

**A BUY-SELL AGREEMENT FUNDING  
PROPOSAL**

**FOR  
*SMALL CORP INC.***

# **A BUY-SELL AGREEMENT FUNDING PROPOSAL**

Prepared For:

***SMALL CORP INC.***

***Presented by: Mr. Agent***

***Date: October 17, 2006***

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# OVERVIEW

**Purpose Of This Proposal**

The purpose of this proposal is to provide **Small Corp Inc.**, a C Corporation, with a possible solution for one of its most important needs: assuring business continuation in the event of the death of one of the owners.

This preliminary proposal may also serve to highlight other needs, such as estate planning services for the company's executives and retirement solutions for the company's employees. However, since the primary need at this time is as described above, we will focus on that solution.

For **Small Corp Inc.** we are proposing the funding of a buy-sell agreement between the owners, using life insurance as the most cost effective means of providing that funding. The program is discussed in detail in the following sections

# **THE BUY-SELL AGREEMENT**

**Why does a business need a buy-sell agreement?**

The death or disability of one of its owners can create serious problems for a business unless adequate plans have been made. When an owner dies or becomes permanently disabled, who will take his place? Is the owner's family able and willing to take on this new responsibility? What if the family decides to sell its share of the business? Who will buy it? What will the price be? Where will the money come from? Such situations can seriously impair a business' ability to function and even threaten its existence.

The above situations point to the need for a buy-sell agreement. Such an agreement creates a ready purchaser for the sale of a business interest in the event of death, disability, retirement or employment termination of one of the business owners, and ensures a specified amount will be received for that interest. From the perspective of the remaining business owners, a buy-sell agreement allows them to retain control of the business.

The advantages of a binding buy-sell agreement for a decedent's family or a disabled owner are:

- It can assure a definite price and buyer under mutually agreeable conditions for a business interest that otherwise might be difficult to sell.
- Disagreements that would otherwise arise from negotiation of sale price after death or disability can be avoided.
- The decedent's family receives cash to meet estate obligations and other family needs.
- If properly structured, it can help establish the business value for estate tax purposes.
- The disabled owner receives cash needed to pay medical bills and living costs.
- The family can develop a more diversified investment program.

There are also advantages for the surviving or non-disabled owners:

- It can guarantee control and ownership of the business.
- It can assure a fair and equitable settlement.
- It allows growth and expansion of the business.
- It can restrict competition, solicitation and the use of confidential information by former owners.

- Customers, creditors, employees and banks are assured of business continuity.
- It can guarantee competitors can't purchase the business interest.
- It can protect any minority owners.

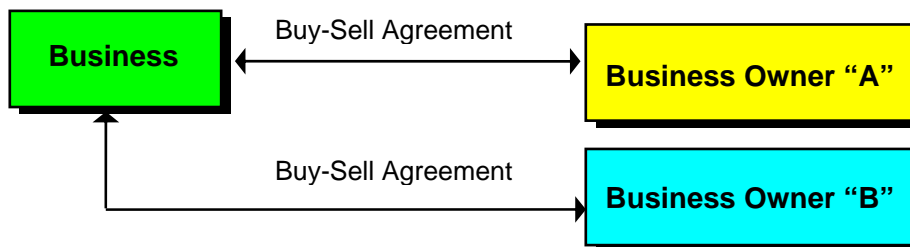
**What are the types of buy-sell agreements?**

There are four basic types of buy-sell agreements:

- The purchaser is obligated to buy the interest, and the estate of the deceased owner is obligated to sell. This is frequently referred to as a ***mandatory agreement of purchase and sale.***
- The purchaser has an option to purchase the interest of the deceased owner and, if exercised, the other party must sell.
- The estate of the deceased owner has an option to sell and, if exercised, the other party must buy.
- Neither of the parties is obligated to buy or sell, but if an owner or the estate of a deceased owner desires to sell, the interest must first be offered to the other parties before it can be sold to a third party.

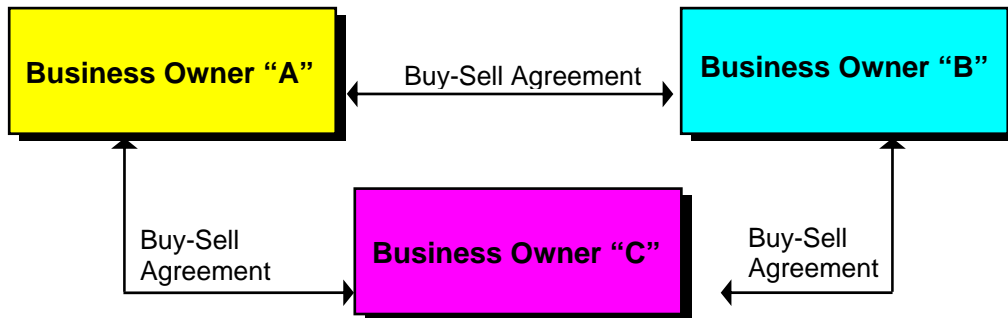
With regard to who will be purchasing the interest, there are three general alternatives. The first is an ***entity purchase or redemption*** method, in which the agreement is between the company and the owners, with the company as purchaser

**Entity Purchase Illustrated**



Another method is a ***cross-purchase*** arrangement, in which each owner has a separate agreement with each of the other owners.

***Cross-Purchase Agreement Illustrated***

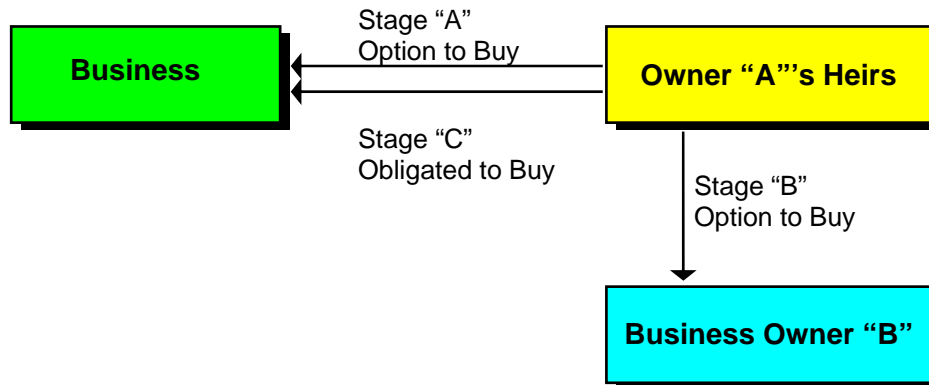


The third type of agreement is called ***"Wait-and-See."*** This approach allows the parties to defer the decision regarding the eventual purchaser until a triggering event occurs. It is appropriate when the company or surviving owners may not have sufficient funds to purchase a deceased owner's interest alone, when the business' advisors seek more flexibility in light of rapidly changing tax laws and business circumstances, or when an escape hatch is sought to avoid adverse income tax consequences. Mechanically, the wait-and-see buy-sell works as follows:

- (A) The company is given a first option to purchase any or all of the existing member's interest. At this stage, the wait-and-see buy-sell takes the form of a redemption plan. To the extent that option is not exercised within a designated period, the parties enter Stage B.
- (B) At this stage, the remaining owners are given an option to purchase the interest. Here, the arrangement is similar to a cross-purchase plan.
- (C) Any interest remaining at the expiration of the second option must be purchased by the company. In this final stage, the purchase takes the form of a redemption.

It is important that the three stages be followed in order or the IRS may classify the payment by the company as a constructive dividend.

**Wait-and-See Agreement Illustrated**  
 (At Death of Business Owner "A")



One disadvantage of a wait-and-see agreement is that the estate of the deceased owner is left "up in the air" as to the sale of interest, pending the decision as to who will purchase it. Additionally, the plan may collapse due to lack of funding. Finally, the plan may require an installment sale instead of a lump sum payment for the ownership interest.

Whether the buy-sell agreement is one of redemption, cross-purchase or wait-and-see, the mandatory type of agreement accomplishes the desired basic results: it provides a market for the interest in the event of death, it prevents outsiders from acquiring an interest in the business, it removes the family from the burdens and risks of the business, and it provides liquidity to pay estate costs and taxes.

