

ABC Company, Inc.

ESOP Repurchase Liability Study

August 10, 2009

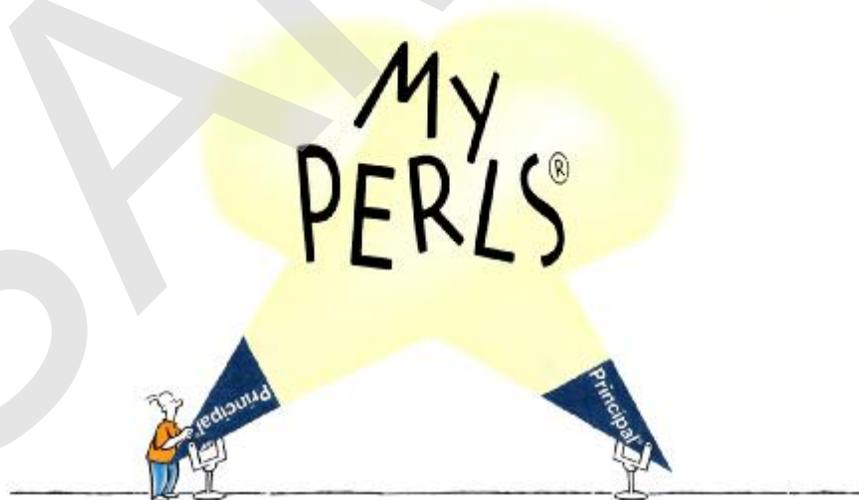


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Executive Summary

Objectives

In 2009, ABC Company, Inc. retained the repurchase liability team at the Principal Financial Group® to prepare a projection of the ESOP repurchase liability to help management and the Board of Directors plan for funding the payouts to participants entitled to distributions from the ESOP. As part of that discussion, the following issues were discussed:

1. Project the repurchase obligation assuming the company and the plan continue to operate as they have in the past.
2. Analyze the effect of adding a minimum installment on installment distributions, as compared to the current policy.
3. Determine the impact of altering the current balance threshold from \$50,000 to \$25,000.
4. Project the repurchase liability assuming the repurchased shares are redeemed by the company.

Scope of Engagement

ABC Company requested that the repurchase liability team at Principal prepare a repurchase liability analysis based on multiple scenarios. To do this, we worked with the company to develop a base scenario. We performed a detailed analysis of the distribution policy alterations. We then used these assumptions to calculate a repurchase liability and analyze it for reasonableness (for a detailed list of assumptions, see Appendix A).

Summary of Key Recommendations

Are changes to the distribution policy necessary?

Adding a minimum installment may result in accelerated payouts compared to the current distribution policy, but may also result in an overall lower repurchase obligation if smaller accounts are paid out faster and no longer invested in stock. In addition to the current \$50,000 lump sum threshold, the proposed change would add a minimum installment of \$50,000. For example, if a terminated participant has a balance of \$150,000, this participant would receive his distribution in three \$50,000 installments (ignoring change in stock price) rather than five installments of \$30,000.

The study also considered a proposed reduction in the balance threshold (to \$25,000) and added a smaller minimum installment to analyze its effect on the repurchase obligation. This was done to see if there would be a reduction in the number of distributions occurring in lump sum form, but continuing to pay the relatively low balances out in a period of less than 5 years.

Recommendation

Based on the analysis, the majority of the participants who turnover have less tenure and have smaller account balances. Therefore the majority of the distributions are of balances less than a \$25,000 balance threshold. Therefore adding a minimum installment would not significantly impact the repurchase obligation, nor would reducing the lump sum threshold. (Note, the current policy does result in a lower repurchase obligation for the first 5 years (\$100,000 - \$150,000 difference between the \$50,000 and \$25,000 threshold) but after 2013 there is little difference.) Therefore, such changes to the distribution policy may not need to be considered at this time.

Analyze impact of redeeming the repurchased shares instead of the current practice of recycling

Currently repurchased shares are purchased with cash from the ESOP. This cash may have entered the ESOP from S distributions or contributions. After the shares are purchased with cash inside the ESOP, they are allocated to participant accounts based on the cash balances. If shares were to be redeemed, the company would purchase the shares from the impacted separated participants' accounts, and the shares would be retired to treasury.

The resulting decrease in the number of outstanding shares will increase the price per share at an accelerated rate. In addition, as the ESOP-owned shares are decreasing and the non-ESOP shareholdings remaining constant, the non-ESOP shareholders will own an increasing percentage of the company. In addition, new participants will not receive any shares once the internal loan is repaid.

This, and the earlier alternative key recommendation, represent either/or options; either recycle all the repurchased shares or redeem all the repurchased shares. In reality, the best solution may be a combination of the two based on the company's employee benefit and financial objectives. This might also include redeeming the shares followed by a re-contribution of some or all of the shares to the ESOP in the current or future year.

Recommendation

Based on the analysis, after the loan is repaid, the majority of the benefit provided to the participants will be from the recycled shares. Given the desire to control the benefit levels and future contribution levels, the company may want to consider redeeming the repurchased shares and re-contributing a portion back to the ESOP based on the targeted benefit level and/or other financial objectives. This process will allow the company to control the inflow of shares to the ESOP, as well as the combined contribution level among all plans.

Findings

In order to meet the objectives set during discussions with ABC Company, we have completed the following scenarios.

Note: The distribution assumptions below differ from the current distribution policy. The current policy provides a balance threshold for retirement distributions. My PERLS[®] allows for a balance threshold input only for turnover terminations. In discussions with management it was decided that it would be best to assume the majority of retirement distributions would be over the \$50,000 threshold. Therefore, it was assumed the retirement balances would be distributed evenly over a 5 year period.

Scenario 1 – Initial Study (Current Policy)

This scenario utilizes assumptions provided by ABC Company to project the most probable repurchase liability based upon your plan document provisions. ABC Company, Inc.'s ESOP distribution policy allows participants the following:

Reason	Form and Method	Timing
Normal Retirement	Installment distribution over a period of 5 years	As soon as possible after the period in which the termination event occurs.
Death and Disability	Lump sum distribution	As soon as possible after the period in which the termination event occurs.
Other Turnover	Balances under \$50,000: Lump sum distribution Balances over \$50,000: Installment distribution over a period of 5 years without a minimum installment payment	As soon as possible after the period in which the termination event occurs.

Scenario 2 – Initial Study with Redeem

To analyze the impact of redeeming the future repurchase liability, scenario 1 was duplicated and the repurchase option was changed to redeem shares from the ESOP. In addition, the stock value per share was adjusted to reflect the decreasing number of outstanding shares. All other assumptions remained the same.

Scenario 3 – \$25,000 Minimum Installment and \$25,000 Balance Threshold

In order to understand the implications of adjusting the balance threshold and adding a modest minimum installment this scenario assumes the following:

Reason	Form and Method	Timing
Normal Retirement	Installment distribution over a period of 5 years	As soon as possible after the period in which the termination event occurs.
Death and Disability	Lump sum distribution	As soon as possible after the period in which the termination event occurs.
Other Turnover	Balances under \$25,000: Lump sum distribution Balances over \$25,000: Installment distribution over a period of 5 years with a minimum installment payment of \$25,000	As soon as possible after the period in which the termination event occurs.

Scenario 4 – \$50,000 Minimum Installment and \$50,000 Balance Threshold

In order to understand the implications of maintaining the balance threshold and adding a significant minimum installment this scenario assumes the following:

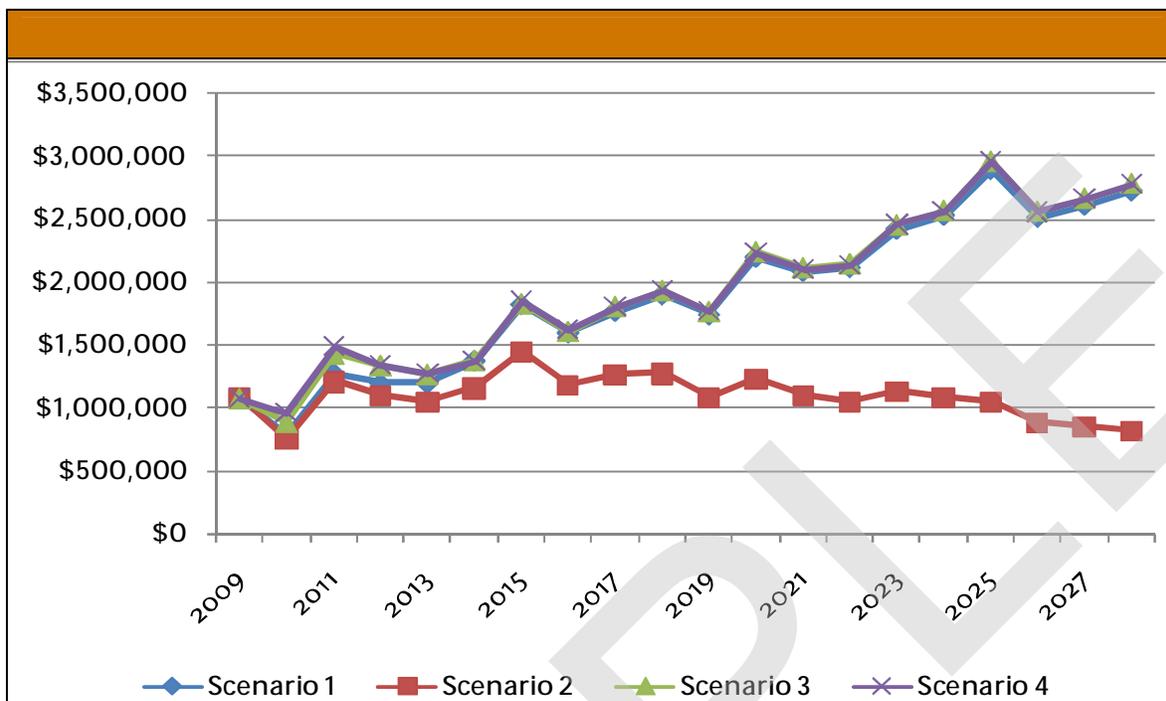
Reason	Form and Method	Timing
Normal Retirement	Installment distribution over a period of 5 years	As soon as possible after the period in which the termination event occurs.
Death and Disability	Lump sum distribution	As soon as possible after the period in which the termination event occurs.
Other Turnover	Balances under \$50,000: Lump sum distribution Balances over \$50,000: Installment distribution over a period of 5 years with a minimum installment payment of \$50,000	As soon as possible after the period in which the termination event occurs.

The following pages contain graphs and analysis that depict the results of the scenarios summarized above.

The findings you will see depicted in charts and analyzed below are:

- Annual Repurchase Liability – This graph will compare the obligations projected by the four scenarios on an annual basis.
- Segmented Repurchase Liability (current policy/recycle scenario 1) – This chart breaks down the annual obligations by distribution event (mortality, disability, turnover, diversification and retirement).
- Repurchase Liability as a Percentage of Eligible Compensation – Looking at this helps put the repurchase liability into perspective by comparing it to total eligible compensation under scenario 1 and scenario 2.
- Employer Contributions and S Distributions – This chart illustrates the value of employer contributions and S distributions necessary to fund and maintain the ESOP and compares the results under scenarios 1 and 2.
- Projected Allocations to Participants – This illustrates the level of benefit allocated to participant accounts (the value of shares allocated) as a result of contributions under scenarios 1 and 2.
- Annual Cash Balances – This graph illustrates the amount of cash left in the ESOP trust at the end of each plan year and compares the results under scenarios 1 and 2.
- Breakdown of Asset Allocation (recycle scenario 1) – This chart provides a comparison between the value of benefit allocated on the basis of the plan's regular allocation formula (compensation/years of service) and the value of amounts allocated based on beginning share balances.
- Ownership Trends in redeem scenario – This chart displays the ownership levels of the ESOP and the outside shareholders under the redeem scenario.

