	1,500,000
4	0	0	0	0	0	1,500,000
5	0	0	0	0	0	1,500,000
6	0	0	0	0	0	1,500,000
7	0	0	0	0	0	1,500,000
8	0	0	0	0	0	1,500,000
9	0	0	0	0	0	1,500,000
10	0	0	0	0	0	1,500,000
11	0	0	0	0	0	1,500,000
12	0	0	0	0	0	1,500,000
13	0	0	0	0	0	1,500,000
14	0	0	0	0	0	1,500,000
15	0	0	0	0	0	1,500,000
16	0	0	0	0	0	1,500,000
17	0	0	0	0	0	1,500,000
18	0	0	0	0	0	1,500,000
19	0	0	0	0	0	1,500,000
20	0	0	0	0	0	1,500,000
	0	0				

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*\*\$1,500,000 is the sum of 5 scheduled survivor income payments from the Employer to the Executive's beneficiaries.

\*\*Survivor Income Benefit is terminated at the beginning of year 21 when the policy is transferred to the executive.

# Executive's Personal Report

## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Personal Report Page: 2  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
Employer: Magnus Electronics, Inc.

Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%		
Executive's Costs		Executive's Values				
Year	(1) Net Payment	(2) Retirement Income AfterTax Policy Cash Flow	(3) Policy Accum Value*	(4) Policy Surrender Value*	(5) Policy Death Benefit	(6) Total Survivor Income Benefit**
21	0	61,688	1,056,952	1,056,952	1,268,343	0
22	0	86,813	1,048,492	1,048,492	1,247,705	0
23	0	86,813	1,039,306	1,039,306	1,226,381	0
24	0	86,813	1,029,340	1,029,340	1,204,328	0
25	0	86,813	1,018,525	1,018,525	1,181,489	0
26	0	86,813	1,006,817	1,006,817	1,157,839	0
27	0	86,979	994,062	994,062	1,128,996	0
28	0	86,813	980,477	980,477	1,102,933	0
29	0	86,813	965,862	965,862	1,072,914	0
30	0	86,813	950,199	950,199	1,038,868	0
31	0	86,813	933,486	933,486	1,000,735	0
32	0	86,813	915,293	915,293	986,490	0
33	0	86,813	895,483	895,483	970,655	0
34	0	86,813	873,904	873,904	953,074	0
35	0	86,813	850,402	850,402	933,589	0
36	0	86,813	824,773	824,773	911,987	0
37	0	86,813	796,814	796,814	888,058	0
38	0	86,813	766,299	766,299	861,568	0
39	0	86,813	732,982	732,982	832,259	0
40	0	86,813	696,589	696,589	799,850	0
	0	1,711,301				

\*This illustration assumes the nonguaranteed values shown 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 proposal from Pacific Life.

\*\*\$1,500,000 is the sum of 5 scheduled survivor income payments from the Employer to the Executive's beneficiaries.

\*\*Survivor Income Benefit is terminated at the beginning of year 21 when the policy is transferred to the executive.

# Executive's Personal Report

## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Personal Report Page: 3  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

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Employer: Magnus Electronics, Inc.

Male	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%
Age				
45				

Year	Executive's Costs		Executive's Values			
	(1) Net Payment	(2) Retirement Income AfterTax Policy Cash Flow	(3) Policy Accum Value*	(4) Policy Surrender Value*	(5) Policy Death Benefit	(6) Total Survivor Income Benefit**
41	0	86,813	656,823	656,823	764,028	0
42	0	86,813	613,352	613,352	724,451	0
43	0	86,813	565,813	565,813	680,738	0
44	0	86,813	513,806	513,806	632,473	0
45	0	86,813	456,891	456,891	579,198	0
46	0	86,813	394,354	394,354	520,166	0
47	0	86,813	327,337	327,337	430,730	0
48	0	86,813	255,877	255,877	335,438	0
49	0	86,813	180,127	180,127	234,489	0
50	0	86,813	100,383	100,383	128,216	0
51	0	86,813	13,885	13,885	42,335	0
52	0	0	11,771	11,771	40,837	0
53	0	0	9,018	9,018	38,708	0
54	0	0	5,491	5,491	35,812	0
55	0	0	1,017	1,017	31,975	0
56	0	0	1,099	1,099	32,753	0
57	0	0	1,187	1,187	33,554	0
58	0	0	1,282	1,282	34,378	0
59	0	0	1,384	1,384	35,226	0
60	0	0	1,495	1,495	36,099	0
	0	2,666,244				