In determining which type of agreement should be used, several things need to be considered:

- **Enforceability** - Can the company redeem or purchase ownership interests? If such a purchase cannot be made, a redemption agreement may be unenforceable. No such problems arise in a cross-purchase agreement.
- **Income tax basis** - The different types of buy-sell agreements will have different effects on the tax basis of the surviving owners' interests in the business. Under a cross-purchase plan, the surviving owners purchase the deceased owner's interest. Their income tax basis in the acquired interest is equal to the purchase price. Under a redemption or entity purchase plan, the business purchases the deceased owner's interest. If the business is a Subchapter C corporation, the surviving shareholder will have no increase in his income tax basis even though his ownership interests in the business have increased. If the business is a Subchapter S corporation, a partnership, or an LLC taxed as a partnership, the "flow-through"

income tax rules of these entities may increase the surviving owners' tax basis. Generally, when a flow-through entity receives life insurance proceeds, all of the owners' bases, including that of the deceased owner, are increased by each owner's proportionate interest in the business. Each surviving owner would typically get a bigger increase in cost basis on an interest he purchased directly from a deceased owner's estate.

Partnerships and LLCs taxed as partnerships do have a way to use an entity redemption buy-sell agreement that will still give the surviving owners the same basis increase as they would with a cross-purchase agreement. This is accomplished by an amendment to the partnership or membership operating agreement that makes a "special allocation" of a life insurance policy and its death benefits to the non-insured owners. If the special allocation is done properly and the books and records are carefully maintained to preserve the allocation, the increase to the surviving owners' basis will be the same as if the surviving owners had received the death benefit and then personally paid for the deceased owner's interest. The decision about whether to make a special allocation requires a thorough review and knowledge of all of the business books and records and consideration of the individual owner's tax situations. Accordingly, the business and the owners should consult with a competent tax advisor regarding this issue.

- **Number of Policies** - Under a redemption plan, the company holds one policy for each owner. Under a cross purchase plan, each owner holds a life insurance policy on the life of each of the other owners. As a result, when there are 3 or more owners, a cross purchase plan requires a greater number of policies than a redemption or entity purchase plan. If an increased basis is desired along with the minimization of the number of policies required, a partnership may be considered.
- **Unequal Premiums** - If the cost of insurance coverage varies significantly among owners, a redemption plan could equalize the cost of the plan because the company, not the individual owners, pays for the life insurance. If the cost varies significantly under a cross purchase plan, a Section 162 executive bonus, double bonus plan, or split dollar arrangement could be set up to provide funds to the owners or key employee/prospective buyers, effectively shifting the cost of the buy-sell plan from the individuals to the company. These options should be discussed in detail with an experienced tax advisor.

### **What are the requirements of the agreement?**

A written document between the parties to the agreement should be drawn and properly executed. The legal agreement should:

- State the business purpose to be served for the agreement.
- Refer to the events that will trigger a buy-out.

- Provide a formula for determining the price at which shares are to be exchanged.
- Explain how and why the purchased interest is to be delivered.
- List any restrictions on lifetime transfers.
- State any exceptions to the general terms (for instance, to allow a gift or sale to immediate family members).
- Explain how funding is to be arranged, with specific reference to life insurance (a schedule of policies should be appended to the agreement or listed within it).
- Specifically provide for the purchase of additional insurance as the value of the company increases.
- State how funding of any sales price in excess of insurance proceeds is to be made, including interest on the unpaid balance.
- Explain what is to happen in the event of bankruptcy, receivership, or dissolution of the company, the purchase or disposal of all of the owners' interests either during their lifetime or after death, or termination of the agreement by a voluntary action of the parties.
- State the jurisdiction's laws that will be applied to construe the document.

# **FUNDING THE BUY-SELL AGREEMENT**

***How should the buy-sell agreement be funded?***

The buy-sell agreement, by its very nature, creates an obligation for the company or the surviving owners to purchase the interest of a deceased or disabled owner. The manner in which this obligation is to be discharged becomes most important.

There are four methods that can be used to fund the agreement. They are:

- ***Using cash reserves*** - Even if the business has sufficient liquidity to use this method, the applicable state laws may restrict the use of those funds for funding purposes.
- ***Borrowing*** - The difficulties with this method would include the ability to obtain financing at a time when a key owner has just died and the overall cost of financing.
- ***Liquidating assets*** - Selling assets to raise the required capital may result in a reduction in the “fair market value” of the business. Additionally, the company may not be able to continue its business without the assets.
- ***Life insurance*** - This is the most often used method for funding buy-sell agreements.

***Why is life insurance the best choice for funding the buy-sell agreement?***

There are a number of advantages in using life insurance. Some of these include:

- Life insurance funding has a relatively low cost, is simple to understand and implement, and will not adversely affect the working capital or credit position of the business.
- Life insurance is the only means of guaranteeing that death, the event which creates the need for cash, also “creates the cash” to satisfy that need.
- Survivors of the deceased owner are freed from financial dependence on a business that has just lost a key individual.
- Survivors of the deceased owner are assured of receiving a fair purchase price.
- The insurance proceeds are paid quickly after the insured's death, making it easy to close the sale of the business interest quickly.

**How are the life policies used in the entity purchase and cross-purchase plans?**

Under a cross-purchase plan, each owner must own a life insurance policy on the life of each of the other owners. If there are more than two owners, several life insurance policies must be purchased. For example, if there are 5 owners, each owner must purchase 4 life insurance policies, one on the life of each of the other owners, for a total of 20 policies. When one of the owners dies, his or her estate could sell the policies that were owned by the deceased owner on the lives of the other owners to the surviving owners. The surviving owners may need these policies to fund the purchase of the interest of the next owner to die. Usually the proceeds of a life insurance policy are not included in the beneficiaries' income for income tax purposes. Unfortunately, the transfer from the deceased owner's estate to the surviving owners could constitute a "transfer for value" within the meaning of the Internal Revenue Code. Under the "transfer for value" rule, a portion of the proceeds of a life insurance policy will be included in the beneficiaries' income for income tax purposes if the policies were transferred to the owner in exchange for something of value.

A partnership may be considered to help avoid the problems associated with transferring policies and to reduce the total number of policies that must be purchased. If a partnership is used, only one policy for each owner is purchased. The partnership owns the policies and is named as the beneficiary of each policy. The owners are the partners of the partnership. When one of the owners dies, the partnership distributes the insurance proceeds to the surviving owners. The surviving owners then use the proceeds to purchase the deceased owner's interest. While the use of a partnership to hold the life insurance policies is often a good way to simplify the administration of a buy-sell agreement, it must be carefully drafted to avoid any undesirable tax consequences to the owners. Accordingly, an experienced professional should draft these plans.

Under a redemption or entity purchase plan, the life insurance policies are purchased and owned by the company, and only one policy may be required for each owner's life. Upon the death of an owner under a redemption or entity purchase plan, the company continues to own the policies on the lives of the surviving owners and there is no need to transfer the policies.

**How much life insurance should be purchased?**

It is highly recommended that, if at all possible, the buy-sell be fully funded from inception. This is because the value of the business interest (and therefore the need for cash to buy that interest) will increase due to growth of the business itself, as well as due to inflation. To meet these future needs, it may be appropriate for the insurance purchased to have an increasing death benefit option (universal life) in order to approximate this growth.

**What tax implications are there in buy-sell agreements funded with life insurance?**

1. Premiums for life insurance used to fund a buy-sell agreement are not deductible regardless of whether a company, partnership, individual owner, or a third party owns the policy. Consequently, the tax brackets of these prospective policyowners should be considered in determining the type of agreement to be used. From a tax perspective, the one with the lower tax bracket should be considered to be the policy owner, since after tax dollars will be used.
2. As discussed above, death proceeds will be received income tax-free regardless of who owns the policy, unless there has been a transfer for value. (See below for discussion of the Pension Protection Act of 2006.)
3. Alternative Minimum Tax (AMT) is still a consideration when the proceeds are payable to a "C" company. However, beginning in 1998, the AMT does not apply to small business companies (defined as those with less than \$5 million of gross receipts.) There is no AMT involved in a cross-purchase arrangement.
4. Where each owner owns life insurance on the lives of other owners (cross-purchase plan), the policies owned by the other owners on the deceased owner's life will not be includable in the deceased owner's estate. But the cash values (including any premiums paid but unearned on the date of his death) of the policies the decedent owned on the surviving owners' lives will be included in his estate.

**What are the restrictions for Corporate Owned Life Insurance from the Pension Protection Act of 2006?**

Before the effective date of the Pension Protection Act of 2006 (PPA), employer-owned or corporate-owned life insurance (COLI) policies generally received the same tax advantages as life insurance owned by individuals. It is important to note that PPA does not impact only Corporate-Owned Life Insurance; the law applies to any employer-owned life insurance, which is defined as a contract: (1) owned by a person engaged in a trade or business; (2) of which that person, or a related person, is a direct or indirect beneficiary; and, (3) insuring an individual who, at the time contract was issued, was an employee with respect to the trade or business of the "applicable policyholder".