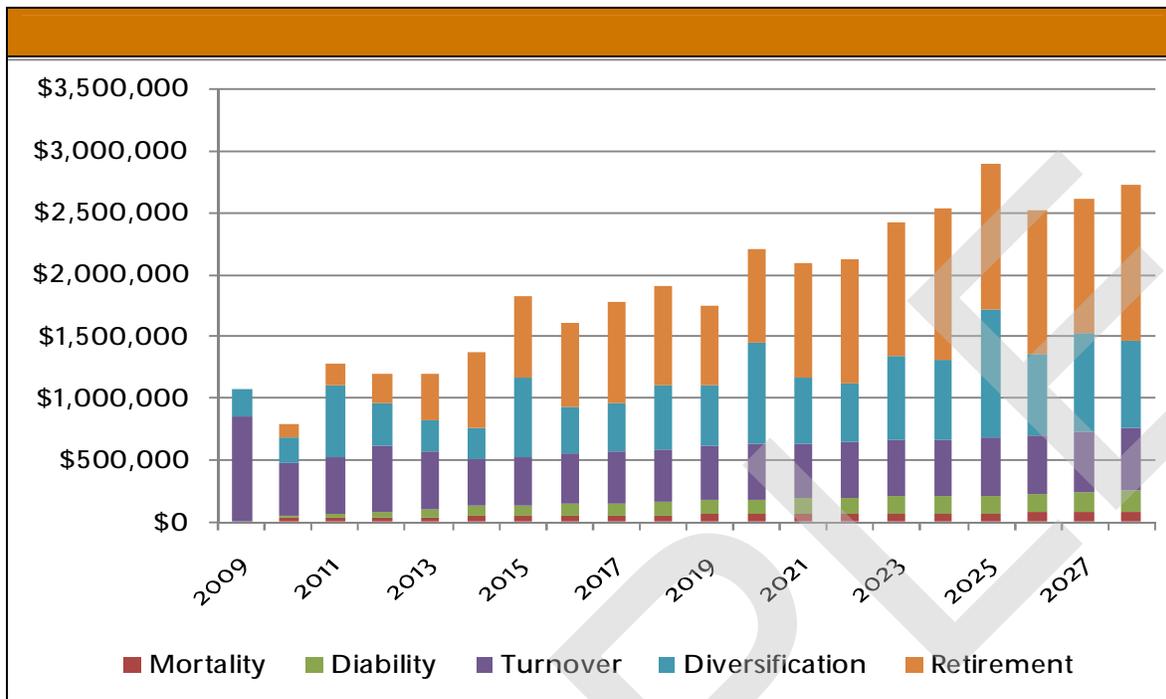
Annual Repurchase Liability



The graph above displays the total annual distributions relating to mortality, disability, turnover, diversification and retirement for each of the scenarios. As an ESOP Company, you have the obligation to repurchase the shares held by participants as they terminate or elect diversification. Depending on the payout options set forth in the plan document or distribution policy, payouts may be received in lump-sum form or in up to five installments. Distributions may also be received immediately or following a 6-year delay.

- Scenarios 1, 3 and 4 all have very similar projected liabilities, showing the changes in the distribution policy have little effect on the future liabilities.
 - Adding a minimum installment has little effect as the majority of the balances of turnover participants fall under the current balance threshold, thus being paid in lump-sum.
 - The impact of lowering the balance threshold to \$25,000 is also not significant after 2013.
- Scenario 2, the redeem scenario, has the lowest repurchase liability due to multiple reasons:
 - Shares are removed from the trust and none are re-allocated so the value held in the ESOP begins to decrease and remains concentrated to a smaller group of employees.
 - As the shares in the ESOP decrease the shares remaining outside the ESOP remain constant; therefore the percentage the ESOP owns decreases over the term of the study.

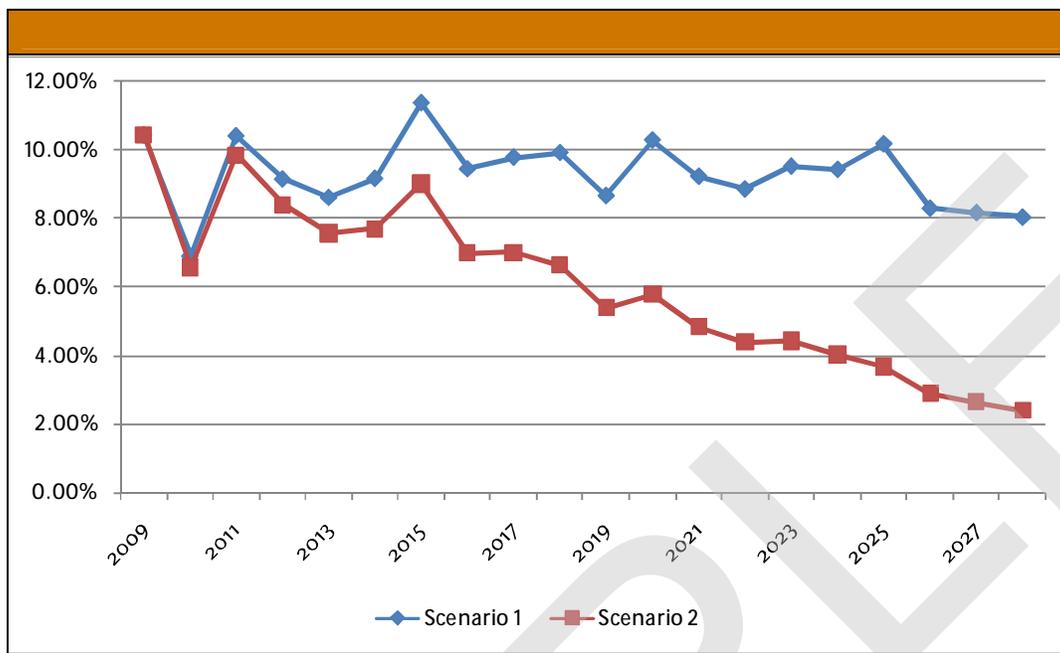
Segmented Repurchase Liability (Current Recycle Scenario 1)



Participants may terminate for several reasons. Depending on the stipulations set forth in the plan document or separate distribution policy, the timing and method of the distribution may be affected. Distributions pertaining to mortality, disability and retirement can only be delayed up to one year. However, distributions relating to terminations for reasons other than mortality, disability and retirement may be delayed up to 6 years after the event. Furthermore, distributions relating to diversification may not be delayed or paid in installments. The graph above shows this breakdown of the annual repurchase liability based on your current distribution policy. The graph above has been included in Appendix B for scenario 2 (redeem scenario).

- The graph above includes results of the initial scenario only.
- The chart indicates that the majority of the repurchase liability is attributable to retirements, at 39%.
- Turnover and diversification make up the next most significant distribution events, at 25% and 28% respectively.
- Mortality and disability make up approximately 8% of the total liabilities.
- As retirement and diversification make up 67% of the total liabilities, the changes to the distribution policy had little effect on the overall repurchase liability.

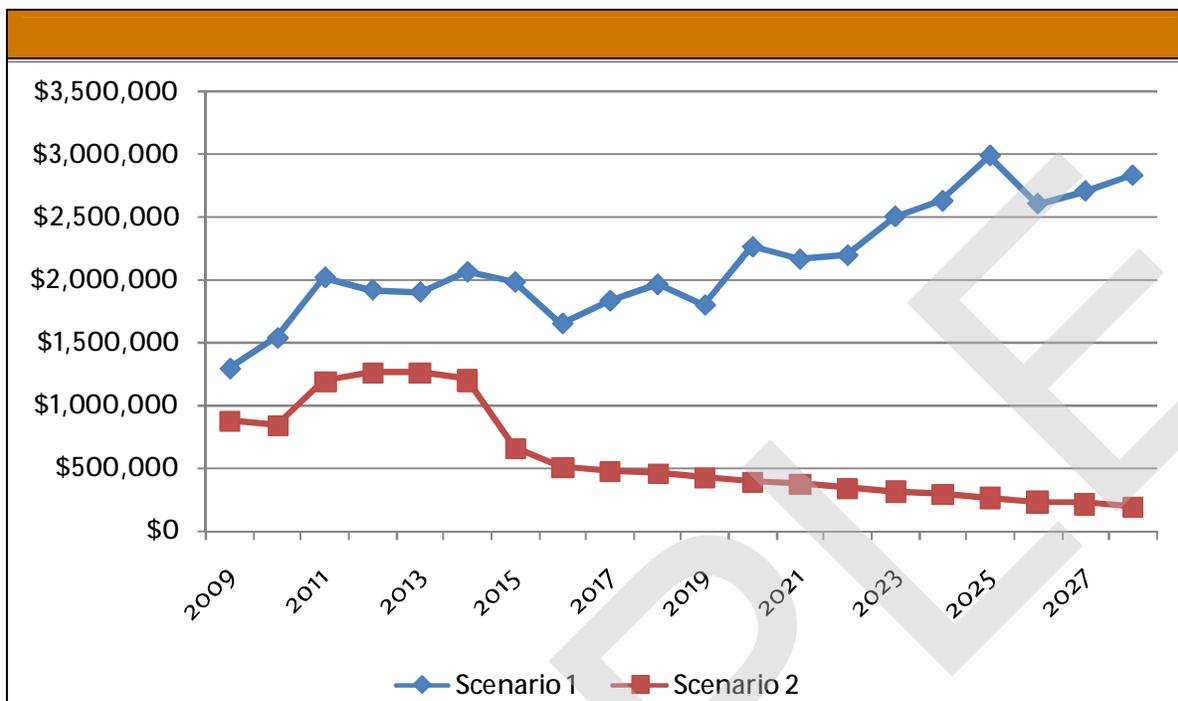
Repurchase Liability as a Percentage of Eligible Compensation



Comparing the annual repurchase liability to eligible compensation provides a helpful "reality check." This measurement may indicate that repurchase liability is reaching undesirable levels, or that the growth in repurchase liability is outpacing the growth in eligible compensation. The graph above shows the comparison of the repurchase liability as a percent of eligible compensation for scenarios 1 and 2.

- The results for scenario 1, the recycle scenario, range between about 7% and 11% of eligible compensation.
 - This is quite common for an ESOP company which is continuing to provide a benefit to its participants through recycling.
 - Due to the substantial benefits provided year after year, the participants continue to receive allocations throughout the study.
- Scenario 2, the redeem scenario, begins the study with similar results, however since shares are not recycled, the number of shares being allocated to participants declines and the repurchase liability as a percent of eligible compensation decreases dramatically, to nearly 2%.
 - This, as well, is quite common for an ESOP company electing to handle its repurchase liability with redemptions particularly when the ESOP owns less than 100% of the company.
 - As the shares are redeemed to treasury the ESOP participants are no longer receiving the additional benefit.
- Scenarios 1 and 2 currently display the two extremes of handling future repurchase liabilities; either all shares are recycled or all are redeemed.
 - A combination of strategies, or re-contributing some of the shares to the ESOP, should create results somewhere in the middle.

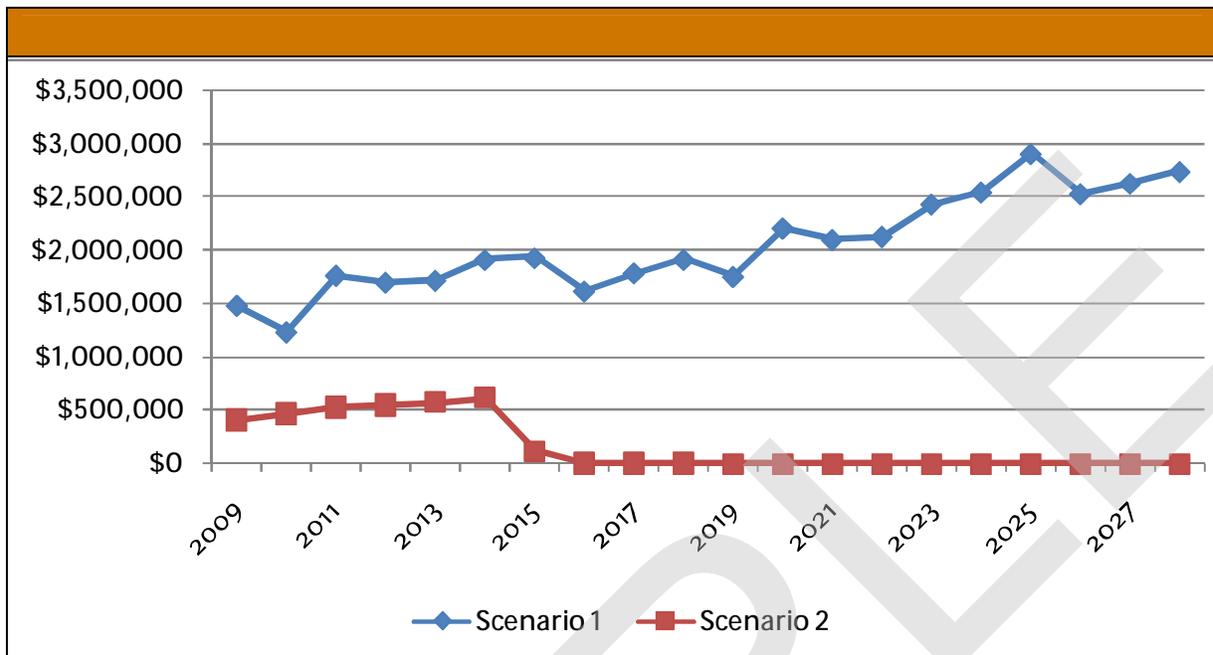
Employer Contributions and S Distributions



Employer contributions and S distributions are commonly used to fund debt payments and share repurchases. In addition, additional dollars or shares may be contributed into the ESOP to provide additional benefits. The graph above shows the comparison of the employer contributions and S distributions for scenarios 1 and 2 in dollars.

