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2012 Split Dollar Report

An analysis of recent trends in the prevalence, termination, and redesign of split dollar programs in the United States

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Preface

Split dollar life insurance plans have long been a standard component of the benefits package for key employees of publicly-traded companies and banks. However, in recent years, split dollar programs have been impacted by a number of legislative, regulatory, tax and accounting changes that have generally reduced the benefits to participants and increased the costs to the plan sponsor. The objective of this study is to gain a better understanding of the response of plan sponsors to these various factors with respect to the on-going prevalence, termination and re-design / replacement of such programs.

Proxy statements of publicly-traded companies and banks filed for the periods 2008 to 2011 were searched for references to split dollar life insurance programs. Each reference was studied in detail to determine the current status of the split dollar plan – active, frozen or terminated. If frozen or terminated, we noted the date that action was taken, why and how the program was frozen or terminated and, whether or not a replacement plan was implemented. The data was analyzed separately for bank and non-bank companies. For various reasons, including cost of capital differences, banks are significant purchasers of life insurance even without the need to fund a split dollar program, so their reaction to events impacting split dollar plans could be different than non-bank firms.

Part 1 of the study presents an overview or our findings: a summary of the prevalence of split dollar plans, the change in the number of programs over the period studied, and an analysis of why the changes occurred, based on the public information available through proxy disclosures. Part 2 and Part 3 of the study present our findings on firms that terminated their split dollar programs, including an analysis of the disposition of the policies used to fund the plans, and details on the nature of replacement programs, where implemented. Part 4 provides some guidance on what actions plan sponsors should consider taking, depending on whether they still have a split dollar plan in place, or whether they're looking for an alternative program.

The use of split dollar arrangements has also been prevalent among not-for-profit heath care organizations. In some cases, a collateral assignment split dollar plan was implemented for highly compensated executives and physicians in an attempt to deliver both a death benefit and supplemental retirement income that was not subject to the onerous Section 457(f) restrictions on deferred compensation. The results of those efforts have been mixed.

While the information is not as readily available as that for publicly-traded companies and banks, we will address many of the same issues covered in this research report in a follow-up analysis of split dollar plans sponsored by not-for-profit health care organizations.

Key Findings

The following is a brief summary of the findings of the split dollar research report for the period under study: 2008 - 2011. For an analysis of what it all means, please see the detailed commentary in the body of the report.

- Downward trend in plan sponsorship: Split dollar plan sponsorship declined significantly during the period under study: 2008 – 2011:
  - Plan freezes and terminations were directly linked to unfavorable legislation and tax law and accounting changes in recent years. In general, those changes reduced the value of the benefits provided to participants, and increased the costs to the plan sponsor.
  - Most impacted by these legislative and regulatory changes were collateral assignment split dollar plans sponsored by non-bank companies. 51 of such plans were terminated during the period.
  - Bank plans, typically structured as endorsement split dollar programs, were impacted to a lesser extent. Only 18 of such plans were terminated during the period.
- Underperformance of insurance funding vehicle: Another reason for the termination of plans is the relatively poor performace of the underlying life insurance funding vehicle in comparison to the original projections. As a result of the historically low interest rate environment and the volatility of the equity markets in recent years, many programs have not met expectations with respect to participant benefits and/or the costs to plan sponsors.
- Replacement of terminated plans: Many terminated plans were replaced. The likelihood of replacement, and the form or replacement plan varied by type of sponsoring entity:
  - Plans terminated by non-bank companies: 60% of the plans terminated were replaced with either a new life insurance program (34%), or a supplemental compensation arrangement (26%).
  - Plans terminated by banks: 83% of the plans terminated were replaced with either a new life insurance program (65%), or a supplemental compensation arrangement (18%).

What Should a Plan Sponsor Do Now?

- For a plan sponsor that still has a split dollar plan in place:
  - Verify compliance.
  - Reconsider needs and objectives.
  - Analyze the cost-effectiveness of the existing plan and of various alternatives.
  - Address participant communcation issues.
- For former plan sponsors that terminated a split dollar program:
  - If no replacement program has been implemented, consider planning alternatives - viable options still exist.
  - If a replacement plan has been implemented, re-consider whether or not the new plan is meeting the needs of the former split dollar plan participants on a cost-effective basis to the company / bank. Many replacement plans reviewed did not deliver the most important benefit of the prior terminated split dollar plan – an estate tax friendly permanent life insurance benefit.
- For plan sponsors who still haven't decided what to do:
  - Reconsider needs and objectives.
  - Analyze the cost-effectiveness of replacement plan alternatives.

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Part I: Overview

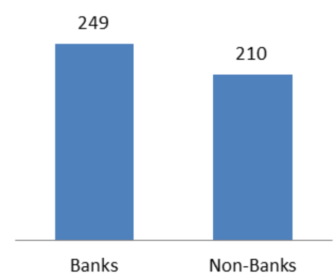
Split Dollar Prevalence

One or more split dollar references were identified for 459 companies and banks. Table 1 presents a breakdown of the split dollar reference noted by industry.

TABLE 1 REFERENCES BY INDUSTRY

Industry	Number	Percent
FINANCE - BANKS	249	54%
SERVICES	56	12%
INDUSTRIAL GOODS	52	7%
CONSUMER GOODS	29	6%
FINANCIALS - NON-BANKS	26	6%
HEALTHCARE	25	5%
TECHNOLOGY	18	4%
UTILITIES	13	3%
TOTAL	459	100%
BANKS	249	54%
NON-BANKS	210	46%

NUMBER OF FIRMS WITH SPLIT DOLLAR REFERENCES



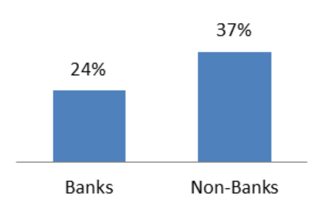
Downward Trend in Plan Sponsorship

When the search results are viewed by year, it is clear that references to split dollar plans are declining across all industries. As indicated below, the prevalence of split dollar plans declined during that period; 37% for non-banks companies, and 24% for banks.

TABLE 2 SUMMARY OF DOWNWARD TREND

Industry	2008	2009	2010	2011	2008 to 2011
BASIC MATERIALS	10	5	4	3	(70%)
FINANCE - BANKS	199	186	164	151	(24%)
SERVICES	49	44	39	31	(37%)
INDUSTRIAL GOODS	28	21	23	18	(36%)
CONSUMER GOODS	23	21	18	19	(17%)
FINANCIALS - NON-BANKS	24	20	14	14	(42%)
HEALTHCARE	21	17	15	8	(62%)
TECHNOLOGY	12	11	7	11	(8%)
UTILITIES	11	11	10	8	(27%)
TOTAL	377	336	284	265	(30%)
BANKS	199	186	164	151	(24%)
NON-BANKS	178	150	120	114	(37%)

PERCENT DECLINE IN SPLIT DOLLAR REFERENCES -2008 TO 2011



Plan Status

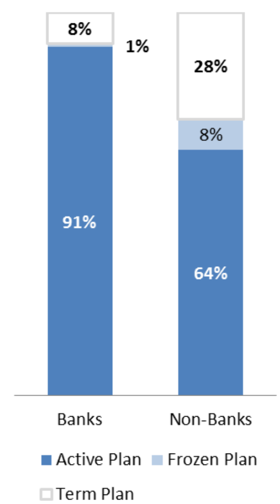
As indicated in Table 3 below, 36% of the references to split dollar plans in non-banks indicated a frozen or terminated plan, while in banks, this figure was only 9%.