The Act has limited one of the tax advantages in some instances, namely the income tax free treatment of death benefit proceeds. Specifically, PPA amends Section 101 of the Internal Revenue Code, which deals with the income taxation of all life insurance death benefits, by adding a new subsection limiting the tax free portion of employer owned death benefit proceeds to the premiums and any other amounts paid by the employer, unless certain eligibility as well as notice, consent and reporting requirements are fulfilled.

To retain the Section 101 income tax free death benefit, the COLI must either: (i) insure an individual who was employed at any time within the 12 months prior to his/her death, (ii) insure a director, or highly compensated employee (Highly compensated employees are more than 5% owners, directors and anyone else in the top 35% of employees ranked by pay), or (iii) pay death benefits to the insured's family, beneficiary or estate or to a trust for the same, or pay death benefits used to purchase an equity interest in the business from the insured's family, beneficiary, estate or trust.

The notice and consent requirements are satisfied if each insured employee, prior to the contract being issued:

- i  
s notified in writing (i) that the employer intends to insure the employee and (ii) of the maximum face amount for which the employee could be insured at the time the contract is issued;
- provides written consent to be insured under the contract, including a consent that such coverage may continue after the employee terminates employment; and
- is provided a written notification that the employer will be a beneficiary of any proceeds payable upon the death of the employee.

In addition, the PPA requires employers who are policyholders of COLI to comply with new reporting requirements. An employer who is a policyholder of COLI must file a return that discloses:

- the number of employees of the employer at the end of the year;
- the number of such employees insured by a COLI at the end of the year;
- the total amount of insurance in effect at the end of the year;
- the name, address, taxpayer identification number, and type of business of the employer; and
- that the employer has written consents for all insured employees (or if such written consents are not obtained for each insured employee, the number of missing consents).

The provisions of the PPA that affect COLI are generally effective for life insurance policies that are issued after the date of enactment, August 17, 2006 with certain exceptions. Also note that any material increase in the death benefit or other material change may cause the contract to be treated as a new contract, subject to the new requirements.

**Recommendations**

**Small Corp Inc.** and its owners should review the alternative methods of constructing a buy-sell agreement to determine the type best suited to them and to the company.

For purposes of this proposal, we have assumed the use of a cross-purchase form of agreement, where each owner has a separate agreement with the other owner and would purchase, pay the premiums on, own and be the beneficiary of a policy on the other owner. We have assumed the use of a cross-purchase agreement for the following reasons:

- Under a cross-purchase plan, the surviving owner will purchase the deceased owner's interest, thereby securing an income tax basis in that interest equal to the purchase price. For example, if the surviving owner's current basis is \$50,000, and he/she is able to purchase a deceased owner's interest for \$50,000, the surviving owner's new income tax basis is \$100,000.
- As there are only 2 owners, there will not be a greater number of policies required with a cross-purchase plan than with an entity redemption plan.
- However, the cost of insurance coverage varies between the owners. Small Corp Inc. could set up a Section 162 executive bonus, double bonus plan, or split dollar arrangement to provide funds to the owners, effectively shifting the cost of the buy-sell plan from the individuals to the company.

The owners of **Small Corp Inc.** may also want to consider purchasing disability buy-out insurance. Disability buy-out insurance is designed to provide funds for the purchase of a disabled owner's interest in a corporation after an extended period of permanent and total disability. The benefits of this type of insurance include providing funds for the purchase and assuring that the business owner will no longer be a drain on the business income and assets. Because a disabled person's chance of recovery is the highest in the early months of the disability, the waiting period could be extended (typically from 12 months to 3 years). This may prevent the forced sale of a business interest while the disabled owner might reasonably expect to return to work. Disability buy-out insurance premiums are nondeductible and the benefits are received free of income taxes.

Additional assumptions are shown in the following section of this proposal.

# **ILLUSTRATIONS**

**STRUCTURE OF CONTRACTS  
SMALL CORP INC.**

**Assumptions:**

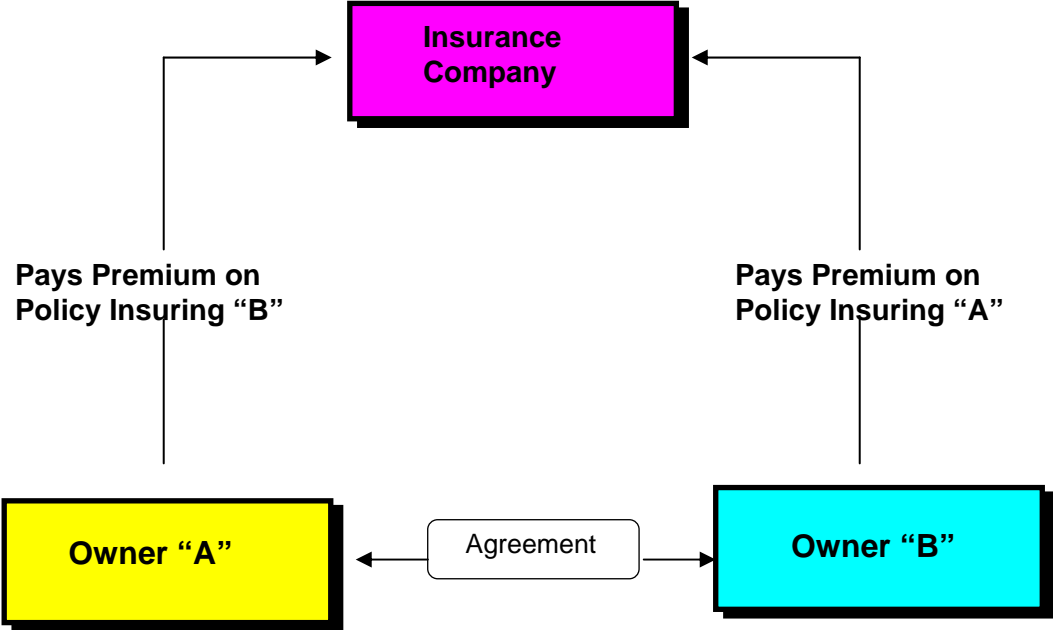
- ⊞ *Small Corp Inc.* is a C Corporation.
- ⊞ The net fair market value of the business is \$1 million. Homer Small owns 60% of Small Corp Inc., and Thomas Small owns 40% of Small Corp Inc..
- ⊞ Homer Small and Thomas Small will execute a “Cross-Purchase” buy-sell agreement to provide for the purchase of a deceased owner’s share in the company.
- ⊞ In the event of the death of one of the business owners, the other owner will purchase the interest of the deceased owner from his estate, at an agreed upon price.
- ⊞ Homer Small and Thomas Small will own, pay the premiums for and be sole beneficiary of the life insurance policies insuring the other business owner, with the death benefit of the policy on Homer Small equal to \$600,000 and the death benefit of the policy on Thomas Small equal to \$400,000.
- ⊞ We have included a Lincoln Benefit Life **Legacy Universal Life** illustration for each owner. The underwriting classification illustrated for Homer Small is Preferred Non-smoker and the underwriting classification illustrated for Thomas Small is Preferred Elite. Actual classification will be determined during the underwriting process. The Lifetime Guarantee premiums on the policies on Homer Small and Thomas Small will be paid until their respective age 65.