- The graph above displays the comparison of the recycle and redeem scenarios very clearly.
 - In the recycle scenario the contributions and S distributions are equal to what is needed for the debt service as well as what is needed to recycle the repurchased shares.
 - In the redeem scenario the only contribution and S distributions necessary are the amount needed for debt service.
 - As fewer shares remain allocated in the redeem scenario, the total dividends paid to the trust decrease. Combined with a decrease in the amount needed for the repurchase liability and the pay off of ESOP debt, the result is a significant gap in amounts going into the trust and the benefit to participants, particularly in the second decade of the study.

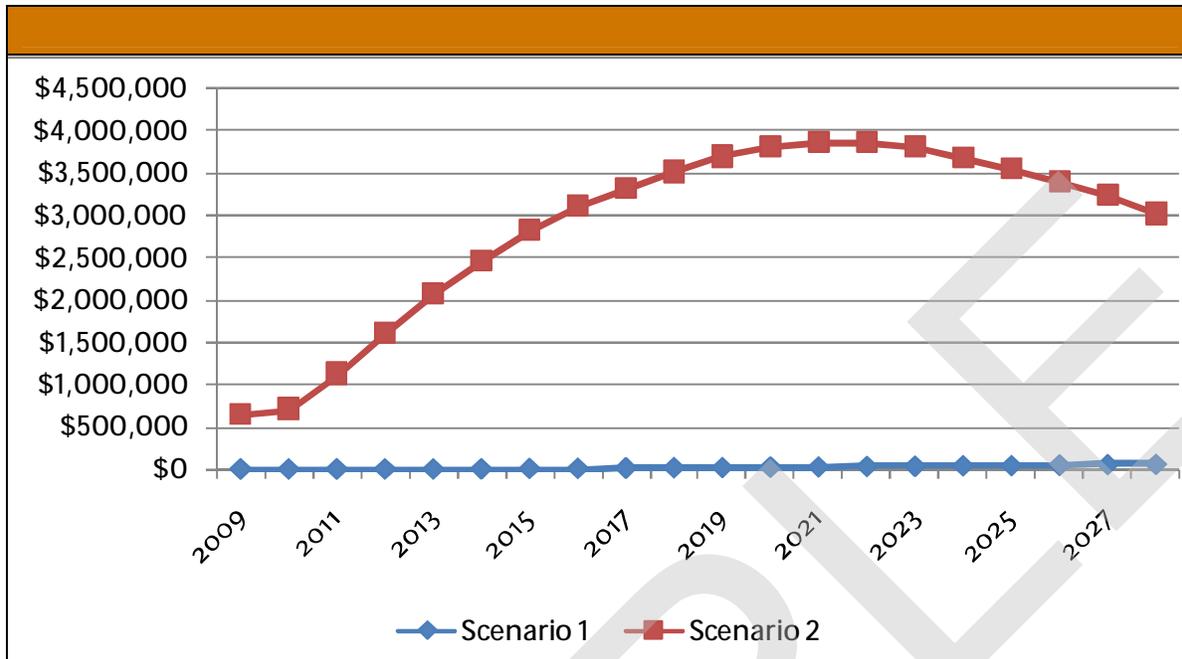
Projected Allocations to Employees



Employees receive benefits through many sources in an ESOP. Participants may receive a portion of the share release from loan payments, a portion of allocated stock contribution, a portion of the reallocated forfeitures, or a portion of the recycled repurchased shares. The graph above compares the allocations of shares to employees in dollars.

- This graph is similar to the prior graph; however, this graph indicates the total value of shares actually allocated to the participants.
- It does not include cash allocated from S distributions; however, it does include shares recycled using S distributions, as well as shares released from debt payments made with S distributions.
- As seen previously, the recycle scenario continues to provide a substantial benefit to participants through the end of the study.
- In the redeem scenario, once the loan is repaid and the forfeitures are allocated, the participants will only receive additional value through dividends.
 - Therefore, only participants with stock in their account after 2016 will receive additional value.

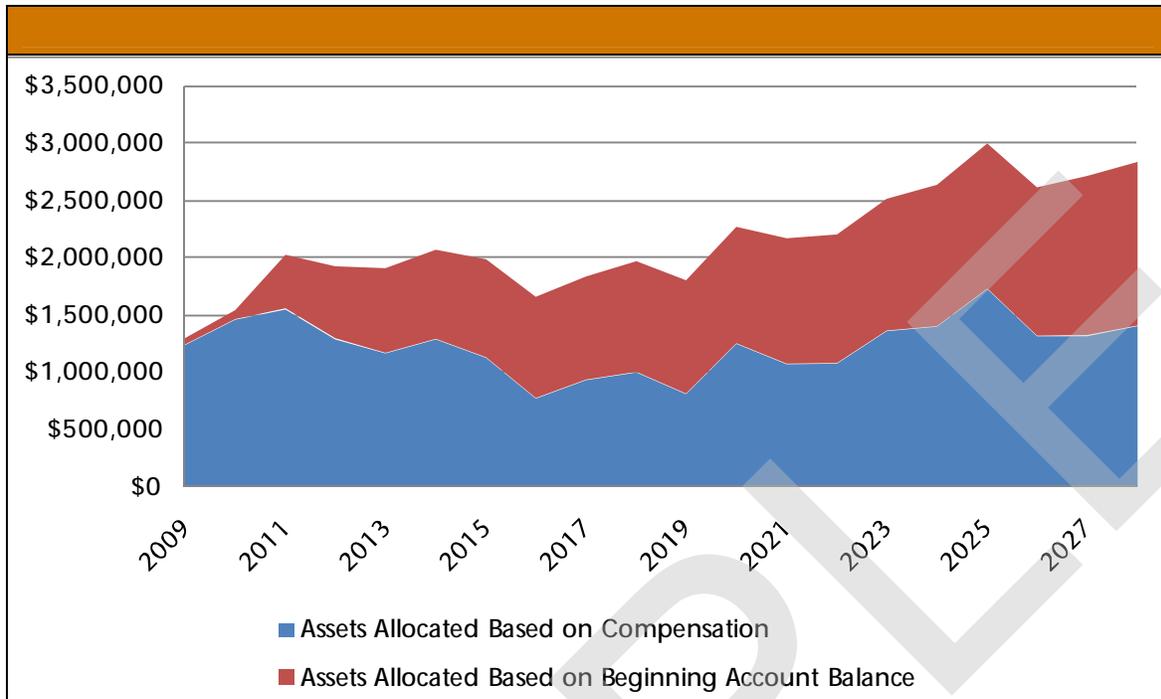
Annual Cash Balances



Annual ESOP cash flow depends on many factors, including corporate status, level of dividends, level of contributions, repurchase liability funding method, and level of ESOP ownership to name a few. It is quite common for a partial S corporation ESOP to accumulate significant amounts of cash in the ESOP due to the level of required S distributions. On the other hand, it is very common for other ESOPs to maintain a zero cash balance in the ESOP, especially when the only contributions made to the plan are to fund the repurchase obligation or debt payments (situations where the sources of cash equal uses of cash). The graph above compares the end of year cash balances for each scenario.

- In scenario 1, all the cash inside the ESOP is used to recycle shares or make payments on the ESOP loan; including both dividends and future contributions.
- However, in scenario 2, the dividends build up over the course of the study, and reach levels of almost \$4,000,000.
 - The excess cash could be used to repurchase shares or to purchase additional shares outside the ESOP.

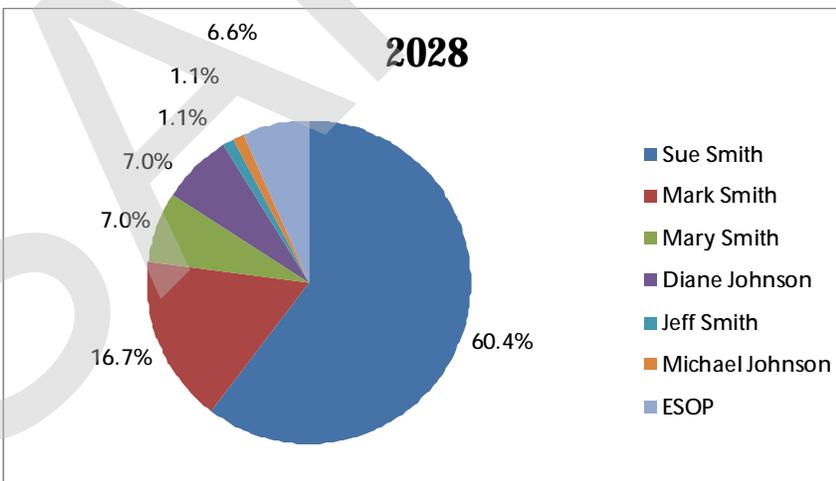
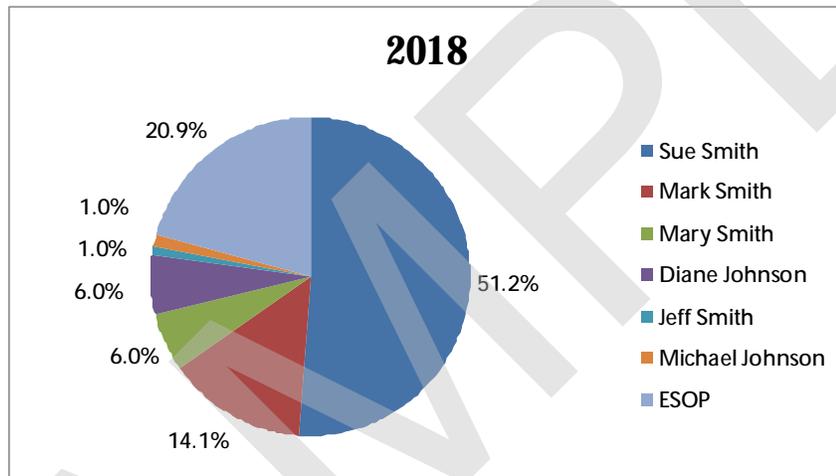
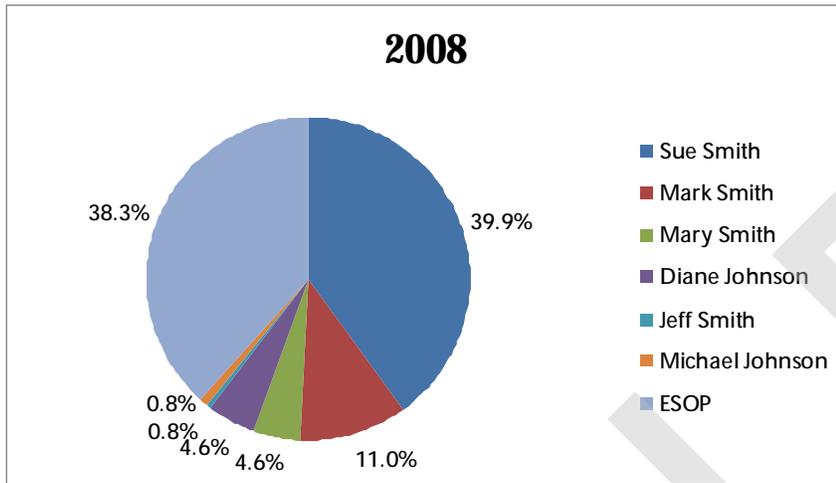
Breakdown of Asset Allocation (Recycle Scenario 1)



Over the course of the analysis, assets enter the ESOP in one of two ways. They are contributed by the company to fund the debt service or repurchase shares. Or, they enter the plan as a dividend (S distribution). Contributions are allocated based on the Plan’s regular allocation formula (compensation/years of service). However, dividends are allocated to the participants based on their beginning share balances. In the situation where there are shares in a suspense account, the dividends attributable to those shares are allocated based on the Plan formula as well. The chart above displays a breakdown of the asset allocation for scenario 1.