TABLE 3 PLAN STATUS

Industry	Active	Frozen	Terminated	Total
FINANCE - BANKS	212	2	19	233
SERVICES	29	6	17	52
INDUSTRIAL GOODS	18	1	7	26
CONSUMER GOODS	20	2	6	28
FINANCIALS - NON-BANKS	16	1	6	23
HEALTHCARE	13	2	7	22
TECHNOLOGY	12	0	2	14
UTILITIES	6	2	5	13
BASIC MATERIALS	6	1	2	9
TOTAL	332	17	71	420
BANKS	212	2	19	233
NON-BANKS	120	15	52	187

Note – Table 1 shows 459 firms with references to split dollar plans over the past four years. In analyzing these references, we could not accurately determine the current status of the plan for 39 of those companies. Therefore, Table 3 identifies current status for 420 entries.

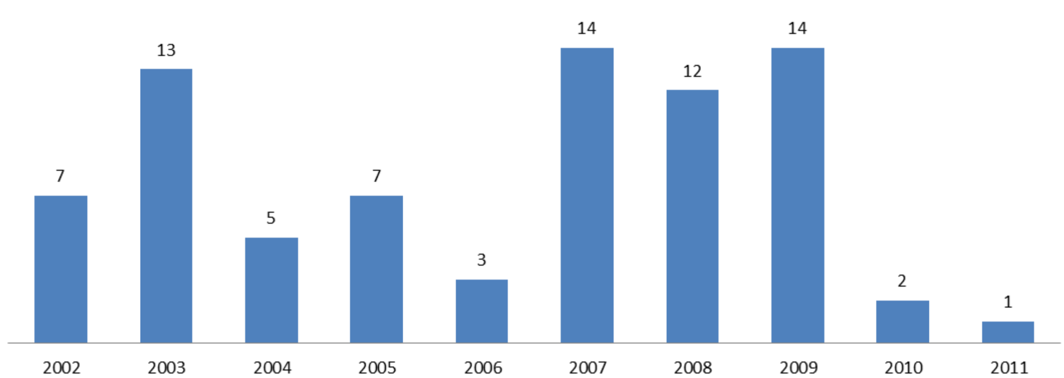
PREVALENCE AND CURRENT STATUS OF PLAN



Plan Terminations by Year

The following chart presents the data for plan terminations by year. There is a clear correlation of the year of termination and the dates of enactment of legislation or the issuance of accounting and tax pronouncements that adversely affected split dollar plans.

TABLE 4 PLAN TERMINATIONS OR FREEZES BY YEAR



Tax and Accounting Changes Affecting Split Dollar

The following is a brief description of the key regulatory, tax and accounting changes impacting split dollar plans in recent years.

2001 – 2003 SPLIT DOLLAR REGULATIONS

The IRS substantially changed the taxation of split dollar arrangements in 2003 through the issuance of tax regulations. The changes apply to both "endorsement" split dollar programs, most commonly used by banks, and "collateral assignment" split dollar arrangements, more commonly sponsored by companies. The negative impact to endorsement split dollar programs was marginal in nature (although still costly), whereas the regulations fundamentally changed the nature of collateral assignment programs. In general, the value of the benefit to participants was reduced, and the costs to the plan sponsor were significantly increased by this change in tax law causing many plan sponsors to reconsider the cost-effectiveness of split dollar arrangements. Note that split dollar arrangements entered into prior to September 17, 2003 are not covered by the regulations. They are covered by Notice 2002-8, which provides transition rules and limited grandfathering opportunities.

2002 – SARBANES-OXLEY ACT OF 2002

Included in the Act is a general prohibition of personal loans to executive officers of publicly-traded companies. Because the language of this provision is very broad, and the penalties for violation are so severe, many corporate plan sponsors terminated or froze collateral assignment split dollar arrangements as of the effective date of the law, July 2002. The Act had little or no impact on endorsement split dollar programs. Therefore, the spike in plans frozen and terminated in 2003 related to programs sponsored by non-bank companies.

2004 – SECTION 409A / NOTICE 2007-34

Enacted as part of the American Jobs Creation Act of 2004, Section 409A dictates the tax treatment of non-qualified deferred compensation arrangements. Split dollar arrangements, which include an element of deferred compensation, are covered by the related Notice 2007-34. This change in tax law is generally effective for premium payments after January 1, 2005. If applicable, Section 409A and Notice 2007-34 can significantly reduce the flexibility of a split dollar program. Furthermore, it would likely require the amendment of the plan documents and changes to plan operations.

2006 – FASB EMERGING ISSUES TASK FORCE PRONOUNCEMENTS 06-4 AND 06-10

EITF 06-4 and 06-10 clarify the applicability of FAS 106, "Accounting for Post-Retirement Benefits Other Than Pensions" to split dollar arrangements that provide some form of post-retirement benefit. In general, EITF 06-4 (endorsement plans), and EITF 06-10 (collateral assignment arrangements) require the plan sponsor to accrue a liability and recognize the related expense for any post-retirement benefit that it is obligated to provide under the plan. EITF 06-4 and 06-10 were effective for fiscal years beginning after December 15, 2007.

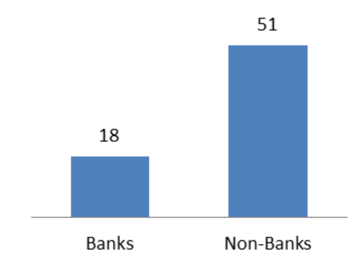
Plan Terminations by Type of Entity and Plan Structure

The number of split dollar plans sponsored by non-bank companies that were terminated during the period 2008 to 2011 was far greater than the number of bank-sponsored plans terminated as illustrated in the chart to the right. This is a clear reflection of the different type of split dollar plans typically sponsored by banks and companies, and the differing impact of the regulatory, tax and accounting changes discussed above on those different plan structures (see second chart to the right for Plan Structure comparison).

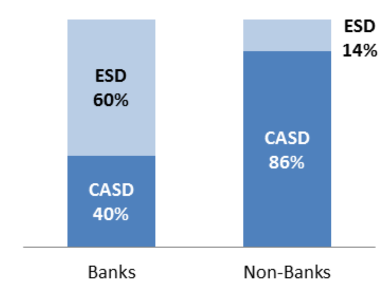
Endorsement split dollar plans, more frequently used by banks, were impacted by the above tax and accounting changes, but not to the extent that the plans were terminated (see discussion, below regarding the modification of endorsement split dollar plans).

However, the impact of the regulatory, tax and accounting changes on collateral assignment split dollar plans, more frequently used by non-bank companies, were so significant that many plans were terminated. The benefits to participants were reduced, and the costs to the plan sponsor were significantly increased causing many companies to re-consider the cost-effectiveness of split dollar programs.

NUMBER OF TERMINATIONS BY TYPE OF ENTITY



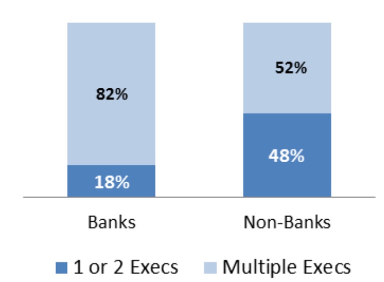
PERCENT OF TERMINATIONS BY PLAN STRUCTURE



Terminations by Level of Participation

In addition to the above analysis of plan terminations by type of plan and sponsoring entity, the data was also reviewed by level of participation. The intent in this regard was simply to distinguish between those split dollar arrangements that were structured specifically for one or two senior executives from those plans designed to meet the life insurance needs of a larger group of executives. See chart to the right for a comparison of the level of participation for banks and non-banks.