<i>Name / Age</i>	<i>Policyowner / Beneficiary</i>	<i>Death Benefit</i>	<i>Premium</i>
Homer Small / 40	Thomas Small	\$600,000	\$5,322
Thomas Small / 33	Homer Small	\$400,000	\$2,402

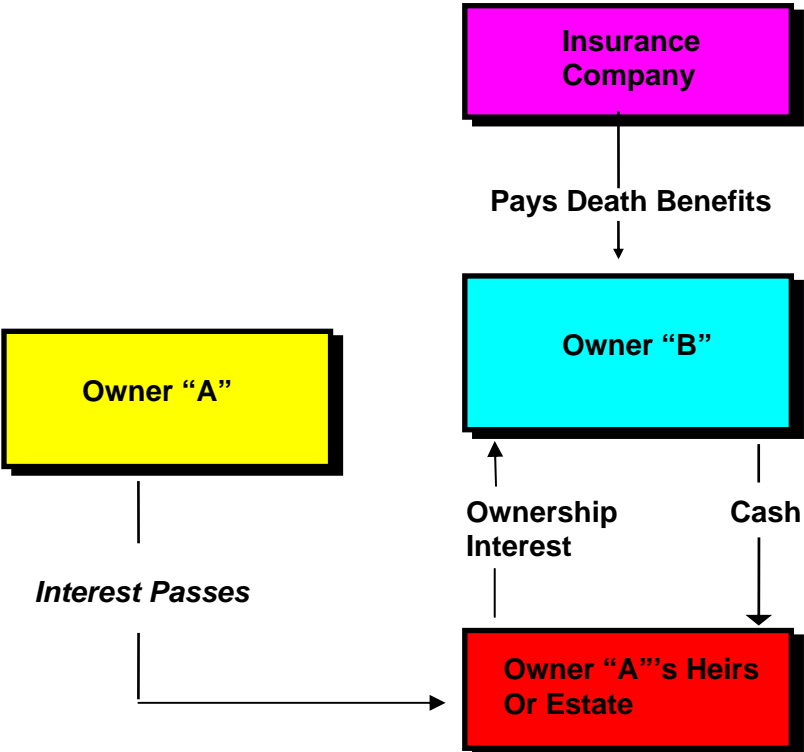
- ⊞ See the attached illustrations for additional assumptions.

The flow chart on the following page shows an example of how this works.

**CROSS-PURCHASE BUY-SELL AGREEMENT  
DURING THE OWNERS' LIFETIMES**



**UPON THE DEATH OF OWNER "A"**



# **SUMMARY**

By having a buy-sell agreement drawn up and executed, or by having their existing agreement reviewed, **Small Corp Inc.** will take the first important step toward assuring the orderly continuation of the business should one of its owners die prematurely. It is, however, only the first step.

To complete the process, **Small Corp Inc.** should fund the agreement. This will assure the surviving owners and the heirs of the deceased owner that the cash will be available to act on the intent of the agreement.

There are a number of different methods to fund such an agreement. We strongly recommend the use of life insurance because:

- It is the only method of funding which will guarantee a definite sum of money to be available at an indefinite time in the future.
- The cost of that money will only be a few cents on the dollar if a death occurs in the early years of the contract and could involve a substantial discount if death does not come for many years.
- The death benefit is received free of income taxes by the individual policies' beneficiary.
- A life insurance funded buy-sell agreement could free the owners and their heirs of worries about the proper disposition of the business interest.

As with any business planning, your customer should seek the assistance of their tax advisor or legal counsel regarding their specific business situation. Allstate Life Insurance Company and Lincoln Benefit Life Company do not provide legal advice and do not endorse any particular strategy for the customer.

We look forward to assisting **Small Corp Inc.** in completing this important transaction.

**This illustration is not complete without the Insured's name(s), and the Agent's name, address, city, state, zip code, and phone number.**

<b>Prepared For:</b> Homer Small Male, Age 40 Preferred Nonsmoker  Presented in the state of: IL	<b>Presented By:</b>
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**Legacy Secure (Form UL 0400 Series) - Narrative Summary**  
**Flexible Premium Adjustable Life Insurance**

**A Universal Life Insurance Policy Illustration**

This life insurance policy allows flexible premium payments for life. The death benefit is adjustable and ultimately depends on the policy value in the policy. The policy value is based on the amount and timing of your premium payments, monthly deductions, and monthly interest credited to the policy. Interest rates and cost factors are subject to change. The interest rate is guaranteed to never go below 3.0% and costs are guaranteed to not exceed the maximums listed in the policy.

**Underwriting Class - Preferred Nonsmoker**

The premium options and policy deductions calculated for this illustration assume a policy is issued with the underwriting class listed above. Actual amounts will depend on the outcome of the underwriting process and may vary from what is shown on this illustration. If so, you will receive a revised illustration with your insurance policy.

**Initial Death Benefit Amount - \$600,000**

The death benefit assumed at issue is shown above. The actual amount payable at death may be decreased by loans or withdrawals.

**Initial Death Benefit Option - 1**

The policy provides for the death benefit being based on either the face amount (Option 1) or the face amount plus the policy value (Option 2).

**Initial Planned Premium - \$5,321.84 Paid Annually**

The planned premiums are shown in the Policy Detail section of this illustration. Be sure to note when coverage would cease on the guaranteed and non-guaranteed assumptions. This illustration reflects planned changes to the premium in future years. Actual performance may vary. Be sure to check the Policy Detail section to review the planned changes.

**Required Minimum Premium - \$3,168.00 Paid Annually**

The required minimum premium is the lowest amount required to purchase this policy.

**This Illustration is for illustrative purposes only; nothing herein is a contractual obligation.**

*Illustration is not valid without all pages.*

**Legacy Secure (Form UL 0400 Series) - Narrative Summary (Continued)**

**Coverage Protection Rider (Form UL 0408 Series)**

Based on the planned premiums in this illustration the Coverage Protection Rider guarantees the death benefit coverage will remain in force for the insured's lifetime regardless of the surrender value. The duration of the guarantee depends on the timing and amount of premiums paid as well as the amount and timing of withdrawals and loans. If actual premiums, withdrawals, or loans are different than those illustrated in timing or amount or if your policy benefits change, the duration of the guarantee will also change. Premiums must be paid before the end of the policy month in which they are illustrated for the Coverage Protection Rider to perform as illustrated.

**Maximum Premiums**

The maximum guideline annual premium is \$9,651.77 and the maximum guideline single premium is \$109,041.12. The Seven Pay premium is \$26,924.29 and is the maximum amount that can be paid in order to keep your policy from becoming a Modified Endowment Contract. Paying the maximum premium ensures your policy will have the greatest surrender value and a death benefit for the longest possible term. These premium amounts change if you change the death benefit amount. The guideline premium amounts will also change if you change the death benefit option.

**Guaranteed Assumptions**

Guaranteed values are based on your planned premium outlay, a \$10.00 monthly policy fee, a 6% premium charge for all years, a monthly administrative expense charge of \$0.08 per \$1000 of face amount for the first 6 policy years, the maximum cost of insurance charges allowed within the policy, and the guaranteed interest rate of 3.0% for all years.

**Non-guaranteed Assumptions**

This illustration assumes that the non-guaranteed elements currently illustrated will continue unchanged for all years shown. This is not likely to occur and actual results may be more or less favorable.

**Current Assumptions**

Assumes a current interest rate of 5.00% , a \$7.50 monthly policy fee, a 6% premium charge for all years, a monthly administrative expense charge of \$0.08 per \$1000 of face amount for the first 6 policy years, and current cost of insurance charges. Current non-loaned values also include a persistency bonus of 0.5% for policy years 15 and beyond. The persistency bonus is guaranteed in any period in which the current interest rate exceeds 3.0%.

**Mid-Point Assumptions**

Assumes an interest rate of 4.00%, which is midway between the guaranteed and current interest rate , an \$8.75 monthly policy fee, a 6% premium charge for all years, a monthly administrative expense charge of \$0.08 per \$1000 of face amount for the first 6 policy years, and an average of the current and guaranteed cost of insurance charges. Non-loaned values also include a persistency bonus of 0.5% for policy years 15 and beyond. The persistency bonus is guaranteed in any period in which the current interest rate exceeds 3.0%.

**Age 100 Conditions**

If the policy is still in force after the anniversary following the insured's 100th birthday, the following apply:

1. Cost of insurance, policy fees and monthly administrative charges will be waived.
2. The policy value continues to earn the current credited interest rate.
3. All remaining riders are canceled, except the Accelerated Death Benefit Rider.

**This Illustration is for illustrative purposes only; nothing herein is a contractual obligation.**

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*Illustration is not valid without all pages.*

**Legacy Secure (Form UL 0400 Series) - Narrative Summary (Continued)**

**Policy Year**

This is the twelve month period that begins on the date the policy is issued. Subsequent policy years begin on the anniversary of the date the policy was issued.

**Premium Outlay**

The amount of premiums paid into the policy. Premiums are assumed to be paid at the beginning of each year. Premium outlay may be skipped as long as there is enough net surrender value to cover the policy's monthly deductions. However, policy deductions continue to be required throughout the term of the policy. Depending on actual results, the premium payer may need to continue or resume premium outlays.

**Net Distributions**

The total of all loans, withdrawals, and loan repayments made each policy year. A negative number shows the amount of net distributions coming out of the policy. Distribution transactions are assumed to occur at the beginning of the policy year.

**Policy Value**

This is the accumulated value of the premiums paid plus interest earned less withdrawals and policy deductions for expenses, riders, and cost of insurance.