- Early on in the analysis the majority of the assets are allocated based on the regular plan formula (compensation/years of service).
 - Contributions make up the majority of the cash inflows during the first ten years of the study.
- During the second decade, the contributions and dividends each make up about half of the cash in flows, resulting in half the assets being allocated based on compensation/years of service, and the other being allocated based on beginning share balance.
- This illustrates that about ½ of all shares are being allocated to the “have’s” and the “have-not’s” are only receiving a portion of the rest. The “have’s” include participants with account balances even if they have terminated employment.

Ownership Trends (Redeem Scenario)



The pie graphs on the prior page display the ownership trends and dynamics over the course of the study in a redeem scenario where none of the repurchased shares are recycled. The first chart shows the ownership percentages as they are today; prior to any redemptions. The second graph shows the results after the first decade in 2018. The final graph shows the results after the second decade in 2028 at the end of the study.

- As seen above, the ESOP ownership decreases from 38% to 7% over the course of the study.
- Conversely, the outside shareholders' ownership increases as the ESOP decreases occur.
 - Sue Smith's ownership increases from 40% to roughly 60% over the 20 year period.
 - Mark Smith's ownership increases from 10% to 17% over the same period.

Appendix A

Assumptions

General Assumptions

- The study uses census information as of June 30, 2008.
- The study is a 20-year projection for fiscal years 2009 through 2028.
- Stock value was \$50.00 as of June 30, 2008 and future growth assumptions have been provided by management. During 2009 the stock price is assumed to decrease by 20%. During 2010 and 2011 the stock price is assumed to increase at a rate of 10%. For the remainder of the study, the stock price is assumed to increase at 3%. Stock values for the redeem scenario have been adjusted to account for the decreasing number of shares outstanding.

Recycle scenarios:

Year	Appreciation Rate	Market Value	Year	Appreciation Rate	Market Value
2009	(19.00%)	\$40.50	2019	3.00%	\$62.08
2010	10.00%	\$44.55	2020	3.00%	\$63.94
2011	10.00%	\$49.01	2021	3.00%	\$65.86
2012	3.00%	\$50.48	2022	3.00%	\$67.84
2013	3.00%	\$51.99	2023	3.00%	\$69.88
2014	3.00%	\$53.55	2024	3.00%	\$71.98
2015	3.00%	\$55.16	2025	3.00%	\$74.14
2016	3.00%	\$56.81	2026	3.00%	\$76.36
2017	3.00%	\$58.51	2027	3.00%	\$78.65
2018	3.00%	\$60.27	2028	3.00%	\$81.01

Redeem scenario:

Year	Appreciation Rate	Market Value	Year	Appreciation Rate	Market Value
2009	(19.00%)	\$40.50	2019	5.06%	\$81.21
2010	15.02%	\$46.58	2020	5.28%	\$85.50
2011	13.36%	\$52.80	2021	4.97%	\$89.75
2012	5.57%	\$55.74	2022	4.83%	\$94.08
2013	5.38%	\$58.74	2023	4.90%	\$98.69
2014	5.56%	\$62.01	2024	4.77%	\$103.40
2015	6.13%	\$65.81	2025	4.66%	\$108.22
2016	5.46%	\$69.40	2026	4.34%	\$112.92
2017	5.56%	\$73.26	2027	4.25%	\$117.72
2018	5.51%	\$77.30	2028	4.18%	\$122.64

- S distributions for the term of the study were provided by management. There was no adjustment considered for the redeem scenario where, presumably, the dividend rate would increase as the number of shares decreased and the potential higher taxable income due to the absence of a tax deduction for contributions needed in the recycle scenario.

Year	Dividend Per Share	Year	Dividend Per Share
2009	\$.19	2019	\$2.82
2010	\$.26	2020	\$2.89
2011	\$1.51	2021	\$3.11
2012	\$1.97	2022	\$3.19
2013	\$2.23	2023	\$3.27
2014	\$2.28	2024	\$3.51
2015	\$2.45	2025	\$3.60
2016	\$2.51	2026	\$3.69
2017	\$2.57	2027	\$3.97
2018	\$2.76	2028	\$4.07

ESOP Assumptions

- Internal loan terms:
 - \$3,836,881.50 remaining balance
 - 59,718.0008 shares in suspense
 - 7 years remaining
 - Level principal payments of \$622,197 were assumed.
 - § Total payments were provided by management, and principal backed into the appropriate interest payment.
 - Principal release method

§ Cash contributions were entered into the study to fund the future debt payments.

Year	Contribution	Year	Contribution
2009	\$ 806,741.00	2019	\$ 0.00
2010	\$ 750,245.00	2020	\$ 0.00
2011	\$ 722,806.00	2021	\$ 0.00
2012	\$ 695,367.00	2022	\$ 0.00
2013	\$ 667,929.00	2023	\$ 0.00
2014	\$ 640,490.00	2024	\$ 0.00
2015	\$ 105,987.00	2025	\$ 0.00
2016	\$ 0.00	2026	\$ 0.00
2017	\$ 0.00	2027	\$ 0.00
2018	\$ 0.00	2028	\$ 0.00

- The repurchased shares are recycled to the point where cash is available. In the recycle scenarios, contributions are made to the extent the repurchase liability is in excess of the cash in the Plan from S distributions.
- The distribution assumptions used for the study are based on the ESOP's distribution policy and are summarized as follows:

Scenario 1 and 2- Initial Study Recycle and Redeem

Reason	Form and Method	Timing
Normal Retirement	Installment distribution over a period of 5 years	As soon as possible after the period in which the termination event occurs.
Death and Disability	Lump sum distribution	As soon as possible after the period in which the termination event occurs.
Other Turnover	Balances under \$50,000: Lump sum distribution Balances over \$50,000: Installment distribution over a period of 5 years without a minimum installment payment	As soon as possible after the period in which the termination event occurs.

Scenario 3 - \$25,000 Minimum Installment and Balance Threshold

Reason	Form and Method	Timing
Normal Retirement	Installment distribution over a period of 5 years	As soon as possible after the period in which the termination event occurs.
Death and Disability	Lump sum distribution	As soon as possible after the period in which the termination event occurs.
Other Turnover	Balances under \$25,000: Lump sum distribution Balances over \$25,000: Installment distribution over a period of 5 years without a minimum installment payment of \$25,000	As soon as possible after the period in which the termination event occurs.

Scenario 4 – Scenario 1 with added \$50,000 Minimum Installment

Reason	Form and Method	Timing
Normal Retirement	Installment distribution over a period of 5 years	As soon as possible after the period in which the termination event occurs.
Death and Disability	Lump sum distribution	As soon as possible after the period in which the termination event occurs.
Other Turnover	Balances under \$50,000: Lump sum distribution Balances over \$50,000: Installment distribution over a period of 5 years without a minimum installment payment of \$50,000	As soon as possible after the period in which the termination event occurs.

- The plan's eligibility requirements are:
 - 18 years of age
 - One year of service
- Normal Retirement:
 - 65 years of age
 - 5 years of service
- Diversification:
 - As participants reach age 55 and attain 10 years of service, they become eligible to diversify out of company stock. At that time, they can diversify a cumulative total of 25% during the first five years. During year six, the participant can elect to diversify a cumulative total of up to 50%.

	Years 1-5	Year 6
Statutory	25%	50%
Percentage of Participants Assumed to Elect	80%	

- Participant category:
- Category 1 – Management
 - Salaries increase at 4%
 - Terminating participants are replaced with:
 - § Participants aged 45
 - § Initial salary of \$125,000
 - Participants in the category will only terminate due to retirement, death and disability. Turnover has been disabled.
 - Participants will retire at age 65.
 - The total number of participants in this category is assumed to grow at a low rate provided by management.
- Category 2 – New
 - Salaries increase at 4%
 - Terminating participants are replaced with:
 - § Participants aged 37
 - § Initial salary of \$22,000
 - Participants in the category will terminate for reasons other than retirement, death and disability at a relatively high rate.
 - § Participants will retire at age 65
 - § Turnover assumptions were approved by management
 - The total number of participants in this category is assumed to grow at a rate of 2.5% after 2010. In 2010, the category will grow at an average rate of 4.5%.
- Category 3 – Staff
 - Salaries increase at 4%
 - Terminating participants are replaced with:
 - § Participants aged 45
 - § Initial salary of \$35,000
 - Participants in the category will terminate for reasons other than retirement, death and disability at a relatively high rate.
 - § Participants will retire at age 65
 - § Turnover assumptions were approved by management
 - Growth assumptions were provided by management.
 - The total number of participants in this category is assumed to grow at a rate of 2.5% after 2009. In 2009, the category will remain constant.

- Category 4 – Supervisors
 - Salaries increase at 4%
 - Terminating participants are replaced with:
 - § Participants aged 45
 - § Initial salary of \$35,000
 - Participants in the category will terminate for reasons other than retirement, death and disability at a moderate rate.
 - § Participants will retire at age 65
 - § Turnover assumptions were approved by management
 - Growth assumptions were provided by management.
 - The total number of participants in this category is assumed to grow at a low rate of 1 person every two years.
- Vesting Schedule
 - 6 year graded vesting schedule
 - Participants become fully vested upon death, disability, and normal retirement.

Years of Service	Percent Vested
1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Recycle vs. Redeem

The Rule

When participants leave and their account is distributed, the company can either redeem those shares at the current fair market value, or recycle those shares back into the ESOP to be redistributed among current participants.

The decision to recycle or redeem the ESOP shares should align with the company's objectives with respect to the long-term ownership percentage goal it has for the ESOP as well as its objectives relating to benefit levels. In order to help you with your decision, following are some considerations of each option.

Recycle (Purchase by the ESOP) – Current Practice

- Contributions to the ESOP to fund repurchases are deductible up to qualified plan limits.
- ESOP distributes cash, shares stay in the ESOP (trust).
- Number of shares in the ESOP is unchanged.
- ESOP ownership percentage is unchanged.
- Individual account balances have more shares.
- Often used when the company wants to maintain strong ESOP ownership into the future.
- Provides source of shares for allocation after the loan is repaid. May help with the have and have-not situation.

Redeem (Repurchase by the Company)

- ESOP distributes stock and the company immediately buys it back from the participant.
- Payments are not deductible.
- Number of shares in the ESOP declines.
- Shares are held as treasury stock but can be re-contributed to the ESOP at a later date on a deductible basis, subject to qualified plan limits.
- If ESOP ownership of the company is less than 100%, ESOP ownership percentage declines.
- Typically, a lower number of shares are repurchased.
- Individual account balances have fewer shares.
- Per share value of remaining outstanding shares is likely to increase.
- Viable strategy to manage number of shares held by the ESOP.
- Can create ESOP ownership dilution.
- Will contribute to or exacerbate the have and have-not situation.

Have and Have-Not

Research has shown that for employee-ownership to have a meaningful effect on corporate performance, it must include substantial and recurring contributions. Research has also shown that a combination of ownership and participative management creates the most value.

An ESOP may, over time, create two classes of plan participants, the “haves” and the “have-not’s.” The negative results from this can range from the “haves” having unrealistic expectations of benefit and contribution levels that never end. The “have-not’s” may resent the “haves.”

Two issues that often arise when an ESOP loan is paid off and all shares are allocated are:

1. How can we create stock ownership for new employees and help them develop an ownership mentality after all stock is allocated?
2. How can we manage the expectations of longer term plan participants?

Careful planning and shifting of the ESOP’s plan design as it matures can help alleviate some of these pitfalls. Following are plan design strategies to consider as an ESOP matures. Consider them alone or in combination to find the result that will work for your plan and your organization.

- Contribute more stock to the plan – previously unissued, Treasury or new shares
- Create more liberal diversification provisions
- Re-balance (re-shuffle) – generally need cash contributed in excess of cash needed
- Create a grouping system for allocations to benefit a targeted group
- Remove a specified group of participants from sharing in the allocation of company stock
- Recycling distributions
- Segregated accounts
- Change plan allocation formula to skew less based on years of service

Repurchase Liability Funding

The Rule

As participants terminate or elect to diversify, the company is obligated to repurchase their shares. The company is not necessarily obligated to prefund for these distributions, however planning for the future obligations is advised.