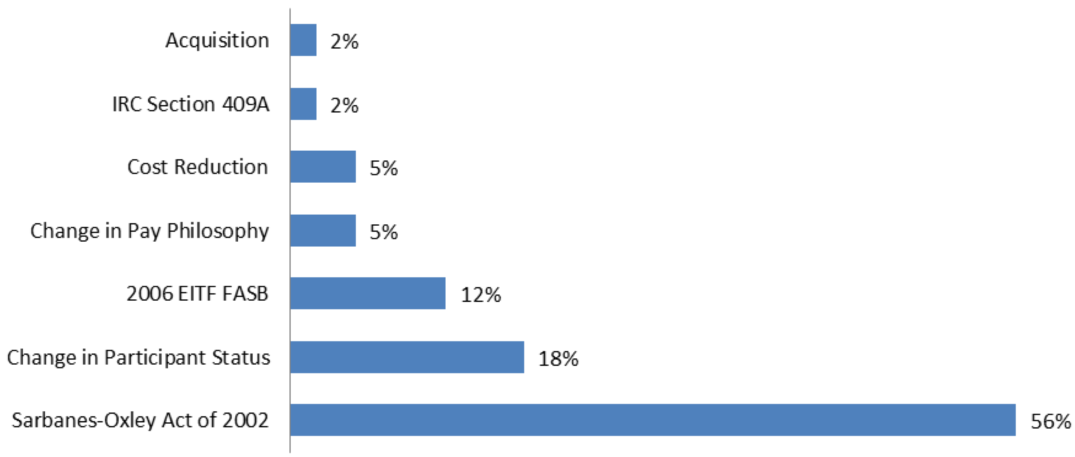
NUMBER OF TERMINATIONS BY TYPE OF ENTITY



Other Reasons for Terminations

In addition to the impact of the enactment of The Sarbanes / Oxley Act, the issuance of the Split Dollar Regulations and the adoption of EITF 06-4 and 06-10, other reasons cited for plan termination are presented in Table 5 below.

TABLE 5 REASONS FOR PLAN FREEZES AND TERMINATIONS



Other Factors Impacting Plan Termination Decisions

Insurance policy performance: Another factor that is not well documented in the public disclosures, but apparent from anecdotal information about plan terminations, is the generally poor performance of the underlying insurance funding vehicles in the last 10 years. The long-term downward trend in interest rates and the volatility of the equity markets (with respect to variable insurance – based plans) has caused many insurance policies to underperform expectations. As a result, the benefits projected for participants have not been realized, and/or the plan sponsor has had to substantially increase the funding of the policies to maintain the promised benefit.

Participant communications: In addition, the poor policy performance has also created participant communication issues. In general, participants don't appear to have a good understanding of the nature of the program and the tax treatment of the plan (which was substantially complicated by Section 409A).

Summary

In summary, the combined impact of the enactment of The Sarbanes / Oxley Act, the tax and accounting issues noted above, the increased costs to the plan sponsor and the lack of understanding and appreciation of the benefit by the participants has led many plan sponsors to conclude that split dollar programs are no longer a cost-effective benefit.

Part 2 and Part 3, below, present additional details about split dollar plans that were terminated, including the actual mechanics of termination, and the nature of the replacement plan, if any.

Part 2: What Happened to the Split Dollar Program? – Non Banking Firms

The following is a more in-depth analysis of the mechanics of how plans were terminated, and what, if anything, was adopted in place of the terminated plan. The analysis and commentary is presented separately for Banks and Non-bank companies.

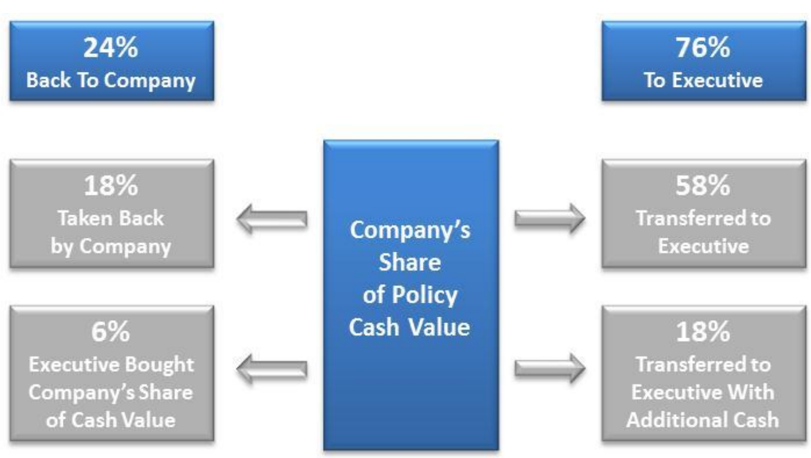
What Happened to the Split Dollar Policy?

As detailed in earlier charts on page 8, there were a total of 51 terminated plans in non-bank companies. The structure of those plans prior to termination was overwhelmingly collateral assignment split dollar.

86% of terminated plans in non-banking firms had been structured as a collateral assignment arrangement. Under this format, the executive owns the policy and the company would typically pay all or most of the premiums and have an interest in the policy equal to cumulative premiums. The company's interest would be secured by a collateral assignment on the policy.

Typically, at retirement or later, after the premiums had generated sufficient interest or investment income to continue supporting the policy, the company's premium advances would be repaid from the policy cash value, and the assignment would be released.

COMPANY'S SHARE OF POLICY CASH VALUE



The policy could then be used to provide a permanent ongoing death benefit, or cash could be withdrawn for retirement income. We analyzed proxy data to determine what happened to the company's share of cash value when the split dollar plan was prematurely terminated. The results are summarized in the graphic above, and in the detail to the right.

COMPANY'S SHARE OF CASH VALUE

▲ 76% TO EXECUTIVE

76% of companies transferred their share of cash value to the executive upon termination through release of the collateral assignment. At that point, the executive would own all rights and interests in the policy but might be required to assume responsibility for future premium payments to keep the death benefit in force.

▲ 18% TRANSFERRED TO EXECUTIVE WITH ADDITIONAL CASH

18% of companies also made a cash payment to the executive to offset some, or all, of the income tax costs associated with the distribution of the policy / cash value.

▼ 18% TAKEN BACK BY COMPANY

18% of companies took back its cash value in exchange for the release of the collateral assignment. At that point, the executive would own all rights and interests in the residual policy values, although it is unlikely that the policy would remain in force without additional premium payments. In companies where the split dollar plan was replaced by a new plan, the company always received its share of cash value.

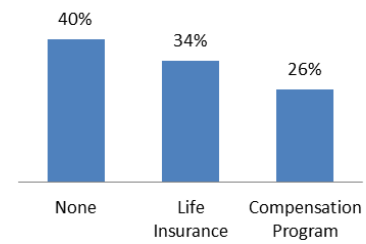
▼ 6% EXECUTIVE BOUGHT COMPANY'S SHARE OF CASH VALUE

This would allow the executive to maintain the life insurance policy following termination of the plan, indicating its value in his/her estate or financial planning.

Was a New Plan Implemented?

In close to 60% of terminations, a new plan was created. About 1/3 of companies implemented a new program whose primary purpose was to deliver a life insurance benefit. About ¼ of companies created some form of compensation program as a replacement for the split dollar plan.

REPLACEMENT PROGRAMS
NON-BANKS



Split Dollar Plans Replaced With Life Insurance Plans

The chart to the right provides a breakdown of the structure of the replacement life insurance program.

Half (50%) of the insurance based replacement plans were 162 "Bonus" plans. In some cases, the same policy was used for the 162 Bonus plan as had been used in the collateral assignment arrangement, thus eliminating the need for the executive to undergo medical underwriting.