**Surrender Value**

This is the policy value less a surrender charge. The net surrender value is the surrender value less any outstanding loan balance and is the amount available to the policy owner upon surrender of the policy.

**Surrender Charge**

During the first 19 years this policy is subject to a surrender charge. The illustrated Surrender Value reflects the amount available after the surrender charge has been applied. The surrender charge for the first year is \$12,222.00, grading down the next 19 years.

**Accelerated Death Benefit Rider (UL 9455 Series)**

This rider is not illustrated, but is available on this policy and provides for the payment of the lesser of \$250,000 or 50% of the death benefit in effect if the insured is diagnosed with a terminal illness. There is no additional cost to have this rider attached to a policy. See the Summary and Disclosure Statement (Form LBL 1759 Rev. 2/03) for details.

**Tax Assumptions**

This illustration is based on our current understanding of the applicable current income tax laws. The company makes no guarantee regarding the tax treatment of any policy or transactions involving a policy. As with all tax matters, you should consult your tax advisor.

**This Illustration is for illustrative purposes only; nothing herein is a contractual obligation.**

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*Illustration is not valid without all pages.*

**Legacy Secure (Form UL 0400 Series) - Narrative Summary (Continued)**

**Non-guaranteed Elements of the Policy**

Many aspects of your life insurance policy are guaranteed, including your minimum interest rate and maximum cost of insurance. However, certain aspects of the policy cannot be predicted with certainty. For example, the interest rate credited may exceed the guaranteed rate and cost of insurance may be less than the maximum guaranteed cost of insurance.

The non-guaranteed elements can increase the value of your life insurance policy by increasing your policy value and/or death benefit; or by reducing the out-of-pocket cost of your policy.

Since interest and cost of insurance cannot be predicted, ranges of results have been illustrated in the policy summary. The actual values will be more or less favorable than the illustrated ranges. Variation in these factors could affect the death benefit, policy value, surrender value, and total out-of-pocket payments over the life of the policy.

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*Illustration is not valid without all pages.*

**Legacy Secure (Form UL 0400 Series) - Policy Value Summary**

<b>Prepared For:</b> Homer Small Male, Age 40 Preferred Nonsmoker	<b>Plan Details:</b> Initial Face Amount: \$600,000 Initial Death Benefit Option: 1 Initial Premium Outlay: \$5,321.84
--	---

	Guaranteed Assumptions	Non-Guaranteed Midpoint Assumptions	Non-Guaranteed Current Assumptions
Summary Year 5, Age 45			
Total Premium Outlay	26,609	26,609	26,609
Net Surrender Value	2,640	4,428	6,301
Net Death Benefit	600,000	600,000	600,000
Summary Year 10, Age 50			
Total Premium Outlay	53,218	53,218	53,218
Net Surrender Value	22,739	28,286	34,267
Net Death Benefit	600,000	600,000	600,000
Summary Year 20, Age 60			
Total Premium Outlay	106,437	106,437	106,437
Net Surrender Value	47,977	81,256	116,319
Net Death Benefit	600,000	600,000	600,000
Summary Year 30, Age 70			
Total Premium Outlay	133,046	133,046	133,046
Net Surrender Value	0	73,267	200,728
Net Death Benefit	600,000	600,000	600,000
Summary Year 70, Age 110			
Total Premium Outlay	133,046	133,046	133,046
Net Surrender Value	0	0	0
Net Death Benefit	600,000	600,000	600,000

I understand that if actual premiums, withdrawals or loans are different than those illustrated in timing or amount, or if I change my policy benefits, the period of guaranteed death benefit protection provided by the Coverage Protection Rider guarantee may also change. I understand that this illustration assumes all premiums are paid on the first day of each period and that I must pay each premium before the end of the policy month in which the payment is illustrated to ensure the Coverage Protection Rider performs as illustrated.

I have received a copy of this illustration and understand that this illustration assumes that the currently illustrated non-guaranteed elements will continue unchanged for all the years shown. This is not likely to occur, and actual results may be more or less favorable than those shown.

\_\_\_\_\_  
**Applicant**

\_\_\_\_\_  
**Date**

I have informed the applicant or policyowner that this illustration assumes that the currently illustrated non-guaranteed elements will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than those shown.

\_\_\_\_\_  
**Insurance Agent**

\_\_\_\_\_  
**Date**

**This illustration is not complete without the Insured's name(s), and the Agent's name, complete address and phone number.**

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**Legacy Secure (Form UL 0400 Series) - Policy Detail**

<b>Prepared For:</b> <b>Homer Small</b> Male, Age 40 Preferred Nonsmoker	<b>Plan Details:</b> Initial Face Amount: \$600,000 Initial Death Benefit Option: 1 Initial Premium Outlay: \$5,321.84
---	---

Yr	Age	----Guaranteed Values----			----Non-Guaranteed Values----				
		Annual Premium Outlay	Net Distr.	Policy Value	Net Surr Value	Net Death Benefit	Policy Value	Net Surr Value	Net Death Benefit
1	41	5,322	0	3,009	0	600,000	3,735	0	600,000
2	42	5,322	0	6,007	0	600,000	7,458	0	600,000
3	43	5,322	0	8,990	0	600,000	11,071	0	600,000
4	44	5,322	0	11,945	0	600,000	14,750	2,528	600,000
5	45	5,322	0	14,862	2,640	600,000	18,523	6,301	600,000
6	46	5,322	0	17,723	6,357	600,000	22,423	11,057	600,000
7	47	5,322	0	21,102	10,591	600,000	27,025	16,514	600,000
8	48	5,322	0	24,420	14,643	600,000	31,841	22,064	600,000
9	49	5,322	0	27,661	18,739	600,000	36,935	28,013	600,000
10	50	5,322	0	30,806	22,739	600,000	42,333	34,267	600,000
11	51	5,322	0	33,825	26,492	600,000	48,050	40,717	600,000
12	52	5,322	0	36,683	30,205	600,000	54,090	47,612	600,000
13	53	5,322	0	39,336	33,714	600,000	60,475	54,853	600,000
14	54	5,322	0	41,735	36,846	600,000	67,217	62,329	600,000
15	55	5,322	0	43,834	39,801	600,000	74,634	70,601	600,000
16	56	5,322	0	45,580	42,402	600,000	82,372	79,194	600,000
17	57	5,322	0	46,922	44,478	600,000	90,363	87,918	600,000
18	58	5,322	0	47,820	46,231	600,000	98,673	97,084	600,000
19	59	5,322	0	48,201	47,468	600,000	107,318	106,585	600,000
20	60	5,322	0	47,977	47,977	600,000	116,319	116,319	600,000
21	61	5,322	0	47,050	47,050	600,000	125,687	125,687	600,000
22	62	5,322	0	45,308	45,308	600,000	135,458	135,458	600,000
23	63	5,322	0	42,590	42,590	600,000	145,662	145,662	600,000
24	64	5,322	0	38,722	38,722	600,000	156,334	156,334	600,000
25	65	5,322	0	33,521	33,521	600,000	167,507	167,507	600,000
26	66	0	0	21,519	21,519	600,000	173,910	173,910	600,000
27	67	0	0	7,460	7,460	600,000	180,421	180,421	600,000
28	68	0	0	0	0	600,000	187,063	187,063	600,000
29	69	0	0	0	0	600,000	193,831	193,831	600,000
30	70	0	0	0	0	600,000	200,728	200,728	600,000

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**Legacy Secure (Form UL 0400 Series) - Policy Detail (Continued)**

<b>Prepared For:</b> Homer Small Male, Age 40 Preferred Nonsmoker	<b>Plan Details:</b> Initial Face Amount: \$600,000 Initial Death Benefit Option: 1 Initial Premium Outlay: \$5,321.84
--	---