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\*\*\$1,500,000 is the sum of 5 scheduled survivor income payments from the Employer to the Executive's beneficiaries.

\*\*Survivor Income Benefit is terminated at the beginning of year 21 when the policy is transferred to the executive.

# Executive's Personal Report

## Executive Trifecta Using Pacific Indexed Accumulator II

Executive's Personal Report Page: 4  
Date: 03/08/2007

Presented By: Kenneth B. Sapon, LUTCF

Insured: Tony Callahan  
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Male Age 45	Form of Transaction (Key Executive Coverage with Deferred Transfer of Policy To Executive)	Policy Transfer to Executive is Illustrated at Beginning of Year 21	Executive's Tax Bracket 35.00%	PIA 2 Interest Rate 8.00%
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Year	Executive's Costs		Executive's Values			
	(1) Net Payment	(2) Retirement Income AfterTax Policy Cash Flow	(3) Policy Accum Value*	(4) Policy Surrender Value*	(5) Policy Death Benefit	(6) Total Survivor Income Benefit**
61	0	0	1,615	1,615	36,998	0
62	0	0	1,744	1,744	37,924	0
63	0	0	1,883	1,883	38,878	0
64	0	0	2,034	2,034	39,862	0
65	0	0	2,197	2,197	40,877	0
66	0	0	2,372	2,372	41,925	0
67	0	0	2,562	2,562	43,006	0
68	0	0	2,767	2,767	44,122	0
69	0	0	2,988	2,988	45,276	0
70	0	0	3,227	3,227	46,468	0
71	0	0	3,486	3,486	47,701	0
72	0	0	3,764	3,764	48,977	0
73	0	0	4,066	4,066	50,297	0
74	0	0	4,391	4,391	51,665	0
	0	2,666,244				

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\*\*\$1,500,000 is the sum of 5 scheduled survivor income payments from the Employer to the Executive's beneficiaries.

\*\*Survivor Income Benefit is terminated at the beginning of year 21 when the policy is transferred to the executive.