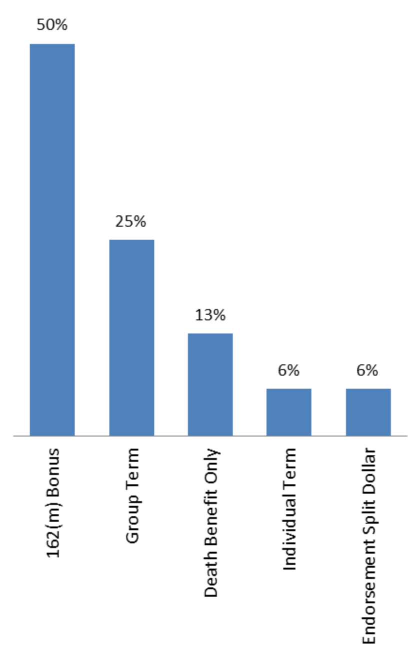
A quarter (25%) of the replacement life insurance plans were based on the use of the company's group term plan. In this case, the company often enhanced the benefit level provided under the broad-based program available to all employees, and covered the cost of this enhanced protection. Most group term plans, however, have little, if any, post-retirement coverage. So the use of this structure represents a significant reduction in the quality of benefit previously provided under many split dollar arrangements.

In 13% of the cases a Death Benefit Only plan (DBO) was implemented. Under this arrangement, the underlying policy is owned by the company. If the plan replaced a collateral assignment program, with respect to which the executive was the owner of the policy (subject to the company's security interest), the policy was transferred by the executive to the company to support the new plan structure.

In 6% of the cases, an endorsement split dollar program was implemented and,

A final approach used to provide replacement life insurance coverage was through a Company-funded individual term policy (6%). This structure preserves some of the planning flexibility of the collateral assignment split dollar arrangement with respect to the pre-retirement death benefit, but it is not a cost-effective approach to providing post-retirement coverage.

SPLIT DOLLAR PLANS REPLACED
WITH LIFE INSURANCE PROGRAMS



Split Dollar Plans Replaced With Compensation Programs

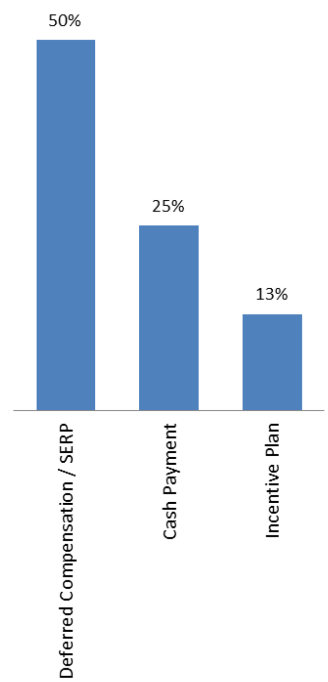
A number of firms took the approach of replacing the Split Dollar Plan with a Compensation program, as detailed in the chart to the right.

The most common approach (67%) was to initiate or increase an annual contribution to a participant's Deferred Compensation account (DCP) or Supplemental Executive Retirement Plan (SERP) benefit. Oftentimes, the new contribution to the DCP or SERP was based upon an estimate of the value that was lost due to termination of the split dollar plan. In most of these cases, the full value of the contribution plus investment or interest earnings would be made available to participants upon retirement or termination. One company did, however, mirror the split dollar arrangement whereby the executives were entitled only to the investment earnings on the company contributions to a Deferred Compensation plan, with the principal reverting back to the company.

A smaller percentage of companies (25%) adopted a simple approach of making a cash payment to plan participants as a replacement for the split dollar arrangement. This approach contrasts to other replacement plans in which the company specifically determined how its future contributions would be used (e.g. premium payments under 162 Bonus Plans and contributions to a Deferred Compensation Plan or SERP), giving the participant full discretion on how to use the cash.

And finally, a small number of companies (6%) indicated that they were replacing the Split Dollar Plan with incentive based compensation, in conjunction with a change in compensation philosophy.

SPLIT DOLLAR PLANS REPLACED WITH COMPENSATION PROGRAMS



Part 3: What Happened to the Split Dollar Program? – Banking Firms

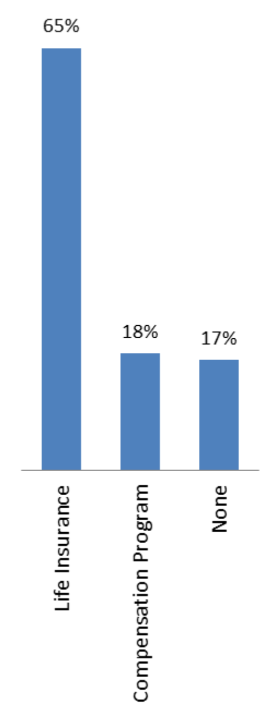
As detailed earlier in the chart on page 8, there were a total of 18 terminated plans among banks. The endorsement split dollar structure is most common among banks. Banks are significant purchasers of bank owned life insurance (BOLI), which is often purchased because of the financial benefits it provides. However, the BOLI policies on the lives of the executives can easily support an attractive life insurance benefit by adding a simple endorsement to the policy, converting the BOLI policy to an endorsement split dollar arrangement.

It is not surprising, therefore, that the data indicates that 60% of the bank plans terminated were structured as endorsement plans, in comparison to only 14% for non-bank companies.

Was a New Plan Implemented?

For many banks that terminated a split dollar plan, the policy endorsement was simply cancelled, and the bank continued to own the policy as a BOLI investment. For those few collateral assignment arrangements, the policies were surrendered and the premiums advanced by the bank were returned from policy cash value. The information provided in the public documents for banks did not typically indicate the mechanics of the termination process. However, it did indicate that, in 83% of cases, a replacement plan was implemented. As highlighted in the chart to the right, the nature of the replacement plans were life insurance plans (65%) and compensation plans (18%). Only 17% of banks did not implement a new plan, much lower than non-banks, where 40% of companies did not implement a replacement plan.

REPLACEMENT PROGRAMS – BANKS



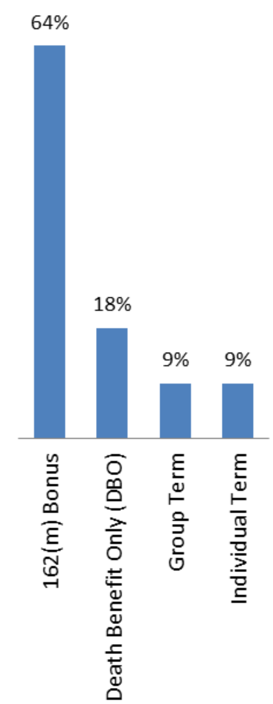
Split Dollar Plans Replaced With Life Insurance Programs

The chart to the right details the types of life insurance plans that were implemented following termination of the bank-sponsored split dollar programs.

Close to two-thirds (64%) of all replacement life plans were 162 Bonus Programs. Because the policy is owned 100% by the executive in this arrangement, the plan can provide a life-time life insurance benefit or, alternatively, a source of supplemental retirement income through withdrawals of cash value. This is an attractive plan format for the executive, but generally more expensive to the bank than an endorsement split dollar plan or a DBO plan funded by BOLI.

18% of banks that provided a replacement life insurance plan established a Death Benefit Only plan. In most of these cases, however, the DBO plan does not provide a post-retirement death benefit in order to avoid the costly accrual of providing a life-time benefit.

SPLIT DOLLAR PLANS REPLACED WITH LIFE INSURANCE PROGRAMS



Split Dollar Plans Replaced With Compensation Programs

Compensation plans were less common as a replacement vehicle in banks (18%) than they were in non-bank companies (26%). In those cases where the replacement plan was a compensation program, it typically involved initiating or increasing an annual contribution to a participant's Deferred Compensation account (DCP) or Supplemental Executive Retirement Plan (SERP) benefit.

Part 4: What Should You Do Now?

Split dollar life insurance programs have long been an important component of the executive benefits package. Historically, the plans offered participants a lifetime death benefit with significant income and estate tax leverage and, in some cases, an optional source of supplemental tax-advantaged savings. A number of regulatory changes in recent years, however, have negatively impacted the cost-effectiveness of split dollar arrangements. The value of benefits provided to participants has been reduced, the plan sponsor's costs have increased, and the participant communication issues (always a challenge) have become even more difficult. As a result, many plan sponsors have chosen to terminate or modify their split dollar programs.

