StockShield®

Deferred Comp Protection Trust

Introducing a tax-efficient strategy enabling investors to protect their Non-Qualified Deferred Compensation (NQDC) against bankruptcy risk over 10 or more years

INTRODUCTION

Deferring compensation can create substantial tax savings and upside potential. At the same time, it involves risks, with one of the largest being bankruptcy of the plan sponsor. **Several leading companies, including Chrysler and Kodak, have defaulted on their NQDC obligations, resulting in participants becoming "unsecured general creditors."** Even Lee Iacocca, Chairman of Chrysler, lost his entire NQDC account balance.

While some companies have "rabbi trusts" to help protect their NQDC, the assets in rabbi trusts may be used to satisfy the claims of creditors and pay for other corporate expenses. Chrysler's rabbi trust was depleted, leaving account balances worthless. **Because no one can predict the next 10+ years and no company is immune to disruption, it is prudent to protect NQDC, especially large account balances, regardless of who is sponsoring the plan.**

HOW IT WORKS

In forming a Deferred Comp Protection Trust, 20 participants – each with an NQDC account sponsored by a different company in a different industry – make a one-time Cash Contribution of 5% or 10% of the value of the account to be protected (e.g. each participant contributes $50,000 or $100,000 in cash to protect $1 million of NQDC). This creates a Cash Pool that is placed in a trust and invested in 10-year U.S. Government bonds.

After 10 years, the Cash Pool is disbursed to participants whose NQDC sponsor filed for bankruptcy (if any) over the 10-year term – to eliminate or substantially reduce the loss of the NQDC account value. If cash remains after all losses have been covered, this cash is returned to participants who did not suffer a bankruptcy. In the event of no bankruptcies, investors receive a full refund of their Cash Contribution.

POTENTIAL SCENARIOS *Assuming Cash Pool = $2 Million*

1. **Zero Bankruptcies:** Each participant receives their money back: $100,000 (annual cost of 10 years of protection: 0% per year)
2. **One Bankruptcy:** The beneficiary of the bankrupt NQDC plan receives $1 million; the other 19 participants receive $52,632 (annual cost: $4,737, or 0.47% per year)
3. **Two Bankruptcies:** Each of the two beneficiaries of the bankrupt NQDC plans receives $1 million; the other 18 participants receive $0 (annual cost: $10,000, or 1% per year)
4. **Three Bankruptcies:** Each of the three beneficiaries of the bankrupt NQDC plans receives $666,667; the other 17 participants receive $0 (annual cost: $10,000, or 1% per year)