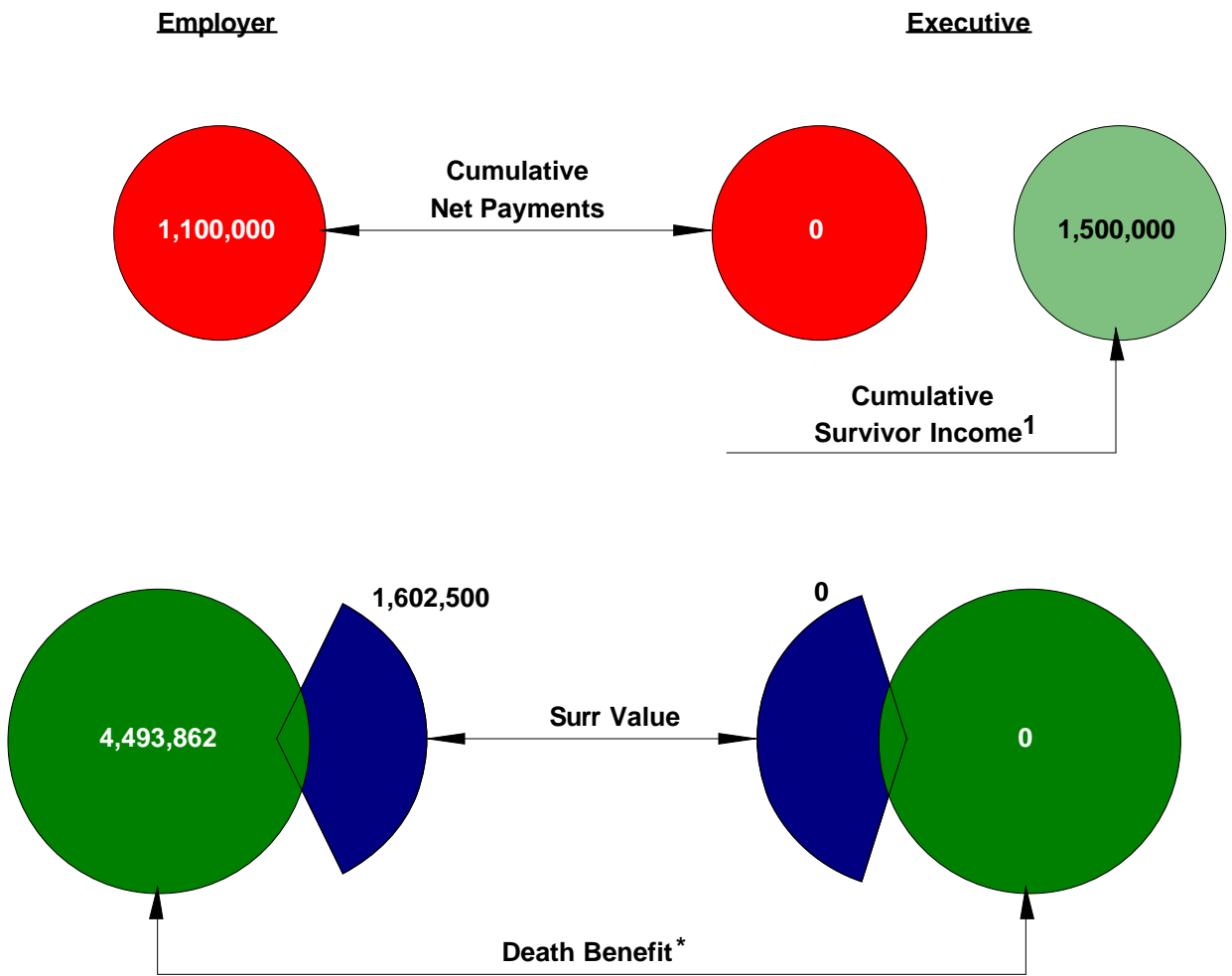


# Executive Trifecta Using Pacific Indexed Accumulator II

Presented By: Kenneth B. Sapon, LUTCF  
Date: 03/08/2007

For: Tony Callahan  
Employer: Magnus Electronics, Inc.