The following Action Plans draw upon the results from the research presented in this report, and upon EBS-Boston's many years of experience with split dollar programs. They may serve as a guide to those companies that still have a plan in place, or have terminated their plan and have a perceived need for an alternative.

For Companies that Still Have a Split Dollar Plan in Place

Compliance: The number one priority is to make sure that all split dollar programs still in operation are in compliance with current legislative, tax law and accounting requirements. Specifically, The Sarbanes / Oxley Act of 2002, The Split Dollar Income Tax Regulations, issued in 2003, Section 409A, and FASB EITF 06-4 and 06-10. In our experience, many plans in operation today are not fully compliant - especially with Section 409A. ***Penalties for non-compliance can be significant, so this is a critical action step.***

Re-consideration of needs and objectives: Before making any changes to existing split dollar programs, it makes sense to confirm the need among key executives for a permanent life insurance benefit and/or an opportunity for supplemental tax-advantaged savings. Some plan sponsors have used a simple, on-line survey to obtain such information. Also, it's a good time to re-consider the sponsor's objectives with respect to executive benefit plans, and the coordination of such a program with other compensation and benefits arrangements.

Analysis of Alternatives: Once the needs and objectives have been identified, a range of possible plan designs should be considered together with a comprehensive analysis of the:

Comparative benefits to participants,

The relative costs to the plan sponsor and,

The transition issues in getting from point A to point B.

Participant communications: Finally, the participant communications issues need to be addressed. In some cases, the insurance funding vehicle underlying the split dollar plan has underperformed the original projections and created a significant discrepancy between participant expectations regarding plan benefits, and what is likely to be delivered.

ACTION PLAN
SPLIT DOLLAR PLAN STILL IN PLACE

▲ VERIFY YOUR COMPLIANCE

Several legislative, tax and accounting requirements introduced over last 10 years. Non-compliance can lead to financial, civil and criminal penalties.

▲ RECONSIDER NEEDS AND OBJECTIVES

Revisit original purpose of the program and whether needs have changed, from both Company and Participant perspective. Online surveys of Executives can provide insight.

▲ ANALYYZE THE ALTERNATIVES

Information on what other companies have done can provide insight. Most firms have chosen between a life insurance benefit and a compensation program. Multiple options exist within these two major alternatives.

▼ PREPARE YOUR COMMUNICATIONS

Whatever path is chosen, an effective communication strategy should be developed that explains what action the company is taking, and how participants will get from point A to point B.

For Companies That Have Terminated Their Split Dollar Plan

The data in this report confirms that the number of split dollar plans is decreasing, driven by significant changes in legislative, tax and accounting requirements that have made plans more costly and complex to administer. Because of these issues, some companies froze or terminated their split dollar plan, but have not adequately analyzed what their next step will be. Will a replacement plan be implemented, or will the benefit previously provided simply be eliminated?

For companies in this position, the findings in this report may be instructive. First, and most importantly, the need for supplemental tax-advantaged savings programs and permanent life insurance benefits among highly compensated executives and professionals has not changed. What has changed is the cost to the plan sponsor of providing such programs. It is apparent in the data that the sponsors of terminated split dollar plans have attempted to implement replacement programs that are more cost-effective. 83% of banks and 60% of non-banks replaced their terminated plan. However in many cases, the benefits provided under the replacement plan are clearly not equivalent.

The nature of the replacement plans implemented was generally either; an alternative life insurance program, or a supplemental compensation arrangement designed to be of equivalent value.

The most common form of replacement life insurance plan was an "Executive Bonus" arrangement which (like the collateral assignment split dollar plans of old), offers the participant a lifetime death benefit and an optional source of tax-advantaged savings. While attractive to the participant, this program structure is often costly to the plan sponsor and has limited retention characteristics.

Other replacement life insurance programs included Death Benefit Only (DBO) plans and supplemental term life arrangements. These programs tend to be less expensive to the plan sponsor, but generally don't provide an estate planning – friendly permanent death benefit.

The most common compensation arrangement implemented as a replacement program was in the form of a supplemental contribution to an existing deferred compensation plan or SERP. However once again, this type of benefit does not replace the most important aspect of the prior split dollar arrangement for a highly compensated executive – the life-time death benefit that can be efficiently used to finance estate taxes.

It is evident from the number of alternatives that other firms have implemented that there are a variety of directions a Plan Sponsor can take in replacing their terminated split dollar plan. The key is to clearly outline program objectives, identify available alternatives, and complete a thorough, accurate analysis before making a final decision.

ACTION PLAN
SPLIT DOLLAR PLAN TERMINATED

▲ CURRENT STATUS ON TARGET

If your company terminated the split dollar plan and implemented an appropriate alternative, or made a considered decision not to implement a replacement plan, then reviewing other companies' replacement plans may be of interest, but may not lead to further action.

▲ CURRENT STATUS INCOMPLETE

If your company terminated the plan because of legislative, tax or accounting issues, but has not completed an analysis of alternatives, then understanding what other companies have done may be helpful in your decision making process.

▲ ANALYZE THE ALTERNATIVES

Information on what other companies have done can provide insight. Most firms have chosen between a life insurance benefit and a compensation program. Multiple options exist within these two major alternatives.

▲ PREPARE YOUR COMMUNICATIONS

Whatever path is chosen, an effective communication strategy should be developed that explains what action the company is taking. This is particularly important in setting realistic expectations for participants, given the termination of the prior split dollar plan.

Appendix: Scope & Terminology

About EBS-Boston

Executive Benefit Solutions works with clients to develop compensation and benefits programs designed to attract and retain executive talent, and to control the cost of such executive benefit plans, as well as certain broad based employee benefit programs through tax-advantaged financing arrangements.

The predecessor firm to EBS, Lyons Compensation & Benefits, was founded in 1990. The firm was sold to Clark Consulting in 2001, and then spun to RCG in 2007. After the reorganization of RCG in 2010, the firm was re-established in the current name, "Executive Benefit Solutions". While the underlying entity has changed over the years, the core values of the firm and its principals have not.

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executivebenefitsolutions.com

Methodology

Proxy statements of publicly-traded companies and banks filed for the periods 2008 to 2011 were searched for references to split dollar life insurance programs. Each reference was studied in detail to determine the current status of the split dollar plan – active, frozen or terminated. If frozen or terminated, we noted the date that action was taken, why and how the program was frozen or terminated and, whether or not a replacement plan was implemented. The data was analyzed separately for bank and non-bank companies. A total of 459 public companies were included in the study, a complete listing of which is included in this Appendix.

Terminology

SPLIT DOLLAR AND OTHER EXECUTIVE LIFE INSURANCE PROGRAMS

Split dollar life insurance is not a form of coverage like term life, whole life, universal life or variable life, it is a form of joint ownership of a cash value policy. If the joint ownership is between an employer and an employee, it is referred to as a "compensatory" split dollar plan. If the joint ownership is between two private parties (often related family members), it is referred to as "private" split dollar. This research report focuses exclusively on compensatory (employer / employee) split dollar arrangements and other forms of executive life insurance programs.

In a compensatory split dollar arrangement, the relative interests of the employer and employee in the life insurance policy death benefit and the cash value are set forth in the split dollar agreement and/or the plan document. Other forms of executive life insurance programs do not fall under the split dollar category as they don't involve joint ownership of the underlying life insurance policy. The various forms of executive life arrangements can be viewed on a spectrum ranging from 100% employer-owned on one end, to 100% employee-owned on the other end. The various split dollar configurations are in a large middle section of the spectrum as jointly-owned arrangements – some with a bias toward employer ownership rights, and others with a bias toward employee ownership rights.