Yr	Age	----Guaranteed Values----			----Non-Guaranteed Values----				
		Annual Premium Outlay	Net Distr.	Policy Value	Net Surr Value	Net Death Benefit	Policy Value	Net Surr Value	Net Death Benefit
31	71	0	0	0	0	600,000	207,316	207,316	600,000
32	72	0	0	0	0	600,000	214,117	214,117	600,000
33	73	0	0	0	0	600,000	221,001	221,001	600,000
34	74	0	0	0	0	600,000	227,827	227,827	600,000
35	75	0	0	0	0	600,000	234,458	234,458	600,000
36	76	0	0	0	0	600,000	240,843	240,843	600,000
37	77	0	0	0	0	600,000	247,023	247,023	600,000
38	78	0	0	0	0	600,000	252,898	252,898	600,000
39	79	0	0	0	0	600,000	258,189	258,189	600,000
40	80	0	0	0	0	600,000	262,887	262,887	600,000
41	81	0	0	0	0	600,000	267,499	267,499	600,000
42	82	0	0	0	0	600,000	271,290	271,290	600,000
43	83	0	0	0	0	600,000	274,154	274,154	600,000
44	84	0	0	0	0	600,000	275,917	275,917	600,000
45	85	0	0	0	0	600,000	276,609	276,609	600,000
46	86	0	0	0	0	600,000	275,995	275,995	600,000
47	87	0	0	0	0	600,000	273,470	273,470	600,000
48	88	0	0	0	0	600,000	268,984	268,984	600,000
49	89	0	0	0	0	600,000	260,947	260,947	600,000
50	90	0	0	0	0	600,000	249,406	249,406	600,000
51	91	0	0	0	0	600,000	233,249	233,249	600,000
52	92	0	0	0	0	600,000	210,878	210,878	600,000
53	93	0	0	0	0	600,000	181,382	181,382	600,000
54	94	0	0	0	0	600,000	143,604	143,604	600,000
55	95	0	0	0	0	600,000	94,341	94,341	600,000

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**Legacy Secure (Form UL 0400 Series) - Policy Detail (Continued)**

<b>Prepared For:</b> Homer Small Male, Age 40 Preferred Nonsmoker	<b>Plan Details:</b> Initial Face Amount: \$600,000 Initial Death Benefit Option: 1 Initial Premium Outlay: \$5,321.84
--	---

Yr	Age	----Guaranteed Values----			----Non-Guaranteed Values----				
		Annual Premium Outlay	Net Distr.	Policy Value	Net Surr Value	Net Death Benefit	Policy Value	Net Surr Value	Net Death Benefit
56	96	0	0	0	0	600,000	31,277	31,277	600,000
57	97	0	0	0	0	600,000	0	0	600,000
58	98	0	0	0	0	600,000	0	0	600,000
59	99	0	0	0	0	600,000	0	0	600,000
60	100	0	0	0	0	600,000	0	0	600,000

COI CHARGES STOP (if in force) AT INSURED'S AGE 100 - GUARANTEED.

61	101	0	0	0	0	600,000	0	0	600,000
62	102	0	0	0	0	600,000	0	0	600,000
63	103	0	0	0	0	600,000	0	0	600,000
64	104	0	0	0	0	600,000	0	0	600,000
65	105	0	0	0	0	600,000	0	0	600,000
66	106	0	0	0	0	600,000	0	0	600,000
67	107	0	0	0	0	600,000	0	0	600,000
68	108	0	0	0	0	600,000	0	0	600,000
69	109	0	0	0	0	600,000	0	0	600,000
70	110	0	0	0	0	600,000	0	0	600,000

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**Legacy Secure**  
*Flexible Premium Adjustable Life Insurance*  
(Form UL 0400 Series)

**LINCOLN BENEFIT LIFE**  
C O M P A N Y

*A Member of Allstate Financial Group*  
2940 S. 84th St. Lincoln, NE 68506

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**Insured Tab**

Name:	Homer Small	Sex:	Male
Date of Birth:	10/17/1966	Age:	40
Class:	Preferred Non-Smoker	Save Age:	No
Table Rating:	0		
Backdating or COD:	None		

---

**Death Benefit Tab**

Desired Death Benefit:	Specified	Death Benefit Option:	1
Total Coverage:	\$600,000.00	<b>DB Option Variations:</b>	None
<b>Death Benefit Variations:</b>	None		

---

**Premiums Tab**

Premium Designation:	Specified	Guarantee Years	Last
Years to Pay:	25	Premium Mode:	Annual
Periodic Premium:	\$5,321.84	Begin Periodic Payments:	Immediately
Non-1035 Lump Sum:	\$0.00		
1035 Rollover:	\$0.00	Amount of Basis:	\$0.00
1035 Money is Received:	At Issue	Loan Amount:	\$0.00
Search Years:	0	Cash Value:	\$0.00
Assumptions:	Current	Fund with SPIA:	No
Adjust for MEC:	Yes	Qualified Plan:	No
<b>Specified Premiums:</b>			
Year 1 to 25:	5321.84		
Year 26 to 70:	0.00		

---

**Distributions Tab**

Solve for Level Dist. Type:	None	<b>Withdrawals:</b>	None
<b>W/D to Basis then Loans:</b>	None		
<b>Loans:</b>	None		
<b>Repayments:</b>	None		

---

**Interest Rates Tab**

Password:	R1HB973E	Password Expires:	12/31/2006
<b>Interest Rate Variations:</b>	None		

---

**Agent Tab**

Name:		Agency:	
Address Line 1:		Address Line 2:	
City:		State:	
Zip:		Phone:	
Application Signed In:	IL		

---

**Report Options Tab**

Years of Detail:	All	Print Cover Page:	No
Print NAIC Illustration:	Yes	Revised Illustration:	No
Print Ledger Only:	No	5 Year Summaries:	Yes
Agent Notices:	No	Cost Indexes:	No
Internal Rate of Return:	No	Print Information Page:	No
Run Date:	10/17/2006		
Expense Report:	No		

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**Additional Information**

Guarantee Period:	Lifetime	Commissionable Target:	\$4,476.00
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**For Home Office use.**

The Input Report displays values resulting from any searches and solves that have been performed.  
Please return this sheet to the Home Office along with the illustration and the application.

**This illustration is not complete without the Insured's name(s), and the Agent's name, address, city, state, zip code, and phone number.**

<b>Prepared For:</b> Thomas Small Male, Age 33 Preferred Elite  Presented in the state of: IL	<b>Presented By:</b>
--	----------------------

**Legacy Secure (Form UL 0400 Series) - Narrative Summary**  
**Flexible Premium Adjustable Life Insurance**

**A Universal Life Insurance Policy Illustration**

This life insurance policy allows flexible premium payments for life. The death benefit is adjustable and ultimately depends on the policy value in the policy. The policy value is based on the amount and timing of your premium payments, monthly deductions, and monthly interest credited to the policy. Interest rates and cost factors are subject to change. The interest rate is guaranteed to never go below 3.0% and costs are guaranteed to not exceed the maximums listed in the policy.

**Underwriting Class - Preferred Elite**

The premium options and policy deductions calculated for this illustration assume a policy is issued with the underwriting class listed above. Actual amounts will depend on the outcome of the underwriting process and may vary from what is shown on this illustration. If so, you will receive a revised illustration with your insurance policy.

**Initial Death Benefit Amount - \$400,000**

The death benefit assumed at issue is shown above. The actual amount payable at death may be decreased by loans or withdrawals.

**Initial Death Benefit Option - 1**

The policy provides for the death benefit being based on either the face amount (Option 1) or the face amount plus the policy value (Option 2).

**Initial Planned Premium - \$2,401.96 Paid Annually**

The planned premiums are shown in the Policy Detail section of this illustration. Be sure to note when coverage would cease on the guaranteed and non-guaranteed assumptions. This illustration reflects planned changes to the premium in future years. Actual performance may vary. Be sure to check the Policy Detail section to review the planned changes.

**Required Minimum Premium - \$1,352.04 Paid Annually**

The required minimum premium is the lowest amount required to purchase this policy.

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**Legacy Secure (Form UL 0400 Series) - Narrative Summary (Continued)**

**Coverage Protection Rider (Form UL 0408 Series)**

Based on the planned premiums in this illustration the Coverage Protection Rider guarantees the death benefit coverage will remain in force for the insured's lifetime regardless of the surrender value. The duration of the guarantee depends on the timing and amount of premiums paid as well as the amount and timing of withdrawals and loans. If actual premiums, withdrawals, or loans are different than those illustrated in timing or amount or if your policy benefits change, the duration of the guarantee will also change. Premiums must be paid before the end of the policy month in which they are illustrated for the Coverage Protection Rider to perform as illustrated.

**Maximum Premiums**

The maximum guideline annual premium is \$4,758.10 and the maximum guideline single premium is \$53,220.10. The Seven Pay premium is \$14,146.47 and is the maximum amount that can be paid in order to keep your policy from becoming a Modified Endowment Contract. Paying the maximum premium ensures your policy will have the greatest surrender value and a death benefit for the longest possible term. These premium amounts change if you change the death benefit amount. The guideline premium amounts will also change if you change the death benefit option.