## 20th Year Summary Analysis



(1) For Family Income

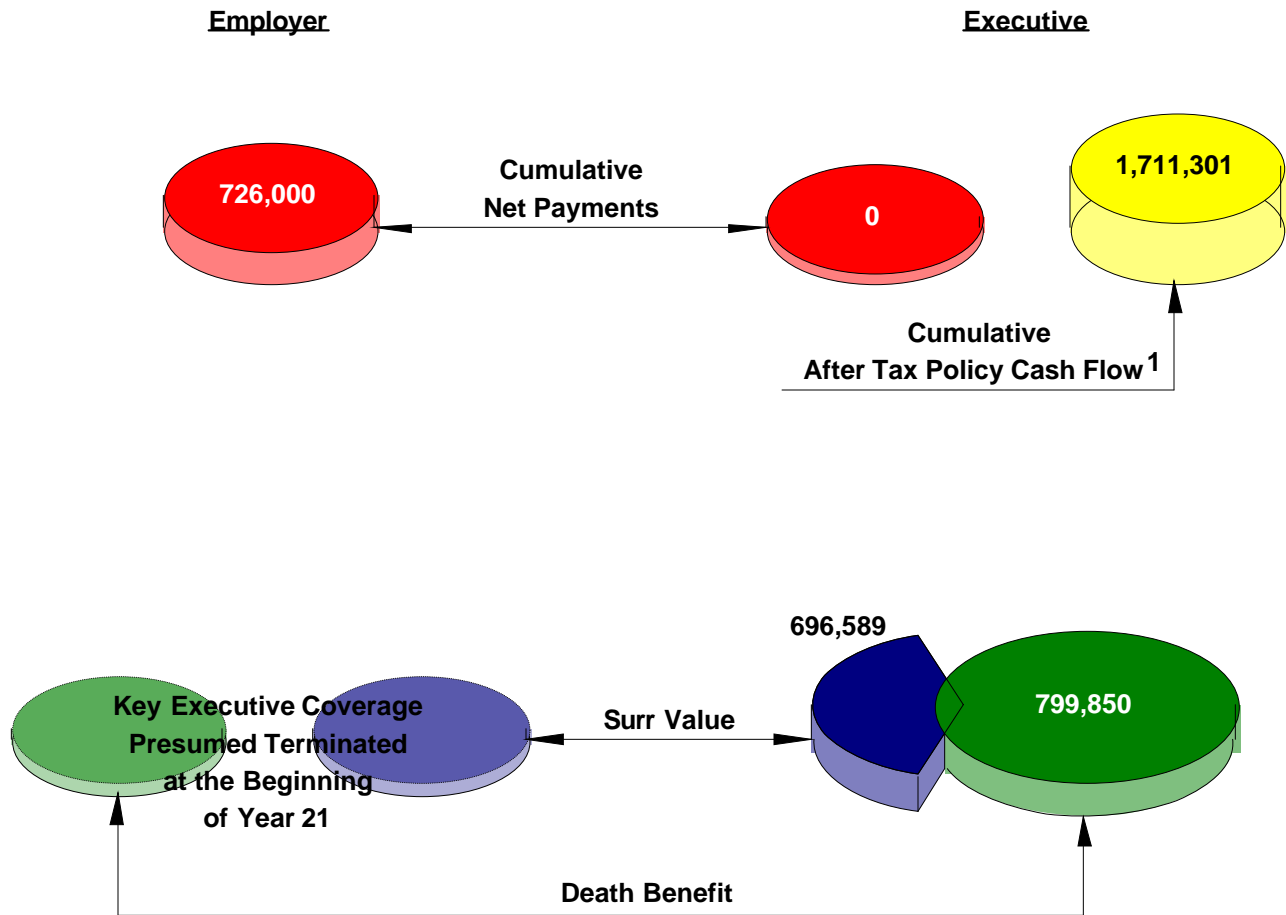
\* Employer's Death Benefit includes an amount allocated for funding the executive's survivor income benefit.

# Executive Trifecta Using Pacific Indexed Accumulator II

Presented By: Kenneth B. Sapon, LUTCF  
Date: 03/08/2007

For: Tony Callahan  
Employer: Magnus Electronics, Inc.