One final point – the nature of an executive life insurance plan is often obscured by a clever marketing name. To understand the substance of the arrangement, it is most helpful to first look for the ownership of the underlying life insurance funding vehicle; corporate-owned, participant-owned, or jointly-owned.

The following is an explanation of the terminology used in the Research Report for the life insurance plans discussed, as well as some of the alternative compensation arrangements that were used as replacement plans. Note that the income and estate taxation of split dollar and other executive life insurance plans is complex and is beyond the scope of this Research Report.

COLLATERAL ASSIGNMENT SPLIT DOLLAR (CASD) PLANS

Under a CASD arrangement, the executive (or an insurance trust established by the executive) owns the policy. The company would typically pay all or most of the premiums and would have an interest in the policy cash value and death benefit equal to the cumulative premiums paid. That interest is secured by a collateral assignment. At termination or retirement, the amount of cumulative premiums advanced by the company is withdrawn from cash value and returned to the company. The company then releases its security interest in the policy and the participant owns all rights and interests in the policy. This transaction is referred to as the "roll-out" and, while it generally occurs at retirement or other separation from service, it could be done at death by repaying the employer's cumulative premium advances through a share of the death benefit.

After a roll-out at retirement or separation from service, the participant has all of the options available to any individual owner of a cash value policy. Namely: he/she could chose to surrender the policy for the cash value; continue to pay premiums as necessary to support the desired amount of death benefit, or a combination of the two. That is, he/she could withdraw a portion of the cash value and reduce the death benefit to an amount that could be supported by the residual cash value, or by a target amount of on-going premium payments.

As noted in the prevalence section of the Report, the CASD structure is most commonly used by non-bank companies for either one or two of the top executives, or in a plan for a larger group of management, such as all VPs and above. Historically, this type of plan was very attractive to the participant as it provided not only a potentially permanent life insurance benefit, but also a tax-advantaged supplemental saving vehicle in the form of an interest free loan.

ENDORSEMENT SPLIT DOLLAR (ESD) PLANS

Under an endorsement split dollar structure, the company owns the policy. Under the terms of an endorsement to the policy, the participant is granted the right to name a beneficiary with respect to a specific amount of the death benefit, e.g., three times salary. The plan could be designed to provide both a pre-retirement and a post-retirement death benefit (e.g., three time salary prior to retirement, and one times salary after retirement), or the plan could provide for only a pre-retirement death benefit. The policy death benefit in excess of the participant's share is paid to the employer and is often targeted to be sufficient to return to the company the aggregate amount of premiums advanced and, in some cases, a cost of money factor.

As noted above in the body of the Report, the endorsement split dollar structure is most commonly used by banks as it can be created by simply adding the endorsement to existing BOLI policies (bank-owned life insurance).

BONUS PLAN

The Bonus Plan structure lies at the 100% participant ownership end of the executive life insurance plan design spectrum. Under this arrangement, the executive (or a trust created by the executive) owns all rights and interests in policy values. The company pays the premium on behalf of the participant and treats 100% of the premium payment as additional taxable compensation to the employee as if additional cash compensation was paid to the employee and he/she used it to purchase the insurance policy (hence, the name "bonus" plan). In some cases, an additional amount is paid to the executive to offset the tax cost of the bonus premium (a tax gross-up payment). This is an attractive arrangement from the participant's standpoint as he/she is, in essence, acquiring a permanent (cash value) life insurance policy for 40 cents on the dollar (assuming a 40% individual income tax rate).

A bonus plan is less attractive to the plan sponsor as it is relatively expensive as the employer does not recover any of its premium investment and, it generally has no retention characteristics. If retention is an important objective of the plan sponsor, however, the plan can be designed with restrictions with respect to the withdrawal of cash value (e.g., until after age 60), in which case it is referred to as a "Restricted Bonus Plan."

DEATH BENEFIT ONLY (DBO) PLAN

Under the DBO structure, the company promises to pay the death benefit to the executive's beneficiary directly, and then finances that obligation through the purchase of COLI (corporate-owned life insurance). The company owns all rights and interests in the underlying life insurance policy. The death benefit for the participant under the plan could be a flat amount or a multiple of salary, and it could be provided prior to retirement only, or both pre- and post-retirement.

At the time of the participant's death, the life insurance carrier pays the death benefit to the company tax free, and then the company pays the specified death benefit to the participant's beneficiary. Because the death benefit is paid directly by the company, it is treated as taxable income to the beneficiary as if it were a deferred compensation payment at death. As a result, the employer often makes an additional tax gross-up payment to the beneficiary to offset some or all of his/her income tax cost of the death benefit and the gross-up payment.

This type of arrangement is very cost-effective but is not advantageous to the participant from an estate tax perspective.

Terms of Use

Company Listing

BASIC MATERIALS

ALCOA INC
DOW CHEMICAL CO DE
INNOSPEC INC
MASSEY ENERGY CO
NABORS INDUSTRIES LTD
OCCIDENTAL PETROLEUM CORP DE
PARAMOUNT GOLD SILVER CORP
PARKER DRILLING CO DE
RPM INTERNATIONAL INC DE
SMURFIT STONE CONTAINER CORP
SYNALLOY CORP

CONSUMER GOODS

ALL AMERICAN GROUP INC
ALLIANCE ONE INTERNATIONAL INC
AMERICAN BILTRITE INC
BARRY R G CORP OH
BRUNSWICK CORP
CAGLES INC
CARTERS INC
CAVALIER HOMES INC
COACHMEN INDUSTRIES INC
COCA COLA BOTTLING CO
CONSOLIDATED DE
CONSTELLATION BRANDS INC
CORN PRODUCTS INTERNATIONAL
INC
CROWN HOLDINGS INC
DIRECTED ELECTRONICS INC
FAIRCHILD CORP
FORTUNE BRANDS INC
GENERAL MOTORS CORP
HARLEY DAVIDSON INC
HELEN OF TROY LTD
KATY INDUSTRIES INC
LORILLARD INC
ROCKY BRANDS INC
SANFILIPPO JOHN B SON INC
SNYDER S LANCE INC
SONOCO PRODUCTS CO
SUPERIOR INDUSTRIES
INTERNATIONAL INC
TOOTSIE ROLL INDUSTRIES INC
TYCO ELECTRONICS LTD
WINNEBAGO INDUSTRIES INC

.

FINANCIAL – BANKING

1ST FINANCIAL SERVICES CORP
ABINGTON COMMUNITY BANCORP
INC
ACNB CORP
ALLIANCE BANCORP INC OF
PENNSYLVANIA
ALLIANCE FINANCIAL CORP NY
AMCORE FINANCIAL INC
AMERIANA BANCORP
AMERICAN BANCORP OF NEW
JERSEY INC
AMERICAN RIVER BANKSHARES
AMERICANWEST BANCORPORATION
ANNAPOLIS BANCORP INC
ATLANTIC BANCGROUP INC
ATLANTIC COAST FEDERAL CORP
ATLANTIC COAST FINANCIAL CORP
BANCORP RHODE ISLAND INC
BANK HOLDINGS
BANK OF AMERICA CORP DE
BANK OF GRANITE CORP
BANK OF KENTUCKY FINANCIAL
CORP
BANK OF THE OZARKS INC
BANKATLANTIC BANCORP INC
BB T CORP
BCSB BANCORP INC
BEACH FIRST NATIONAL
BANCSHARES INC
BENEFICIAL MUTUAL BANCORP INC
BERKSHIRE HILLS BANCORP INC
BEVERLY NATIONAL CORP
BNC BANCORP
BROOKLYN FEDERAL BANCORP INC
BV FINANCIAL INC
CAMCO FINANCIAL CORP
CAPE BANCORP INC
CAPE FEAR BANK CORP
CAPITALSOUTH BANCORP
CAPITOL BANCORP LTD
CAPITOL FEDERAL FINANCIAL
CARDINAL BANKSHARES CORP
CAROLINA BANK HOLDINGS INC
CB FINANCIAL CORP
CCF HOLDING CO
CENTER BANCORP INC
CENTERSTATE BANKS INC
CENTERSTATE BANKS OF FLORIDA
INC
CENTRA FINANCIAL HOLDINGS INC
CENTRAL BANCORP INC MA
CENTRAL VALLEY COMMUNITY
BANCORP
CENTRAL VIRGINIA BANKSHARES INC