**Guaranteed Assumptions**

Guaranteed values are based on your planned premium outlay, a \$10.00 monthly policy fee, a 6% premium charge for all years, a monthly administrative expense charge of \$0.06 per \$1000 of face amount for the first 6 policy years, the maximum cost of insurance charges allowed within the policy, and the guaranteed interest rate of 3.0% for all years.

**Non-guaranteed Assumptions**

This illustration assumes that the non-guaranteed elements currently illustrated will continue unchanged for all years shown. This is not likely to occur and actual results may be more or less favorable.

**Current Assumptions**

Assumes a current interest rate of 5.00% , a \$7.50 monthly policy fee, a 6% premium charge for all years, a monthly administrative expense charge of \$0.06 per \$1000 of face amount for the first 6 policy years, and current cost of insurance charges. Current non-loaned values also include a persistency bonus of 0.5% for policy years 15 and beyond. The persistency bonus is guaranteed in any period in which the current interest rate exceeds 3.0%.

**Mid-Point Assumptions**

Assumes an interest rate of 4.00%, which is midway between the guaranteed and current interest rate , an \$8.75 monthly policy fee, a 6% premium charge for all years, a monthly administrative expense charge of \$0.06 per \$1000 of face amount for the first 6 policy years, and an average of the current and guaranteed cost of insurance charges. Non-loaned values also include a persistency bonus of 0.5% for policy years 15 and beyond. The persistency bonus is guaranteed in any period in which the current interest rate exceeds 3.0%.

**Age 100 Conditions**

If the policy is still in force after the anniversary following the insured's 100th birthday, the following apply:

1. Cost of insurance, policy fees and monthly administrative charges will be waived.
2. The policy value continues to earn the current credited interest rate.
3. All remaining riders are canceled, except the Accelerated Death Benefit Rider.

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**Legacy Secure (Form UL 0400 Series) - Narrative Summary (Continued)**

**Policy Year**

This is the twelve month period that begins on the date the policy is issued. Subsequent policy years begin on the anniversary of the date the policy was issued.

**Premium Outlay**

The amount of premiums paid into the policy. Premiums are assumed to be paid at the beginning of each year. Premium outlay may be skipped as long as there is enough net surrender value to cover the policy's monthly deductions. However, policy deductions continue to be required throughout the term of the policy. Depending on actual results, the premium payer may need to continue or resume premium outlays.

**Net Distributions**

The total of all loans, withdrawals, and loan repayments made each policy year. A negative number shows the amount of net distributions coming out of the policy. Distribution transactions are assumed to occur at the beginning of the policy year.

**Policy Value**

This is the accumulated value of the premiums paid plus interest earned less withdrawals and policy deductions for expenses, riders, and cost of insurance.

**Surrender Value**

This is the policy value less a surrender charge. The net surrender value is the surrender value less any outstanding loan balance and is the amount available to the policy owner upon surrender of the policy.

**Surrender Charge**

During the first 19 years this policy is subject to a surrender charge. The illustrated Surrender Value reflects the amount available after the surrender charge has been applied. The surrender charge for the first year is \$5,820.00, grading down the next 19 years.

**Accelerated Death Benefit Rider (UL 9455 Series)**

This rider is not illustrated, but is available on this policy and provides for the payment of the lesser of \$250,000 or 50% of the death benefit in effect if the insured is diagnosed with a terminal illness. There is no additional cost to have this rider attached to a policy. See the Summary and Disclosure Statement (Form LBL 1759 Rev. 2/03) for details.

**Tax Assumptions**

This illustration is based on our current understanding of the applicable current income tax laws. The company makes no guarantee regarding the tax treatment of any policy or transactions involving a policy. As with all tax matters, you should consult your tax advisor.

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**Legacy Secure (Form UL 0400 Series) - Narrative Summary (Continued)**

**Non-guaranteed Elements of the Policy**

Many aspects of your life insurance policy are guaranteed, including your minimum interest rate and maximum cost of insurance. However, certain aspects of the policy cannot be predicted with certainty. For example, the interest rate credited may exceed the guaranteed rate and cost of insurance may be less than the maximum guaranteed cost of insurance.

The non-guaranteed elements can increase the value of your life insurance policy by increasing your policy value and/or death benefit; or by reducing the out-of-pocket cost of your policy.

Since interest and cost of insurance cannot be predicted, ranges of results have been illustrated in the policy summary. The actual values will be more or less favorable than the illustrated ranges. Variation in these factors could affect the death benefit, policy value, surrender value, and total out-of-pocket payments over the life of the policy.

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**Legacy Secure (Form UL 0400 Series) - Policy Value Summary**

<b>Prepared For:</b> Thomas Small Male, Age 33 Preferred Elite	<b>Plan Details:</b> Initial Face Amount: \$400,000 Initial Death Benefit Option: 1 Initial Premium Outlay: \$2,401.96
---	---

	Guaranteed Assumptions	Non-Guaranteed Midpoint Assumptions	Non-Guaranteed Current Assumptions
Summary Year 5, Age 38			
Total Premium Outlay	12,010	12,010	12,010
Net Surrender Value	627	1,265	1,931
Net Death Benefit	400,000	400,000	400,000
Summary Year 10, Age 43			
Total Premium Outlay	24,020	24,020	24,020
Net Surrender Value	10,021	12,139	14,418
Net Death Benefit	400,000	400,000	400,000
Summary Year 20, Age 53			
Total Premium Outlay	48,039	48,039	48,039
Net Surrender Value	25,255	37,991	51,416
Net Death Benefit	400,000	400,000	400,000
Summary Year 37, Age 70			
Total Premium Outlay	76,863	76,863	76,863
Net Surrender Value	0	39,306	143,776
Net Death Benefit	400,000	400,000	400,000
Summary Year 77, Age 110			
Total Premium Outlay	76,863	76,863	76,863
Net Surrender Value	0	0	313,971
Net Death Benefit	400,000	400,000	400,000

I understand that if actual premiums, withdrawals or loans are different than those illustrated in timing or amount, or if I change my policy benefits, the period of guaranteed death benefit protection provided by the Coverage Protection Rider guarantee may also change. I understand that this illustration assumes all premiums are paid on the first day of each period and that I must pay each premium before the end of the policy month in which the payment is illustrated to ensure the Coverage Protection Rider performs as illustrated.

I have received a copy of this illustration and understand that this illustration assumes that the currently illustrated non-guaranteed elements will continue unchanged for all the years shown. This is not likely to occur, and actual results may be more or less favorable than those shown.

\_\_\_\_\_  
**Applicant**

\_\_\_\_\_  
**Date**

I have informed the applicant or policyowner that this illustration assumes that the currently illustrated non-guaranteed elements will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than those shown.

\_\_\_\_\_  
**Insurance Agent**

\_\_\_\_\_  
**Date**

**This illustration is not complete without the Insured's name(s), and the Agent's name, complete address and phone number.**

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**Legacy Secure (Form UL 0400 Series) - Policy Detail**

<b>Prepared For:</b> <b>Thomas Small</b> Male, Age 33 Preferred Elite	<b>Plan Details:</b> Initial Face Amount: \$400,000 Initial Death Benefit Option: 1 Initial Premium Outlay: \$2,401.96
--	---

Yr	Age	Annual Premium Outlay	Net Distr.	----Guaranteed Values----			----Non-Guaranteed Values----		
				Policy Value	Net Surr Value	Net Death Benefit	Policy Value	Net Surr Value	Net Death Benefit
1	34	2,402	0	1,274	0	400,000	1,506	0	400,000
2	35	2,402	0	2,560	0	400,000	3,036	0	400,000
3	36	2,402	0	3,854	0	400,000	4,560	0	400,000
4	37	2,402	0	5,154	0	400,000	6,128	308	400,000
5	38	2,402	0	6,447	627	400,000	7,751	1,931	400,000
6	39	2,402	0	7,730	2,318	400,000	9,450	4,037	400,000
7	40	2,402	0	9,292	4,287	400,000	11,491	6,485	400,000
8	41	2,402	0	10,838	6,182	400,000	13,630	8,974	400,000
9	42	2,402	0	12,362	8,114	400,000	15,884	11,635	400,000
10	43	2,402	0	13,863	10,021	400,000	18,259	14,418	400,000
11	44	2,402	0	15,330	11,838	400,000	20,759	17,267	400,000
12	45	2,402	0	16,757	13,673	400,000	23,398	20,313	400,000
13	46	2,402	0	18,131	15,454	400,000	26,176	23,498	400,000
14	47	2,402	0	19,443	17,115	400,000	29,115	26,787	400,000
15	48	2,402	0	20,684	18,764	400,000	32,380	30,459	400,000
16	49	2,402	0	21,842	20,328	400,000	35,812	34,298	400,000
17	50	2,402	0	22,901	21,737	400,000	39,461	38,297	400,000
18	51	2,402	0	23,842	23,085	400,000	43,278	42,522	400,000
19	52	2,402	0	24,636	24,287	400,000	47,259	46,909	400,000
20	53	2,402	0	25,255	25,255	400,000	51,416	51,416	400,000
21	54	2,402	0	25,660	25,660	400,000	55,613	55,613	400,000
22	55	2,402	0	25,820	25,820	400,000	60,040	60,040	400,000
23	56	2,402	0	25,693	25,693	400,000	64,711	64,711	400,000
24	57	2,402	0	25,243	25,243	400,000	69,641	69,641	400,000
25	58	2,402	0	24,437	24,437	400,000	74,844	74,844	400,000
26	59	2,402	0	23,221	23,221	400,000	80,336	80,336	400,000
27	60	2,402	0	21,529	21,529	400,000	86,066	86,066	400,000
28	61	2,402	0	19,288	19,288	400,000	92,044	92,044	400,000
29	62	2,402	0	16,413	16,413	400,000	98,252	98,252	400,000
30	63	2,402	0	12,786	12,786	400,000	104,700	104,700	400,000