Upon completion of a repurchase liability study the logical next step is now what? Repurchase liability funding as a concern is becoming increasingly common. The earlier you begin planning for your future obligations the easier it will be to fund those distributions. Utilizing the results of the repurchase liability study, an ESOP company can adequately determine the best funding approach.

Funding Options

A variety of funding options are available to fund the repurchase liability. Some of the more common methods include:

- Cash flow – rely on future cash flow from operations to meet obligations
- ESOP sinking fund – cash contributions to the ESOP
- Corporate Sinking Fund – contributions to a taxable sinking fund within the corporation
- Debt – borrow funds to meet repurchase obligations
- Corporate owned life insurance – advance funding using Corporate Owned Life Insurance (COLI)

Considerations

Often a combination of funding methods works best for the Company. The challenge is to find the mix that best fits your situation. Considerations include:

- To what extent will cash be available in the future?
- To what extent is advanced funding possible based on current and projected cash flows?
- What is the tax impact of the funding method?
- Availability and/or necessity of using debt?
- Availability of internal markets (key employee purchases)?

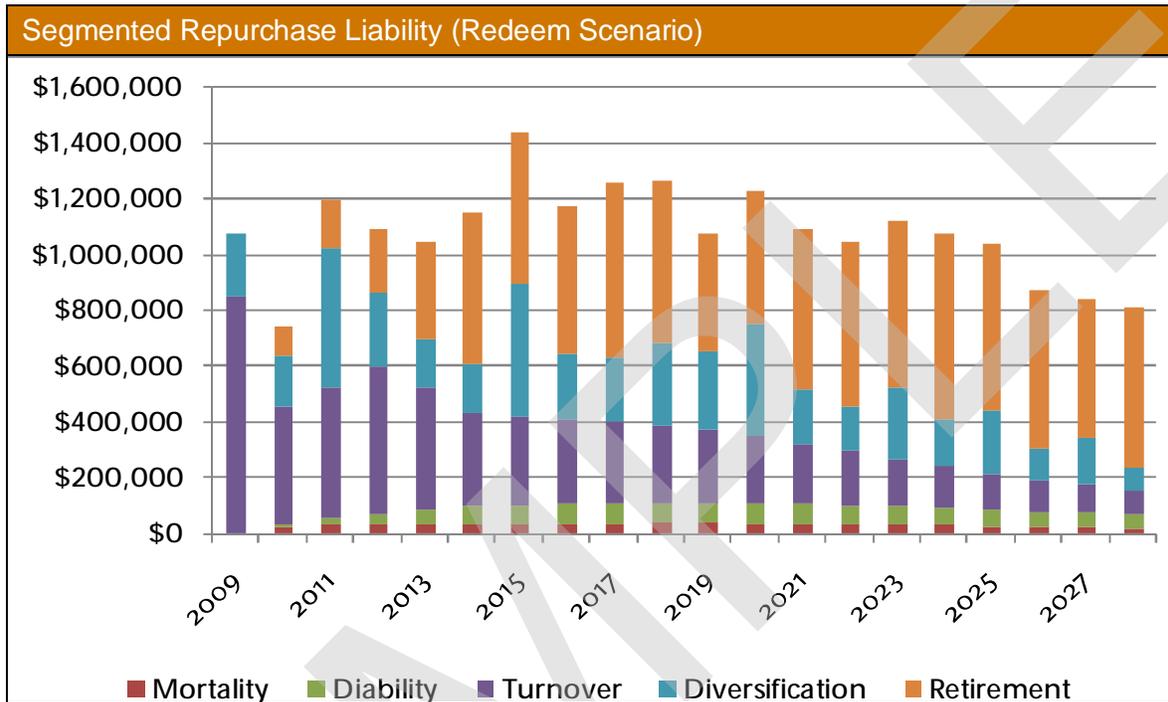
The National Center for Employee Ownership (NCEO) 2005 survey of ESOP companies found the following methods were utilized for funding repurchase liability:

Repurchase Liability Funding Alternatives	Percentage
Annual cash flow (i.e., no advance funding)	73.7%
Cash contributions to the ESOP (other than S corporation distributions) in excess of current repurchase obligations (i.e., advance funding in ESOP)	41.9%
S corporation distributions on shares	18.6%
Corporate sinking fund	13.6%
Life insurance for key employees	5.9%
Corporate owned life insurance for key employees	12.3%
Corporate owned life insurance on all or most employees	6.4%
Outside buyers	13.1%
Other	9.3%

Appendix B

Schedules/Scenarios

The following pages contain the My PERLS schedules relating to the scenarios in the repurchase liability study.



SCENARIO 1

BASE SCENARIO

ABC Company, Inc.

Sources and Uses of Cash

Scenario 1: Base Scenario

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Sources Of Cash					Uses of Cash					Net Sources/ Uses of Cash	Ending Cash Balance
	Beginning Cash Balance	Total Contributions	Total Dividends	Employee Deferals	Earnings	Total Sources of Cash	Loan Payments	Repurchase Liability	Cash in Terminated Participant Accounts Paid Out	Total Uses of Cash		
	2009	630,838	1,227,577	66,539	0	6,308	1,300,424	806,367	1,073,600	51,295		
2010		1,446,962	91,053	0	0	1,538,015	750,784	783,265	3,966	1,538,015	0	0
2011		1,492,234	528,809	0	0	2,021,044	723,304	1,272,623	25,059	2,020,986	57	58
2012	58	1,231,695	689,903	0	1	1,921,599	695,098	1,190,971	35,274	1,921,343	256	314
2013	314	1,123,231	780,957	0	3	1,904,191	668,032	1,192,357	42,940	1,903,329	862	1,176
2014	1,176	1,265,928	798,467	0	12	2,064,406	640,344	1,371,780	50,449	2,062,574	1,832	3,008
2015	3,008	1,125,696	858,002	0	30	1,983,727	105,981	1,819,337	55,537	1,980,855	2,873	5,881
2016	5,881	774,866	879,014	0	59	1,653,939	0	1,594,177	56,761	1,650,938	3,001	8,881
2017	8,881	934,190	900,026	0	89	1,834,305	0	1,767,471	63,733	1,831,204	3,101	11,982
2018	11,982	998,910	966,565	0	120	1,965,595	0	1,895,809	66,432	1,962,240	3,355	15,337
2019	15,337	813,217	987,578	0	153	1,800,948	0	1,737,876	59,613	1,797,489	3,458	18,796
2020	18,796	1,252,088	1,012,092	0	188	2,264,368	0	2,196,013	64,780	2,260,793	3,575	22,371
2021	22,371	1,075,310	1,089,137	0	224	2,164,671	0	2,084,145	76,656	2,160,802	3,869	26,239
2022	26,239	1,079,650	1,117,153	0	262	2,197,066	0	2,112,352	80,713	2,193,065	4,001	30,240
2023	30,240	1,360,851	1,145,170	0	302	2,506,323	0	2,417,608	84,580	2,502,188	4,135	34,375
2024	34,375	1,400,682	1,229,219	0	344	2,630,244	0	2,529,413	96,373	2,625,786	4,458	38,833
2025	38,833	1,728,974	1,260,737	0	388	2,990,100	0	2,891,580	93,912	2,985,492	4,608	43,441
2026	43,441	1,316,745	1,292,256	0	434	2,609,435	0	2,510,815	93,861	2,604,676	4,759	48,200
2027	48,200	1,319,906	1,390,313	0	482	2,710,701	0	2,609,915	95,652	2,705,566	5,135	53,335
2028	53,335	1,407,672	1,425,333	0	533	2,833,539	0	2,722,612	105,624	2,828,235	5,304	58,638
Total:		24,376,385	18,508,323	0	9,933	42,894,641	4,389,911	37,773,718	1,303,211	43,466,840	-572,200	

Scenario 1: Base Scenario

Prepared By: Principal Financial Group

ABC Company, Inc.

Repurchase Liability Summary

Scenario 1: Base Scenario

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Total Repurchase Liability	Total Allocated Stock Value	RL - % of Allocated Stock Value	Total Eligible Compensation	RL - % of Eligible Comp
2009	\$1,073,601	\$12,156,917	8.83%	\$10,278,512	10.45%
2010	783,265	13,804,031	5.67%	11,346,605	6.90%
2011	1,272,623	15,660,596	8.13%	12,216,048	10.42%
2012	1,190,971	16,619,167	7.17%	13,008,917	9.16%
2013	1,192,357	17,619,764	6.77%	13,847,561	8.61%
2014	1,371,780	18,667,037	7.35%	14,958,766	9.17%
2015	1,819,337	19,317,296	9.42%	15,980,164	11.38%
2016	1,594,177	19,895,134	8.01%	16,867,359	9.45%
2017	1,767,471	20,490,482	8.63%	18,043,717	9.80%
2018	1,895,809	21,106,843	8.98%	19,091,558	9.93%
2019	1,737,876	21,740,713	7.99%	20,049,576	8.67%
2020	2,196,013	22,392,094	9.81%	21,326,216	10.30%
2021	2,084,146	23,064,487	9.04%	22,567,987	9.23%
2022	2,112,352	23,757,892	8.89%	23,833,912	8.86%
2023	2,417,608	24,472,310	9.88%	25,366,979	9.53%
2024	2,529,413	25,207,740	10.03%	26,804,709	9.44%
2025	2,891,580	25,964,182	11.14%	28,387,141	10.19%
2026	2,510,815	26,741,637	9.39%	30,252,215	8.30%
2027	2,609,915	27,543,606	9.48%	31,935,098	8.17%
2028	2,722,612	28,370,089	9.60%	33,878,690	8.04%
Total:	\$37,773,719	Average:	8.71%		9.30%

ABC Company, Inc.

Projected Employer Contributions

Scenario 1: Base Scenario

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Debt Payment	Discretionary Contributions	Required For Repurchase	Contribution of Shares	Total Employer Contribution	Total Covered Compensation	Cont. as % of Comp.
2009	\$806,367	\$806,741	\$420,836	\$0	\$1,227,577	\$10,278,512	11.94%
2010	750,245	750,245	696,717	0	1,446,962	11,346,605	12.75%
2011	722,806	722,806	769,428	0	1,492,234	12,216,048	12.21%
2012	695,098	695,367	536,328	0	1,231,695	13,008,917	9.46%
2013	667,929	667,929	455,302	0	1,123,231	13,847,561	8.11%
2014	640,344	640,490	625,438	0	1,265,928	14,958,766	8.46%
2015	105,981	105,987	1,019,709	0	1,125,696	15,980,164	7.04%
2016	0	0	774,866	0	774,866	16,867,359	4.59%
2017	0	0	934,190	0	934,190	18,043,717	5.17%
2018	0	0	998,910	0	998,910	19,091,558	5.23%
2019	0	0	813,217	0	813,217	20,049,576	4.05%
2020	0	0	1,252,088	0	1,252,088	21,326,216	5.87%
2021	0	0	1,075,310	0	1,075,310	22,567,987	4.76%
2022	0	0	1,079,650	0	1,079,650	23,833,912	4.52%
2023	0	0	1,360,851	0	1,360,851	25,366,979	5.36%
2024	0	0	1,400,682	0	1,400,682	26,804,709	5.22%
2025	0	0	1,728,974	0	1,728,974	28,387,141	6.09%
2026	0	0	1,316,745	0	1,316,745	30,252,215	4.35%
2027	0	0	1,319,906	0	1,319,906	31,935,098	4.13%
2028	0	0	1,407,672	0	1,407,672	33,878,690	4.15%
Total:	\$4,388,771	\$4,389,565	\$19,986,820	\$0	\$24,376,385		

ABC Company, Inc.