FINANCIAL – BANKING

CENTRUE FINANCIAL CORP
CHARTER FINANCIAL CORP GA
CHINO COMMERCIAL BANCORP
CITIZENS SOUTH BANKING CORP
CITY NATIONAL CORP
CNB BANCORP INC VA
COBIZ FINANCIAL INC
CODORUS VALLEY BANCORP INC
COLONIAL FINANCIAL SERVICES INC
COLUMBIA BANCORP OR
COLUMBIA BANKING SYSTEM INC
COMMUNITY BANK SYSTEM INC
COMMUNITY CAPITAL CORP SC
COMMUNITY FIRST BANCORP
COMMUNITY FIRST INC
COMMUNITY PARTNERS BANCORP
COMMUNITY TRUST BANCORP INC KY
COOPERATIVE BANKSHARES INC
CORNERSTONE BANCORP SC
CORTLAND BANCORP INC
CRESCENT BANKING CO
CRESCENT FINANCIAL CORP
CROGHAN BANCSHARES INC
CULLMAN BANCORP INC
DANVERS BANCORP INC
DNB FINANCIAL CORP PA
EAGLE BANCORP MONTANA INC
EAGLE BANCORP MT
ECB BANCORP INC
ENTERPRISE FINANCIAL SERVICES
CORP
ESSA BANCORP INC
EVANS BANCORP INC
F M BANK CORP
FARMERS MERCHANTS BANCORP
FAUQUIER BANKSHARES INC
FEDFIRST FINANCIAL CORP
FIDELITY BANCORP INC
FIDELITY SOUTHERN CORP
FINANCIAL INSTITUTIONS INC
FIRST BANCORP INC ME
FIRST BANCSHARES INC MS
FIRST BUSEY CORP NV
FIRST CALIFORNIA FINANCIAL GROUP
INC
FIRST CAPITAL BANCORP INC
FIRST CITIZENS BANCSHARES INC TN
FIRST COMMUNITY BANCSHARES INC
NV
FIRST COMMUNITY FINANCIAL CORP
FIRST FARMERS MERCHANTS CORP
FIRST FINANCIAL BANCORP OH
FIRST GUARANTY BANCSHARES INC
FIRST HORIZON NATIONAL CORP

CONTINUATION OF COMPANY LISTING

FINANCIAL – BANKING

FIRST INTERSTATE BANCSYSTEM INC
FIRST MARINER BANCORP
FIRST MIDWEST BANCORP INC
FIRST NATIONAL COMMUNITY BANCORP INC
FIRST NATIONAL CORP VA
FIRST NATIONAL LINCOLN CORP ME
FIRST NORTHERN COMMUNITY BANCORP
FIRST OTTAWA BANCSHARES INC
FIRST REGIONAL BANCORP
FIRST RELIANCE BANCSHARES INC
FIRST SOUTH BANCORP INC
FIRST UNITED CORP MD
FNB BANCORP CA
FNB CORP FL
FNB UNITED CORP
FPB BANCORP INC
FRANKLIN FINANCIAL SERVICES CORP PA
FRONTIER FINANCIAL CORP WA
GATEWAY FINANCIAL HOLDINGS INC
GEORGETOWN BANCORP INC
GOUVERNEUR BANCORP INC
GRANDSOUTH BANCORPORATION
GREER BANCSHARES INC
GUARANTY BANCORP
HABERSHAM BANCORP
HAMPDEN BANCORP INC
HAMPTON ROADS BANKSHARES INC
HANCOCK HOLDING CO
HARLEYSVILLE NATIONAL CORP
HARVARD ILLINOIS BANCORP INC
HCSB FINANCIAL CORP
HEARTLAND FINANCIAL USA INC
HERITAGE COMMERCE CORP
HIGHLANDS BANKSHARES INC WV
HOME BANCORP INC
HOME BANCSHARES INC
IBT BANCORP INC MI
IMPERIAL CAPITAL BANCORP INC
INTERMOUNTAIN COMMUNITY BANCORP
ISABELLA BANK CORP
JACKSONVILLE BANCORP INC FL
JUNIATA VALLEY FINANCIAL CORP
LAKELAND BANCORP INC
LAPORTE BANCORP INC
LINCOLN BANCORP IN
M F BANCORP INC NC
MALVERN FEDERAL BANCORP INC
MARSHALL ILSLEY CORP
MBT FINANCIAL CORP
MERIDIAN INTERSTATE BANCORP INC

FINANCIAL BANKING

MID PENN BANCORP INC
MIDCAROLINA FINANCIAL CORP
MIDDLEBURG FINANCIAL CORP
MIDSOUTH BANCORP INC
MIDWEST BANC HOLDINGS INC
MOUNTAIN NATIONAL BANCSHARES INC
MSB FINANCIAL CORP
NARA BANCORP INC
NATIONAL CITY CORP
NBT BANCORP INC
NEW CENTURY BANCORP INC
NEW ENGLAND BANCSHARES INC
NEWPORT BANCORP INC
NEXITY FINANCIAL CORP
NORTH VALLEY BANCORP
NORTHERN CALIFORNIA BANCORP INC
NORTHWEST BANCORP INC
NORTHWEST BANCSHARES INC
NORTHWEST INDIANA BANCORP
OAK RIDGE FINANCIAL SERVICES INC
OAK VALLEY BANCORP
OBA FINANCIAL SERVICES INC
OCEAN SHORE HOLDING CO
OHIO LEGACY CORP
OLD POINT FINANCIAL CORP
OSAGE BANCSHARES INC
PALMETTO BANCSHARES INC
PARK NATIONAL CORP OH
PEAPACK GLADSTONE FINANCIAL CORP
PENSECO FINANCIAL SERVICES CORP
PEOPLE S UNITED FINANCIAL INC
PEOPLES BANCORP
PEOPLES BANCORP OF NORTH CAROLINA INC
PEOPLES BANCORPORATION INC SC
PEOPLES FEDERAL BANCSHARES INC
PEOPLES FINANCIAL CORP MS
PLAINS CAPITAL CORP
PLUMAS BANCORP
PNC FINANCIAL SERVICES GROUP INC
POLONIA BANCORP
PROVIDENT COMMUNITY BANCSHARES INC
PRUDENTIAL BANCORP INC OF PENNSYLVANIA
REGIONS FINANCIAL CORP
RENASANT CORP
RIVER VALLEY BANCORP

FINANCIAL BANKING (CONTINUED)