## 40th Year Summary Analysis



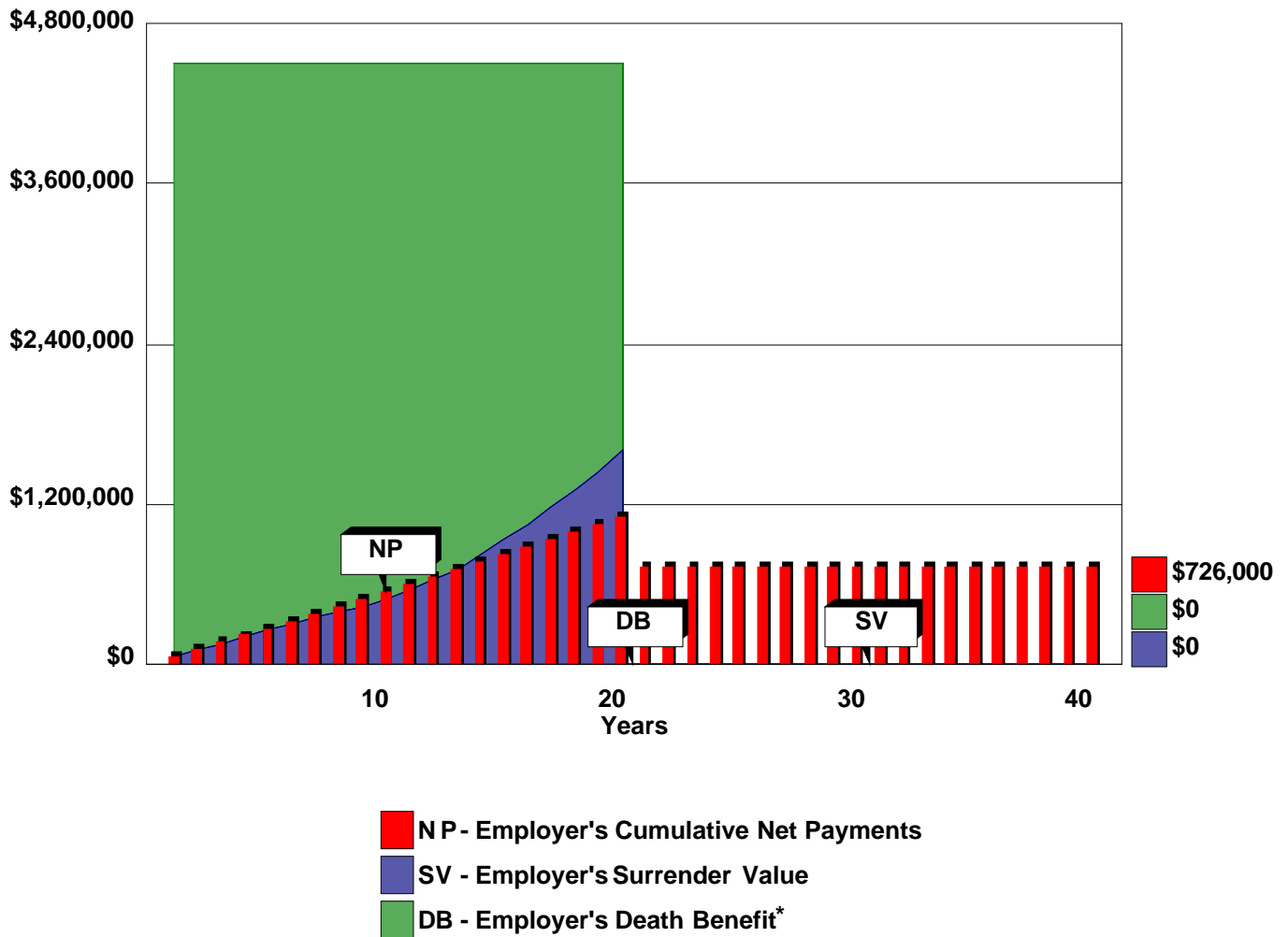
(1) For Retirement Income.

# Executive Trifecta Using Pacific Indexed Accumulator II

Presented By: Kenneth B. Sapon, LUTCF  
Date: 03/08/2007

For: Tony Callahan  
Employer: Magnus Electronics, Inc.