Projected Employee Allocations

Scenario 1: Base Scenario

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Value of Shares Released From Debt Payment	Value of Shared Recycled	Value of Allocated Forfeit Shares	Contribution of Shares	Total Allocation To Employees	Total Covered Compensation	Alloc. as % of Comp.
2009	\$392,202	\$1,073,600	\$12,628	\$0	\$1,478,430	\$10,278,512	14.38%
2010	431,422	783,265	12,900	0	1,227,587	11,346,605	10.82%
2011	474,613	1,272,623	16,114	0	1,763,349	12,216,048	14.43%
2012	488,848	1,190,971	18,320	0	1,698,139	13,008,917	13.05%
2013	503,471	1,192,357	18,990	0	1,714,818	13,847,561	12.38%
2014	518,578	1,371,780	19,371	0	1,909,729	14,958,766	12.77%
2015	89,028	1,819,337	19,401	0	1,927,766	15,980,164	12.06%
2016	0	1,594,177	20,288	0	1,614,464	16,867,359	9.57%
2017	0	1,767,471	16,975	0	1,784,446	18,043,717	9.89%
2018	0	1,895,809	15,125	0	1,910,933	19,091,558	10.01%
2019	0	1,737,876	14,215	0	1,752,090	20,049,576	8.74%
2020	0	2,196,013	13,382	0	2,209,396	21,326,216	10.36%
2021	0	2,084,145	16,231	0	2,100,376	22,567,987	9.31%
2022	0	2,112,352	16,824	0	2,129,175	23,833,912	8.93%
2023	0	2,417,608	16,751	0	2,434,359	25,366,979	9.60%
2024	0	2,529,413	18,741	0	2,548,155	26,804,709	9.51%
2025	0	2,891,580	20,387	0	2,911,967	28,387,141	10.26%
2026	0	2,510,815	23,100	0	2,533,915	30,252,215	8.38%
2027	0	2,609,915	21,276	0	2,631,191	31,935,098	8.24%
2028	0	2,722,612	19,667	0	2,742,279	33,878,690	8.09%
Total:	\$2,898,163	\$37,773,718	\$350,686	\$0	\$41,022,566		

ABC Company, Inc.

Payout Repurchase Liability

Scenario 1: Base Scenario

Contract: 123456

ABC Company, Inc. - C Corp

Contribution Plan

Distribution Criteria

Mortality:	Installments:	1	Delay Years:	1	Minimum Installment:	\$0.00
Disability:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00
Turnover:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00
Retirement:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00

Year	Mortality	Disability	Turnover	Diversification	Retirement	Total Repurchase Liability
2009	\$849,889	\$0	\$0	\$223,711	\$0	\$1,073,601
2010	405,684	9,712	56,229	199,225	112,415	783,265
2011	380,472	22,774	122,324	571,727	175,325	1,272,623
2012	364,773	40,665	206,041	350,713	228,779	1,190,971
2013	215,117	59,757	291,997	253,704	371,781	1,192,357
2014	39,391	79,315	385,590	251,102	616,382	1,371,780
2015	40,646	84,778	398,906	633,029	661,977	1,819,337
2016	45,441	90,439	413,650	370,692	673,954	1,594,177
2017	49,336	94,884	426,416	379,158	817,677	1,767,471
2018	53,875	99,590	434,029	507,473	800,841	1,895,809
2019	58,543	109,486	442,364	482,614	644,869	1,737,876
2020	56,957	118,534	449,245	825,903	745,374	2,196,013
2021	58,332	124,657	450,205	529,487	921,465	2,084,146
2022	61,686	130,242	451,017	467,156	1,002,250	2,112,352
2023	66,544	135,565	452,200	686,262	1,077,037	2,417,608
2024	70,249	137,389	454,603	635,611	1,231,562	2,529,413
2025	68,036	141,877	462,016	1,044,220	1,175,431	2,891,580
2026	70,803	148,767	473,602	653,726	1,163,917	2,510,815
2027	80,201	160,129	487,097	798,434	1,084,054	2,609,915
2028	80,855	170,670	502,273	707,315	1,261,498	2,722,612
Total:	\$3,116,831	\$1,959,231	\$7,359,804	\$10,571,261	\$14,766,591	\$37,773,719

ABC Company, Inc.

Summary of Share Balances

Scenario 1: Base Scenario

ABC Company, Inc. - C Corp

Contract: 123456

Year	Beginning Balance	Allocated			Ending Balance	Value of Allocated Shares	Suspense Shares	Ending Balance
		Shares Released	Shares Contributed	Shares Distributed				
2009	290,486.8127	9,684.0001	.0000	.0000	300,170.7956	\$12,156,917	50,034.0007	350,204.7963
2010	300,170.7956	9,684.0001	.0000	.0000	309,854.7945	13,804,031	40,350.0006	350,204.7951
2011	309,854.7945	9,684.0001	.0000	.0000	319,538.7931	15,660,596	30,666.0005	350,204.7936
2012	319,538.7931	9,684.0001	.0000	.0000	329,222.7927	16,619,167	20,982.0004	350,204.7931
2013	329,222.7927	9,684.0001	.0000	.0000	338,906.7920	17,619,764	11,298.0003	350,204.7923
2014	338,906.7920	9,684.0001	.0000	.0000	348,590.7914	18,667,037	1,614.0002	350,204.7916
2015	348,590.7914	1,614.0000	.0000	.0000	350,204.7888	19,317,296	.0002	350,204.7890
2016	350,204.7888	.0000	.0000	.0000	350,204.7888	19,895,134	.0000	350,204.7888
2017	350,204.7888	.0000	.0000	.0000	350,204.7873	20,490,482	.0000	350,204.7873
2018	350,204.7873	.0000	.0000	.0000	350,204.7876	21,106,843	.0000	350,204.7876
2019	350,204.7876	.0000	.0000	.0000	350,204.7840	21,740,713	.0000	350,204.7840
2020	350,204.7840	.0000	.0000	.0000	350,204.7821	22,392,094	.0000	350,204.7821
2021	350,204.7821	.0000	.0000	.0000	350,204.7820	23,064,487	.0000	350,204.7820
2022	350,204.7820	.0000	.0000	.0000	350,204.7793	23,757,892	.0000	350,204.7793
2023	350,204.7793	.0000	.0000	.0000	350,204.7797	24,472,310	.0000	350,204.7797
2024	350,204.7797	.0000	.0000	.0000	350,204.7781	25,207,740	.0000	350,204.7781
2025	350,204.7781	.0000	.0000	.0000	350,204.7777	25,964,182	.0000	350,204.7777
2026	350,204.7777	.0000	.0000	.0000	350,204.7768	26,741,637	.0000	350,204.7768
2027	350,204.7768	.0000	.0000	.0000	350,204.7764	27,543,606	.0000	350,204.7764
2028	350,204.7764	.0000	.0000	.0000	350,204.7726	28,370,089	.0000	350,204.7726
Total:		59,718.0006	.0000	.0000				

SCENARIO 2

BASE SCENARIO WITH REDEEM

SAMPLE

ABC Company, Inc.

Sources and Uses of Cash

Scenario 2: Base Scenario with Redeem

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Sources Of Cash					Uses of Cash					Net Sources/ Uses of Cash	Ending Cash Balance
	Beginning Cash Balance	Total Contributions	Total Dividends	Employee Deferrals	Earnings	Total Sources of Cash	Loan Payments	Repurchase Liability	Cash in Terminated Participant Accounts Paid Out	Total Uses of Cash		
	2009	630,838	806,741	66,539	0	6,308	879,588	806,367	0	51,295		
2010	652,764	750,245	85,471	0	6,528	842,243	750,784	0	31,144	781,928	60,315	713,079
2011	713,079	722,806	468,593	0	7,131	1,198,530	723,304	0	56,955	780,259	418,271	1,131,349
2012	1,131,349	695,367	560,532	0	11,313	1,267,213	695,098	0	92,695	787,792	479,420	1,610,770
2013	1,610,770	667,929	588,399	0	16,108	1,272,436	668,032	0	135,534	803,566	468,869	2,079,639
2014	2,079,639	640,490	558,735	0	20,796	1,220,021	640,344	0	189,563	829,907	390,114	2,469,753
2015	2,469,753	105,987	552,267	0	24,698	682,952	105,981	0	219,638	325,619	357,332	2,827,085
2016	2,827,085	0	507,439	0	28,271	535,710	0	0	243,522	243,522	292,187	3,119,273
2017	3,119,273	0	473,538	0	31,193	504,730	0	0	291,607	291,607	213,124	3,332,396
2018	3,332,396	0	458,369	0	33,324	491,693	0	0	301,661	301,661	190,033	3,522,429
2019	3,522,429	0	419,510	0	35,224	454,734	0	0	273,272	273,272	181,462	3,703,891
2020	3,703,891	0	389,534	0	37,039	426,573	0	0	309,327	309,327	117,246	3,821,137
2021	3,821,137	0	372,004	0	38,211	410,216	0	0	360,652	360,652	49,563	3,870,700
2022	3,870,700	0	340,696	0	38,707	379,403	0	0	382,857	382,857	-3,454	3,867,247
2023	3,867,247	0	311,185	0	38,672	349,858	0	0	401,758	401,758	-51,900	3,815,346
2024	3,815,346	0	292,193	0	38,153	330,347	0	0	446,103	446,103	-115,756	3,699,590
2025	3,699,590	0	260,396	0	36,996	297,392	0	0	429,559	429,559	-132,167	3,567,423
2026	3,567,423	0	229,793	0	35,674	265,468	0	0	424,521	424,521	-159,053	3,408,370
2027	3,408,370	0	215,154	0	34,084	249,238	0	0	399,176	399,176	-149,938	3,258,432
2028	3,258,432	0	190,145	0	32,584	222,729	0	0	451,221	451,221	-228,492	3,029,940
Total:		4,389,565	7,340,494	0	551,015	12,281,074	4,389,911	0	5,492,061	9,881,973	2,399,102	

ABC Company, Inc.

Repurchase Liability Summary

Scenario 2: Base Scenario with Redeem

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Total Repurchase Liability	Total Allocated Stock Value	RL - % of Allocated Stock Value	Total Eligible Compensation	RL - % of Eligible Comp
2009	\$1,073,601	\$11,287,301	9.51%	\$10,278,512	10.45%
2010	745,456	12,575,504	5.93%	11,346,605	6.57%
2011	1,201,406	13,404,238	8.96%	12,216,048	9.83%
2012	1,091,808	13,537,796	8.06%	13,008,917	8.39%
2013	1,047,730	13,731,136	7.63%	13,847,561	7.57%
2014	1,153,889	13,877,915	8.31%	14,958,766	7.71%
2015	1,441,628	13,304,606	10.84%	15,980,164	9.02%
2016	1,178,723	12,787,362	9.22%	16,867,359	6.99%
2017	1,261,697	12,166,718	10.37%	18,043,717	6.99%
2018	1,268,387	11,499,331	11.03%	19,091,558	6.64%
2019	1,080,300	10,946,048	9.87%	20,049,576	5.39%
2020	1,232,072	10,227,126	12.05%	21,326,216	5.78%
2021	1,095,609	9,585,423	11.43%	22,567,987	4.85%
2022	1,044,478	8,953,003	11.67%	23,833,912	4.38%
2023	1,121,220	8,215,548	13.65%	25,366,979	4.42%
2024	1,077,075	7,479,157	14.40%	26,804,709	4.02%
2025	1,039,959	6,739,362	15.43%	28,387,141	3.66%
2026	874,375	6,119,703	14.29%	30,252,215	2.89%
2027	844,240	5,499,713	15.35%	31,935,098	2.64%
2028	811,784	4,883,856	16.62%	33,878,690	2.40%
Total:	\$21,685,436	Average:	11.23%		6.03%

ABC Company, Inc.

Projected Employer Contributions

Scenario 2: Base Scenario with Redeem

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Debt Payment	Discretionary Contributions	Required For Repurchase	Contribution of Shares	Total Employer Contribution	Total Covered Compensation	Cont. as % of Comp.
2009	\$806,367	\$806,741	\$0	\$0	\$806,741	\$10,278,512	7.84%
2010	750,245	750,245	0	0	750,245	11,346,605	6.61%
2011	722,806	722,806	0	0	722,806	12,216,048	5.91%
2012	695,098	695,367	0	0	695,367	13,008,917	5.34%
2013	667,929	667,929	0	0	667,929	13,847,561	4.82%
2014	640,344	640,490	0	0	640,490	14,958,766	4.28%
2015	105,981	105,987	0	0	105,987	15,980,164	0.66%
2016	0	0	0	0	0	16,867,359	0.00%
2017	0	0	0	0	0	18,043,717	0.00%
2018	0	0	0	0	0	19,091,558	0.00%
2019	0	0	0	0	0	20,049,576	0.00%
2020	0	0	0	0	0	21,326,216	0.00%
2021	0	0	0	0	0	22,567,987	0.00%
2022	0	0	0	0	0	23,833,912	0.00%
2023	0	0	0	0	0	25,366,979	0.00%
2024	0	0	0	0	0	26,804,709	0.00%
2025	0	0	0	0	0	28,387,141	0.00%
2026	0	0	0	0	0	30,252,215	0.00%
2027	0	0	0	0	0	31,935,098	0.00%
2028	0	0	0	0	0	33,878,690	0.00%
Total:	\$4,388,771	\$4,389,565	\$0	\$0	\$4,389,565		

ABC Company, Inc.