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**Legacy Secure (Form UL 0400 Series) - Policy Detail (Continued)**

<b>Prepared For:</b> Thomas Small Male, Age 33 Preferred Elite	<b>Plan Details:</b> Initial Face Amount: \$400,000 Initial Death Benefit Option: 1 Initial Premium Outlay: \$2,401.96
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Yr	Age	----Guaranteed Values----			----Non-Guaranteed Values----				
		Annual Premium Outlay	Net Distr.	Policy Value	Net Surr Value	Net Death Benefit	Policy Value	Net Surr Value	Net Death Benefit
31	64	2,402	0	8,276	8,276	400,000	111,376	111,376	400,000
32	65	2,402	0	2,744	2,744	400,000	118,326	118,326	400,000
33	66	0	0	0	0	400,000	123,143	123,143	400,000
34	67	0	0	0	0	400,000	128,081	128,081	400,000
35	68	0	0	0	0	400,000	133,163	133,163	400,000
36	69	0	0	0	0	400,000	138,394	138,394	400,000
37	70	0	0	0	0	400,000	143,776	143,776	400,000
38	71	0	0	0	0	400,000	148,950	148,950	400,000
39	72	0	0	0	0	400,000	154,322	154,322	400,000
40	73	0	0	0	0	400,000	159,822	159,822	400,000
41	74	0	0	0	0	400,000	165,522	165,522	400,000
42	75	0	0	0	0	400,000	171,233	171,233	400,000
43	76	0	0	0	0	400,000	176,936	176,936	400,000
44	77	0	0	0	0	400,000	182,673	182,673	400,000
45	78	0	0	0	0	400,000	188,402	188,402	400,000
46	79	0	0	0	0	400,000	193,990	193,990	400,000
47	80	0	0	0	0	400,000	199,463	199,463	400,000
48	81	0	0	0	0	400,000	205,125	205,125	400,000
49	82	0	0	0	0	400,000	210,616	210,616	400,000
50	83	0	0	0	0	400,000	215,925	215,925	400,000
51	84	0	0	0	0	400,000	221,022	221,022	400,000
52	85	0	0	0	0	400,000	225,979	225,979	400,000
53	86	0	0	0	0	400,000	230,759	230,759	400,000
54	87	0	0	0	0	400,000	235,169	235,169	400,000
55	88	0	0	0	0	400,000	239,299	239,299	400,000
56	89	0	0	0	0	400,000	242,592	242,592	400,000
57	90	0	0	0	0	400,000	245,268	245,268	400,000
58	91	0	0	0	0	400,000	247,099	247,099	400,000
59	92	0	0	0	0	400,000	247,763	247,763	400,000
60	93	0	0	0	0	400,000	247,276	247,276	400,000

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**Legacy Secure (Form UL 0400 Series) - Policy Detail (Continued)**

<b>Prepared For:</b> Thomas Small Male, Age 33 Preferred Elite	<b>Plan Details:</b> Initial Face Amount: \$400,000 Initial Death Benefit Option: 1 Initial Premium Outlay: \$2,401.96
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Yr	Age	----Guaranteed Values----				----Non-Guaranteed Values----			
		Annual Premium Outlay	Net Distr.	Policy Value	Net Surr Value	Net Death Benefit	Policy Value	Net Surr Value	Net Death Benefit
61	94	0	0	0	0	400,000	245,632	245,632	400,000
62	95	0	0	0	0	400,000	242,279	242,279	400,000
63	96	0	0	0	0	400,000	237,084	237,084	400,000
64	97	0	0	0	0	400,000	229,407	229,407	400,000
65	98	0	0	0	0	400,000	218,521	218,521	400,000
66	99	0	0	0	0	400,000	203,871	203,871	400,000
67	100	0	0	0	0	400,000	183,808	183,808	400,000

COI CHARGES STOP (if in force) AT INSURED'S AGE 100 - GUARANTEED.

68	101	0	0	0	0	400,000	193,918	193,918	400,000
69	102	0	0	0	0	400,000	204,583	204,583	400,000
70	103	0	0	0	0	400,000	215,835	215,835	400,000
71	104	0	0	0	0	400,000	227,706	227,706	400,000
72	105	0	0	0	0	400,000	240,230	240,230	400,000
73	106	0	0	0	0	400,000	253,443	253,443	400,000
74	107	0	0	0	0	400,000	267,382	267,382	400,000
75	108	0	0	0	0	400,000	282,088	282,088	400,000
76	109	0	0	0	0	400,000	297,603	297,603	400,000
77	110	0	0	0	0	400,000	313,971	313,971	400,000

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**Legacy Secure**  
*Flexible Premium Adjustable Life Insurance*  
(Form UL 0400 Series)

**LINCOLN BENEFIT LIFE**  
C O M P A N Y

*A Member of Allstate Financial Group*  
2940 S. 84th St. Lincoln, NE 68506

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**Insured Tab**

Name:	Thomas Small	Sex:	Male
Date of Birth:	10/17/1973	Age:	33
Class:	Preferred Elite	Save Age:	No
Table Rating:	0		
Backdating or COD:	None		

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**Death Benefit Tab**

Desired Death Benefit:	Specified	Death Benefit Option:	1
Total Coverage:	\$400,000.00	<b>DB Option Variations:</b>	None
<b>Death Benefit Variations:</b>	None		

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**Premiums Tab**

Premium Designation:	Specified	Guarantee Years	Last
Years to Pay:	32	Premium Mode:	Annual
Periodic Premium:	\$2,401.96	Begin Periodic Payments:	Immediately
Non-1035 Lump Sum:	\$0.00		
1035 Rollover:	\$0.00	Amount of Basis:	\$0.00
1035 Money is Received:	At Issue	Loan Amount:	\$0.00
Search Years:	0	Cash Value:	\$0.00
Assumptions:	Current	Fund with SPIA:	No
Adjust for MEC:	Yes	Qualified Plan:	No
<b>Specified Premiums:</b>			
Year 1 to 32:	2401.96		
Year 33 to 77:	0.00		

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**Distributions Tab**

Solve for Level Dist. Type:	None	<b>Withdrawals:</b>	None
<b>W/D to Basis then Loans:</b>	None		
<b>Loans:</b>	None		
<b>Repayments:</b>	None		

---

**Interest Rates Tab**

Password:	R1HB973E	Password Expires:	12/31/2006
<b>Interest Rate Variations:</b>	None		

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**Agent Tab**

Name:		Agency:	
Address Line 1:		Address Line 2:	
City:		State:	
Zip:		Phone:	
Application Signed In:	IL		

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**Report Options Tab**

Years of Detail:	All	Print Cover Page:	No
Print NAIC Illustration:	Yes	Revised Illustration:	No
Print Ledger Only:	No	5 Year Summaries:	Yes
Agent Notices:	No	Cost Indexes:	No
Internal Rate of Return:	No	Print Information Page:	No
Run Date:	10/17/2006		
Expense Report:	No		

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**Additional Information**

Guarantee Period:	Lifetime	Commissionable Target:	\$2,076.00
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**For Home Office use.**

The Input Report displays values resulting from any searches and solves that have been performed.  
Please return this sheet to the Home Office along with the illustration and the application.