## Employer's 40 Year Graphic Analysis



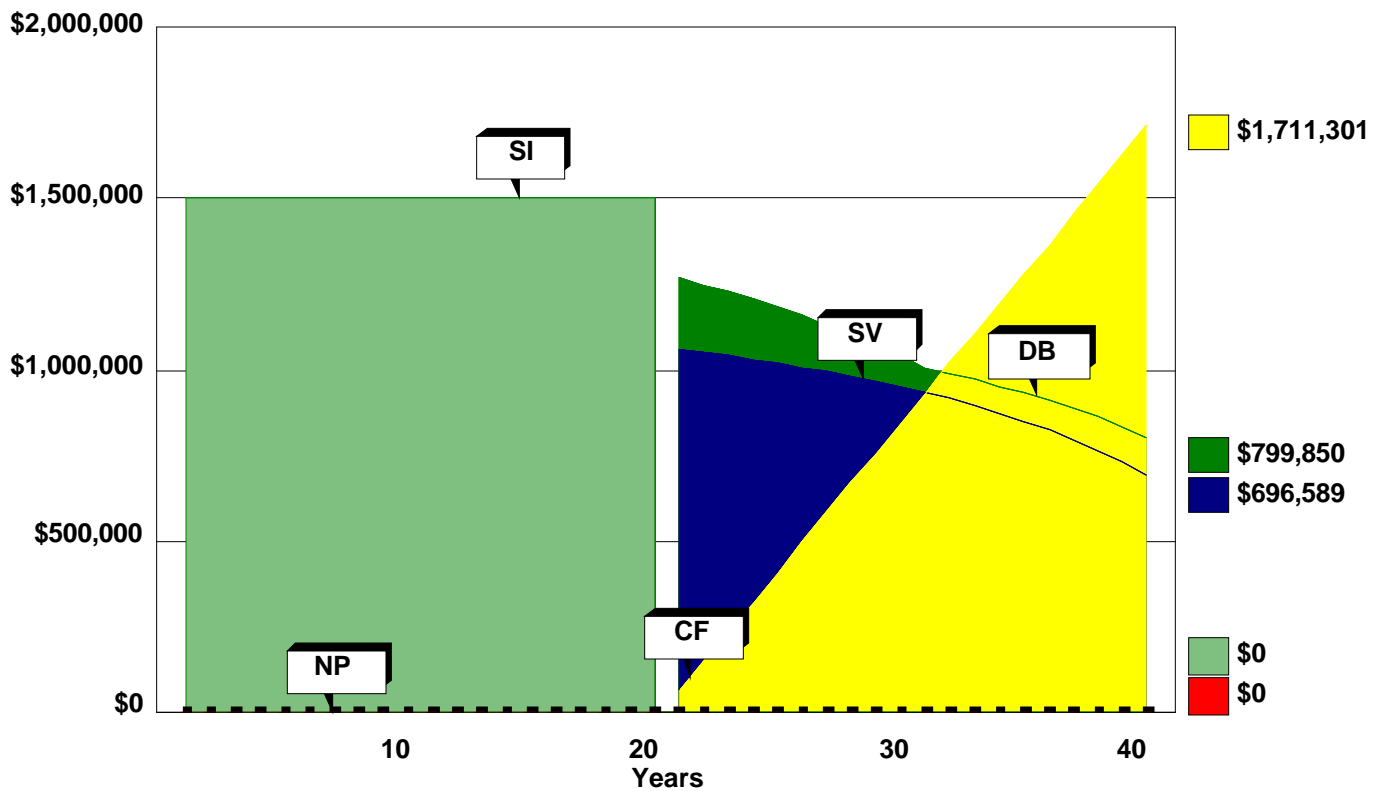
\* Employer's Death Benefit includes an amount allocated for funding the executive's survivor income benefit.

# Executive Trifecta Using Pacific Indexed Accumulator II

Presented By: Kenneth B. Sapon, LUTCF  
Date: 03/08/2007

For: Tony Callahan  
Employer: Magnus Electronics, Inc.

## Executive's 40 Year Graphic Analysis



- NP - Executive's Cumulative Net Payments
- SI - Executive's Total Survivor Income Benefit
- CF - Executive's Cumulative After Tax Policy Cash Flow<sup>1</sup>
- SV - Executive's Surrender Value
- DB - Executive's Death Benefit

(1) For Retirement Income.