Projected Employee Allocations

Scenario 2: Base Scenario with Redeem

Contract: 123456

ABC Company, Inc. - C Corp

All Plans

Year	Value of Shares Released From Debt Payment	Value of Shared Recycled	Value of Allocated Forfeit Shares	Contribution of Shares	Total Allocation To Employees	Total Covered Compensation	Alloc. as % of Comp.
2009	\$392,202	\$0	\$12,628	\$0	\$404,830	\$10,278,512	3.94%
2010	451,081	0	10,152	0	461,233	11,346,605	4.06%
2011	511,315	0	9,111	0	520,426	12,216,048	4.26%
2012	539,786	0	8,203	0	547,989	13,008,917	4.21%
2013	568,838	0	8,562	0	577,400	13,847,561	4.17%
2014	600,505	0	9,513	0	610,017	14,958,766	4.08%
2015	106,217	0	9,792	0	116,009	15,980,164	0.73%
2016	0	0	6,167	0	6,167	16,867,359	0.04%
2017	0	0	2,853	0	2,853	18,043,717	0.02%
2018	0	0	947	0	947	19,091,558	0.00%
2019	0	0	115	0	115	20,049,576	0.00%
2020	0	0	14	0	14	21,326,216	0.00%
2021	0	0	4	0	4	22,567,987	0.00%
2022	0	0	1	0	1	23,833,912	0.00%
2023	0	0	0	0	0	25,366,979	0.00%
2024	0	0	0	0	0	26,804,709	0.00%
2025	0	0	0	0	0	28,387,141	0.00%
2026	0	0	0	0	0	30,252,215	0.00%
2027	0	0	0	0	0	31,935,098	0.00%
2028	0	0	0	0	0	33,878,690	0.00%
Total:	\$3,169,944	\$0	\$78,062	\$0	\$3,248,007		

ABC Company, Inc.

Payout Repurchase Liability

Scenario 2: Base Scenario with Redeem

ABC Company, Inc. - C Corp

Contract: 123456

Contribution Plan

Distribution Criteria

Mortality:	Installments:	1	Delay Years:	1	Minimum Installment:	\$0.00
Disability:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00
Turnover:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00
Retirement:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00

Year	Mortality	Disability	Turnover	Diversification	Retirement	Total Repurchase Liability
2009	\$849,889	\$0	\$0	\$223,711	\$0	\$1,073,601
2010	394,238	9,282	53,391	181,982	106,563	745,456
2011	383,525	22,235	118,398	503,069	174,179	1,201,406
2012	364,646	38,597	192,841	271,985	223,738	1,091,808
2013	207,270	54,392	260,928	176,277	348,864	1,047,730
2014	30,836	69,272	329,142	175,595	549,044	1,153,889
2015	31,206	70,326	317,668	478,179	544,248	1,441,628
2016	33,624	71,442	307,994	234,860	530,803	1,178,723
2017	33,626	70,810	295,447	232,730	629,083	1,261,697
2018	34,695	70,672	280,463	298,850	583,707	1,268,387
2019	35,550	74,051	263,684	275,764	431,250	1,080,300
2020	31,308	75,431	242,382	398,274	484,677	1,232,072
2021	29,816	74,356	217,342	195,161	578,933	1,095,609
2022	28,595	72,512	192,149	163,654	587,568	1,044,478
2023	28,519	70,096	167,904	255,082	599,619	1,121,220
2024	27,338	65,274	146,463	171,068	666,932	1,077,075
2025	21,932	61,539	128,857	228,669	598,963	1,039,959
2026	19,919	58,319	113,535	112,650	569,952	874,375
2027	20,007	56,165	99,110	164,421	504,537	844,240
2028	15,679	51,687	85,643	82,415	576,360	811,784
Total:	\$2,622,216	\$1,136,458	\$3,813,342	\$4,824,399	\$9,289,020	\$21,685,436

ABC Company, Inc.

Summary of Share Balances

Scenario 2: Base Scenario with Redeem

ABC Company, Inc. - C Corp

Contract: 123456

Year	Beginning Balance	Shares Released	Allocated		Ending Balance	Value of Allocated Shares	Suspense Shares	Ending Balance
			Shares Contributed	Shares Distributed				
2009	290,486.8127	9,684.0001	.0000	21,472.0127	278,698.7979	\$11,287,301	50,034.0007	328,732.7986
2010	278,698.7979	9,684.0001	.0000	18,406.3225	269,976.4762	12,575,504	40,350.0006	310,326.4768
2011	269,976.4762	9,684.0001	.0000	25,792.3209	253,868.1529	13,404,238	30,666.0005	284,534.1534
2012	253,868.1529	9,684.0001	.0000	20,678.1736	242,873.9801	13,537,796	20,982.0004	263,855.9805
2013	242,873.9801	9,684.0001	.0000	18,796.7273	233,761.2532	13,731,136	11,298.0003	245,059.2535
2014	233,761.2532	9,684.0001	.0000	19,644.0038	223,801.2471	13,877,915	1,614.0002	225,415.2473
2015	223,801.2471	1,614.0000	.0000	23,248.3171	202,166.9292	13,304,606	.0002	202,166.9294
2016	202,166.9292	.0000	.0000	17,910.9975	184,255.9311	12,787,362	.0000	184,255.9311
2017	184,255.9311	.0000	.0000	18,180.0658	166,075.8638	12,166,718	.0000	166,075.8638
2018	166,075.8638	.0000	.0000	17,313.5030	148,762.3617	11,499,331	.0000	148,762.3617
2019	148,762.3617	.0000	.0000	13,975.4198	134,786.9422	10,946,048	.0000	134,786.9422
2020	134,786.9422	.0000	.0000	15,171.4335	119,615.5060	10,227,126	.0000	119,615.5060
2021	119,615.5060	.0000	.0000	12,814.1346	106,801.3679	9,585,423	.0000	106,801.3679
2022	106,801.3679	.0000	.0000	11,637.6386	95,163.7262	8,953,003	.0000	95,163.7262
2023	95,163.7262	.0000	.0000	11,917.7282	83,245.9980	8,215,548	.0000	83,245.9980
2024	83,245.9980	.0000	.0000	10,913.7248	72,332.2750	7,479,157	.0000	72,332.2750
2025	72,332.2750	.0000	.0000	10,057.6329	62,274.6408	6,739,362	.0000	62,274.6408
2026	62,274.6408	.0000	.0000	8,079.6043	54,195.0349	6,119,703	.0000	54,195.0349
2027	54,195.0349	.0000	.0000	7,476.4416	46,718.5912	5,499,713	.0000	46,718.5912
2028	46,718.5912	.0000	.0000	6,895.8909	39,822.7019	4,883,856	.0000	39,822.7019
Total:		59,718.0006	.0000	310,382.0934				

SCENARIO 3

**\$25,000 MIN INSTALLMENT –
\$25,000 BALANCE THRESHOLD**

ABC Company, Inc.

Sources and Uses of Cash

Scenario 3: \$25,000 Min Installment -
\$25,000 Balance Threshold

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Sources Of Cash					Uses of Cash					Net Sources/ Uses of Cash	Ending Cash Balance
	Beginning Cash Balance	Total Contributions	Total Dividends	Employee Deferrals	Earnings	Total Sources of Cash	Loan Payments	Repurchase Liability	Cash in Terminated Participant Accounts Paid Out	Total Uses of Cash		
	2009	630,838	1,227,577	66,539	0	6,308	1,300,424	806,367	1,073,600	51,295		
2010		1,547,124	91,053	0	0	1,638,177	750,784	882,787	4,605	1,638,177	0	0
2011		1,650,294	528,809	0	0	2,179,103	723,304	1,425,675	30,066	2,179,046	57	58
2012	58	1,378,568	689,903	0	1	2,068,472	695,098	1,332,459	40,659	2,068,216	256	314
2013	314	1,199,387	780,957	0	3	1,980,346	668,032	1,265,585	45,867	1,979,484	862	1,176
2014	1,176	1,271,010	798,467	0	12	2,069,489	640,344	1,376,883	50,429	2,067,656	1,832	3,008
2015	3,008	1,131,079	858,002	0	30	1,989,111	105,981	1,824,998	55,259	1,986,238	2,873	5,881
2016	5,881	785,779	879,014	0	59	1,664,852	0	1,604,954	56,898	1,661,852	3,001	8,881
2017	8,881	970,091	900,026	0	89	1,870,206	0	1,802,215	64,891	1,867,105	3,101	11,982
2018	11,982	1,034,571	966,565	0	120	2,001,256	0	1,930,474	67,427	1,997,901	3,355	15,337
2019	15,337	839,082	987,577	0	153	1,826,813	0	1,763,089	60,266	1,823,355	3,458	18,796
2020	18,796	1,296,076	1,012,092	0	188	2,308,356	0	2,239,369	65,411	2,304,781	3,575	22,371
2021	22,371	1,102,921	1,089,137	0	224	2,192,282	0	2,111,393	77,021	2,188,413	3,869	26,239
2022	26,239	1,109,320	1,117,153	0	262	2,226,735	0	2,141,334	81,400	2,222,734	4,001	30,240
2023	30,240	1,396,387	1,145,170	0	302	2,541,859	0	2,452,329	85,395	2,537,724	4,135	34,375
2024	34,375	1,438,151	1,229,219	0	344	2,667,713	0	2,565,828	97,427	2,663,256	4,458	38,833
2025	38,833	1,796,706	1,260,737	0	388	3,057,831	0	2,957,998	95,226	3,053,224	4,608	43,441
2026	43,441	1,366,580	1,292,256	0	434	2,659,270	0	2,559,488	95,023	2,654,511	4,759	48,200
2027	48,200	1,376,153	1,390,313	0	482	2,766,948	0	2,664,620	97,193	2,761,813	5,135	53,335
2028	53,335	1,468,252	1,425,333	0	533	2,894,119	0	2,781,327	107,489	2,888,816	5,303	58,638
Total:		25,385,107	18,508,323	0	9,933	43,903,363	4,389,911	38,756,405	1,329,246	44,475,563	-572,200	

Scenario 3: \$25,000 Min Installment - \$25,000 Balance Threshold

Prepared By: Principal Financial Group

ABC Company, Inc.

Projected Employer Contributions

Scenario 3: \$25,000 Min Installment -
\$25,000 Balance Threshold

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Debt Payment	Discretionary Contributions	Required For Repurchase	Contribution of Shares	Total Employer Contribution	Total Covered Compensation	Cont. as % of Comp.
2009	\$806,367	\$806,741	\$420,836	\$0	\$1,227,577	\$10,278,512	11.94%
2010	750,245	750,245	796,879	0	1,547,124	11,346,605	13.63%
2011	722,806	722,806	927,488	0	1,650,294	12,216,048	13.50%
2012	695,098	695,367	683,201	0	1,378,568	13,008,917	10.59%
2013	667,929	667,929	531,458	0	1,199,387	13,847,561	8.66%
2014	640,344	640,490	630,520	0	1,271,010	14,958,766	8.49%
2015	105,981	105,987	1,025,092	0	1,131,079	15,980,164	7.07%
2016	0	0	785,779	0	785,779	16,867,359	4.65%
2017	0	0	970,091	0	970,091	18,043,717	5.37%
2018	0	0	1,034,571	0	1,034,571	19,091,558	5.41%
2019	0	0	839,082	0	839,082	20,049,576	4.18%
2020	0	0	1,296,076	0	1,296,076	21,326,216	6.07%
2021	0	0	1,102,921	0	1,102,921	22,567,987	4.88%
2022	0	0	1,109,320	0	1,109,320	23,833,912	4.65%
2023	0	0	1,396,387	0	1,396,387	25,366,979	5.50%
2024	0	0	1,438,151	0	1,438,151	26,804,709	5.36%
2025	0	0	1,796,706	0	1,796,706	28,387,141	6.32%
2026	0	0	1,366,580	0	1,366,580	30,252,215	4.51%
2027	0	0	1,376,153	0	1,376,153	31,935,098	4.30%
2028	0	0	1,468,252	0	1,468,252	33,878,690	4.33%
Total:	\$4,388,771	\$4,389,565	\$20,995,542	\$0	\$25,385,107		

ABC Company, Inc.