ROCKVILLE FINANCIAL INC
RURBAN FINANCIAL CORP
S Y BANCORP INC
SALISBURY BANCORP INC
SBT BANCORP INC
SECURITY FEDERAL CORP
SHORE BANCSHARES INC
SI FINANCIAL GROUP INC
SIERRA BANCORP
SOUTHCOAST FINANCIAL CORP
SOUTHCREST FINANCIAL GROUP INC
SOUTHEASTERN BANK FINANCIAL CORP
SOUTHERN COMMUNITY FINANCIAL CORP
SOUTHERN FIRST BANCSHARES INC
SOUTHSIDE BANCSHARES INC
SOUTHWEST GEORGIA FINANCIAL CORP
STATE BANCORP INC
STELLARONE CORP
STERLING BANCORP
SUMMIT FINANCIAL GROUP INC
SUNTRUST BANKS INC
SUSQUEHANNA BANCSHARES INC
SYNOVUS FINANCIAL CORP
TAYLOR CAPITAL GROUP INC
TEAM FINANCIAL INC KS
TEMECULA VALLEY BANCORP INC
TENNESSEE COMMERCE BANCORP INC
TFS FINANCIAL CORP
TIB FINANCIAL CORP
TIDELANDS BANCSHARES INC
TOWER BANCORP INC
TRI COUNTY FINANCIAL CORP MD
TRICO BANCSHARES
UMPQUA HOLDINGS CORP
UNION FIRST MARKET BANKSHARES CORP
UNION NATIONAL FINANCIAL CORP PA
UNITED BANCORP INC OH
UNITED BANKSHARES INC WV
UNITED COMMUNITY BANCORP
UNITED FINANCIAL BANCORP INC
UNITED SECURITY BANCSHARES
UNIVEST CORP OF PENNSYLVANIA
UWHARRIE CAPITAL CORP
VALLEY COMMERCE BANCORP
VALLEY FINANCIAL CORP VA
VENTURE FINANCIAL GROUP INC
WACCAMAW BANKSHARES INC
WACHOVIA CORP NEW

CONTINUATION OF COMPANY LISTING

FINANCIAL – BANKING

WASHINGTON TRUST BANCORP INC
WESBANCO INC
WEST SUBURBAN BANCORP INC
WESTAMERICA BANCORPORATION
WILBER CORP
WILSHIRE BANCORP INC
WSB FINANCIAL GROUP INC
YADKIN VALLEY FINANCIAL CORP

FINANCIAL – NON-BANKING

ADVANTA CORP
ALLIED CAPITAL CORP
AMERICAN EXPRESS CO
AVALONBAY COMMUNITIES INC
BANCINSURANCE CORP
CHUBB CORP
DEVELOPERS DIVERSIFIED REALTY CORP
ENCORE CAPITAL GROUP INC
EQUITY RESIDENTIAL
ERIE INDEMNITY CO
FEDERAL REALTY INVESTMENT TRUST
HCP INC
INTERGROUP CORP
MACERICH CO
METLIFE INC
NAVIGATORS GROUP INC
NEWTEK BUSINESS SERVICES INC
OPPENHEIMER HOLDINGS INC
PORTSMOUTH SQUARE INC
RADIAN GROUP INC
SANTA FE FINANCIAL CORP
SUNSTONE HOTEL INVESTORS INC
UNITED STATIONERS INC
WACHOVIA PREFERRED FUNDING CORP
WADDELL REED FINANCIAL INC
WASHINGTON REAL ESTATE INVESTMENT TRUST

HEALTHCARE

AMGEN INC
BARD C R INC NJ
BECTON DICKINSON CO
BIO REFERENCE LABORATORIES INC
BOSTON SCIENTIFIC CORP
CHARLES RIVER LABORATORIES INTERNATIONAL INC
CHEMED CORP
COMMUNITY HEALTH SYSTEMS INC
CONMED CORP
EMISPHERE TECHNOLOGIES INC
ENZO BIOCHEM INC
FONAR CORP
IMMUNOMEDICS INC
INSITE VISION INC
KV PHARMACEUTICAL CO DE
LEXICON PHARMACEUTICALS INC DE
MERCK CO INC
NBTY INC
PHARMOS CORP
SUNRISE SENIOR LIVING INC
TALECRIS BIOTHERAPEUTICS HOLDINGS CORP
TELEFLEX INC
TENET HEALTHCARE CORP
UNIGENE LABORATORIES INC
UNIVERSAL HEALTH SERVICES INC

INDUSTRIAL GOODS

AAR CORP
AMETEK INC
ARMSTRONG WORLD INDUSTRIES INC
BARNES GROUP INC
BFC FINANCIAL CORP
CHASE CORP
CULP INC
EMERSON ELECTRIC CO
ENERSYS
ENPRO INDUSTRIES INC
FLUOR CORP
FOSTER WHEELER AG
FOSTER WHEELER LTD
GEHL CO
GOODRICH CORP
GRIFFON CORP
HAWK CORP
HIRSCH INTERNATIONAL CORP
INGERSOLL RAND CO LTD
INGERSOLL RAND PLC
INTERFACE INC
LSB INDUSTRIES INC
M I HOMES INC

INDUSTRIAL GOODS

MASTEC INC
MICROSEMI CORP
P F INDUSTRIES INC
SERVIDYNE INC
SHERWIN WILLIAMS CO
SMITH A O CORP
SPACEDEV INC
TRIUMPH GROUP INC
TWIN DISC INC

SERVICES

AARON RENTS INC
AARON S INC
ABINGTON BANCORP INC PA
AMCON DISTRIBUTING CO
AMERICAN GREETINGS CORP
AMR CORP
BED BATH BEYOND INC
BELK INC
BOYD GAMING CORP
CHARMING SHOPPES INC
COMCAST CORP
COSTCO WHOLESALE CORP NEW
COVENANT TRANSPORTATION GROUP INC
CVS CAREMARK CORP
DISCOVERY COMMUNICATIONS INC
DOLAN MEDIA CO
EMMIS COMMUNICATIONS CORP
FIDELITY NATIONAL INFORMATION SERVICES INC
FPL GROUP INC
FROZEN FOOD EXPRESS INDUSTRIES INC
GENESEE WYOMING INC
ITC DELTACOM INC
KROGER CO
LENDER PROCESSING SERVICES INC
LIBERTY GLOBAL INC
LIONS GATE ENTERTAINMENT CORP CN
LITHIA MOTORS INC
MARCUS CORP
MARTHA STEWART LIVING OMNIMEDIA INC
MENS WEARHOUSE INC
MEREDITH CORP
MSC INDUSTRIAL DIRECT CO INC
MTR GAMING GROUP INC
NOVELL INC
OLD DOMINION FREIGHT LINE INC VA
OMNICARE INC
PATTERSON COMPANIES INC

CONTINUATION OF COMPANY LISTING

SERVICES

PENN NATIONAL GAMING INC
PRE PAID LEGAL SERVICES INC
PSS WORLD MEDICAL INC
REIS INC
ROSS STORES INC
SAGA COMMUNICATIONS INC
SAKS INC
SALEM COMMUNICATIONS CORP DE
SERVICE CORPORATION INTERNATIONAL
SPEEDWAY MOTORSPORTS INC
STAPLES INC
STARBUCKS CORP
STEIN MART INC
SYSCO CORP
TESSCO TECHNOLOGIES INC
TIFFANY CO
TIME WARNER INC
UNITED PARCEL SERVICE INC
WIND RIVER SYSTEMS INC

TECHNOLOGY

ADVANCED ANALOGIC TECHNOLOGIES INC
AEROFLEX HOLDING CORP
AGILYSYS INC
AT T INC
BLONDER TONGUE LABORATORIES INC
BOTTOMLINE TECHNOLOGIES INC DE
CENTURYLINK INC
CITRIX SYSTEMS INC
CLEARFIELD INC
CONVERGYS CORP
CSP INC MA
DELL INC
EPIQ SYSTEMS INC
EXAR CORP
HURCO COMPANIES INC
INTERNATIONAL GAME TECHNOLOGY
MAXIM INTEGRATED PRODUCTS INC
UNISYS CORP

UTILITIES

ALLIANT ENERGY CORP
AMERICAN ELECTRIC POWER CO INC
CAROLINA POWER LIGHT CO
CENTERPOINT ENERGY INC
CENTRAL VERMONT PUBLIC SERVICE CORP
DELTA NATURAL GAS CO INC
DUKE ENERGY CORP
FIRSTENERGY CORP
NATIONAL FUEL GAS CO
NEXTERA ENERGY INC
OGE ENERGY CORP
PROGRESS ENERGY INC
WISCONSIN POWER LIGHT CO