Projected Employee Allocations

Scenario 3: \$25,000 Min Installment -
\$25,000 Balance Threshold

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Value of Shares Released From Debt Payment	Value of Shared Recycled	Value of Allocated Forfeit Shares	Contributioun of Shares	Total Allocation To Employees	Total Covered Compensation	Alloc. as % of Comp.
2009	\$392,202	\$1,073,600	\$12,628	\$0	\$1,478,430	\$10,278,512	14.38%
2010	431,422	882,787	12,900	0	1,327,110	11,346,605	11.70%
2011	474,613	1,425,675	16,947	0	1,917,236	12,216,048	15.69%
2012	488,848	1,332,459	20,049	0	1,841,356	13,008,917	14.15%
2013	503,471	1,265,585	21,222	0	1,790,278	13,847,561	12.93%
2014	518,578	1,376,883	21,357	0	1,916,818	14,958,766	12.81%
2015	89,028	1,824,998	20,328	0	1,934,354	15,980,164	12.10%
2016	0	1,604,954	20,713	0	1,625,667	16,867,359	9.64%
2017	0	1,802,215	17,197	0	1,819,412	18,043,717	10.08%
2018	0	1,930,474	15,472	0	1,945,947	19,091,558	10.19%
2019	0	1,763,089	14,663	0	1,777,752	20,049,576	8.87%
2020	0	2,239,369	13,825	0	2,253,194	21,326,216	10.57%
2021	0	2,111,393	16,790	0	2,128,183	22,567,987	9.43%
2022	0	2,141,334	17,332	0	2,158,666	23,833,912	9.06%
2023	0	2,452,329	17,230	0	2,469,558	25,366,979	9.74%
2024	0	2,565,828	19,247	0	2,585,075	26,804,709	9.64%
2025	0	2,957,998	20,930	0	2,978,928	28,387,141	10.49%
2026	0	2,559,488	23,872	0	2,583,360	30,252,215	8.54%
2027	0	2,664,620	22,041	0	2,686,661	31,935,098	8.41%
2028	0	2,781,327	20,444	0	2,801,771	33,878,690	8.27%
Total:	\$2,898,163	\$38,756,405	\$365,190	\$0	\$42,019,758		

ABC Company, Inc.

Payout Repurchase Liability

Scenario 3: \$25,000 Min Installment -
\$25,000 Balance Threshold

ABC Company, Inc. - C Corp

Contract: 123456

Contribution Plan

Distribution Criteria

Mortality:	Installments:	1	Delay Years:	1	Minimum Installment:	\$0.00
Disability:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00
Turnover:	Installments:	5	Delay Years:	1	Minimum Installment:	\$25000.00
Retirement:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00

Year	Mortality	Disability	Turnover	Diversification	Retirement	Total Repurchase Liability
2009	\$849,889	\$0	\$0	\$223,711	\$0	\$1,073,601
2010	405,684	9,712	155,752	199,225	112,415	882,787
2011	380,472	22,774	269,235	577,869	175,325	1,425,675
2012	365,085	40,777	337,564	360,020	229,013	1,332,459
2013	215,917	60,176	352,791	262,949	373,751	1,265,585
2014	40,554	80,185	374,003	258,690	623,451	1,376,883
2015	41,909	86,142	375,373	645,818	675,757	1,824,998
2016	46,797	92,388	396,595	378,971	690,204	1,604,954
2017	50,790	97,341	428,032	388,632	837,420	1,802,215
2018	55,427	102,366	428,642	521,523	822,516	1,930,475
2019	60,222	112,501	431,443	494,442	664,481	1,763,089
2020	58,700	121,794	438,683	856,435	763,757	2,239,369
2021	60,131	128,121	429,355	550,008	943,776	2,111,393
2022	63,622	133,914	433,373	482,609	1,027,816	2,141,334
2023	68,607	139,455	434,636	704,729	1,104,901	2,452,329
2024	72,454	141,443	437,923	651,703	1,262,306	2,565,828
2025	70,307	146,150	450,463	1,085,318	1,205,760	2,957,998
2026	73,161	153,337	459,414	680,054	1,193,522	2,559,488
2027	82,892	165,149	480,340	824,487	1,111,752	2,664,620
2028	83,722	176,246	498,581	730,972	1,291,806	2,781,327
Total:	\$3,146,344	\$2,009,970	\$7,612,197	\$10,878,165	\$15,109,730	\$38,756,406

ABC Company, Inc.

Summary of Share Balances

Scenario 3: \$25,000 Min Installment -
\$25,000 Balance Threshold

ABC Company, Inc. - C Corp

Contract: 123456

Year	Beginning Balance	Shares Released	Allocated		Ending Balance	Value of Allocated Shares	Suspense Shares	Ending Balance
			Shares Contributed	Shares Distributed				
2009	290,486.8127	9,684.0001	.0000	.0000	300,170.7961	\$12,156,917	50,034.0007	350,204.7968
2010	300,170.7961	9,684.0001	.0000	.0000	309,854.7951	13,804,031	40,350.0006	350,204.7957
2011	309,854.7951	9,684.0001	.0000	.0000	319,538.7952	15,660,596	30,666.0005	350,204.7957
2012	319,538.7952	9,684.0001	.0000	.0000	329,222.7926	16,619,167	20,982.0004	350,204.7930
2013	329,222.7926	9,684.0001	.0000	.0000	338,906.7914	17,619,764	11,298.0003	350,204.7917
2014	338,906.7914	9,684.0001	.0000	.0000	348,590.7903	18,667,037	1,614.0002	350,204.7905
2015	348,590.7903	1,614.0000	.0000	.0000	350,204.7887	19,317,296	.0002	350,204.7889
2016	350,204.7887	.0000	.0000	.0000	350,204.7878	19,895,134	.0000	350,204.7878
2017	350,204.7878	.0000	.0000	.0000	350,204.7875	20,490,482	.0000	350,204.7875
2018	350,204.7875	.0000	.0000	.0000	350,204.7846	21,106,842	.0000	350,204.7846
2019	350,204.7846	.0000	.0000	.0000	350,204.7850	21,740,713	.0000	350,204.7850
2020	350,204.7850	.0000	.0000	.0000	350,204.7844	22,392,094	.0000	350,204.7844
2021	350,204.7844	.0000	.0000	.0000	350,204.7815	23,064,487	.0000	350,204.7815
2022	350,204.7815	.0000	.0000	.0000	350,204.7793	23,757,892	.0000	350,204.7793
2023	350,204.7793	.0000	.0000	.0000	350,204.7786	24,472,310	.0000	350,204.7786
2024	350,204.7786	.0000	.0000	.0000	350,204.7766	25,207,740	.0000	350,204.7766
2025	350,204.7766	.0000	.0000	.0000	350,204.7776	25,964,182	.0000	350,204.7776
2026	350,204.7776	.0000	.0000	.0000	350,204.7762	26,741,637	.0000	350,204.7762
2027	350,204.7762	.0000	.0000	.0000	350,204.7760	27,543,606	.0000	350,204.7760
2028	350,204.7760	.0000	.0000	.0000	350,204.7743	28,370,089	.0000	350,204.7743
Total:		59,718.0006	.0000	.0000				

SCENARIO 4

\$50,000 MIN INSTALLMENT

SAMPLE

ABC Company, Inc.

Sources and Uses of Cash

Scenario 4: \$50,000 Min Installment

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Sources Of Cash					Uses of Cash				Net Sources/ Uses of Cash	Ending Cash Balance	
	Beginning Cash Balance	Total Contributions	Total Dividends	Employee Deferals	Earnings	Total Sources of Cash	Loan Payments	Repurchase Liability	Cash in Terminated Participant Accounts Paid Out			Total Uses of Cash
	2009	630,838	1,227,577	66,539	0	6,308	1,300,424	806,367	1,073,600			51,295
2010		1,619,710	91,053	0	0	1,710,763	750,784	954,911	5,068	1,710,763	0	0
2011		1,714,346	528,809	0	0	2,243,155	723,304	1,487,754	32,040	2,243,098	57	58
2012	58	1,383,220	689,903	0	1	2,073,124	695,098	1,337,078	40,693	2,072,868	256	314
2013	314	1,196,101	780,957	0	3	1,977,061	668,032	1,262,503	45,664	1,976,199	862	1,176
2014	1,176	1,262,602	798,467	0	12	2,061,080	640,344	1,368,886	50,018	2,059,248	1,832	3,008
2015	3,008	1,149,085	858,002	0	30	2,007,117	105,981	1,842,374	55,889	2,004,245	2,873	5,881
2016	5,881	800,914	879,014	0	59	1,679,987	0	1,619,564	57,422	1,676,987	3,001	8,881
2017	8,881	969,961	900,026	0	89	1,870,076	0	1,802,237	64,738	1,866,975	3,101	11,982
2018	11,982	1,035,971	966,565	0	120	2,002,656	0	1,932,000	67,302	1,999,302	3,355	15,337
2019	15,337	839,149	987,577	0	153	1,826,880	0	1,763,306	60,115	1,823,421	3,458	18,796
2020	18,796	1,288,813	1,012,092	0	188	2,301,093	0	2,232,843	64,675	2,297,518	3,575	22,371
2021	22,371	1,083,768	1,089,137	0	224	2,173,129	0	2,093,334	75,926	2,169,260	3,869	26,239
2022	26,239	1,099,111	1,117,153	0	262	2,216,527	0	2,131,691	80,835	2,212,526	4,001	30,240
2023	30,240	1,398,735	1,145,170	0	302	2,544,207	0	2,454,707	85,366	2,540,072	4,135	34,375
2024	34,375	1,437,385	1,229,219	0	344	2,666,948	0	2,565,229	97,261	2,662,490	4,458	38,833
2025	38,833	1,796,767	1,260,737	0	388	3,057,892	0	2,958,487	94,798	3,053,284	4,608	43,441
2026	43,441	1,361,805	1,292,256	0	434	2,654,495	0	2,555,104	94,631	2,649,736	4,759	48,200
2027	48,200	1,375,201	1,390,313	0	482	2,765,996	0	2,663,799	97,063	2,760,861	5,135	53,335
2028	53,335	1,464,248	1,425,333	0	533	2,890,115	0	2,777,579	107,233	2,884,812	5,303	58,638
Total:		25,504,471	18,508,323	0	9,933	44,022,727	4,389,911	38,876,984	1,328,031	44,594,927	-572,200	

Scenario 4: \$50,000 Min Installment

Prepared By: Principal Financial Group

ABC Company, Inc.

Repurchase Liability Summary

Scenario 4: \$50,000 Min Installment

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Total Repurchase Liability	Total Allocated Stock Value	RL - % of Allocated Stock Value	Total Eligible Compensation	RL - % of Eligible Comp
2009	\$1,073,601	\$12,156,917	8.83%	\$10,278,512	10.45%
2010	954,911	13,804,031	6.92%	11,346,605	8.42%
2011	1,487,754	15,660,596	9.50%	12,216,048	12.18%
2012	1,337,078	16,619,167	8.05%	13,008,917	10.28%
2013	1,262,503	17,619,764	7.17%	13,847,561	9.12%
2014	1,368,886	18,667,037	7.33%	14,958,766	9.15%
2015	1,842,374	19,317,296	9.54%	15,980,164	11.53%
2016	1,619,564	19,895,134	8.14%	16,867,359	9.60%
2017	1,802,237	20,490,482	8.80%	18,043,717	9.99%
2018	1,932,000	21,106,842	9.15%	19,091,558	10.12%
2019	1,763,306	21,740,713	8.11%	20,049,576	8.79%
2020	2,232,843	22,392,094	9.97%	21,326,216	10.47%
2021	2,093,334	23,064,487	9.08%	22,567,987	9.28%
2022	2,131,691	23,757,893	8.97%	23,833,912	8.94%
2023	2,454,707	24,472,310	10.03%	25,366,979	9.68%
2024	2,565,229	25,207,740	10.18%	26,804,709	9.57%
2025	2,958,487	25,964,182	11.39%	28,387,141	10.42%
2026	2,555,104	26,741,637	9.55%	30,252,215	8.45%
2027	2,663,798	27,543,606	9.67%	31,935,098	8.34%
2028	2,777,579	28,370,089	9.79%	33,878,690	8.20%
Total:	\$38,876,985	Average:	9.01%		9.65%

ABC Company, Inc.

Projected Employer Contributions

Scenario 4: \$50,000 Min Installment

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Debt Payment	Discretionary Contributions	Required For Repurchase	Contribution of Shares	Total Employer Contribution	Total Covered Compensation	Cont. as % of Comp.
2009	\$806,367	\$806,741	\$420,836	\$0	\$1,227,577	\$10,278,512	11.94%
2010	750,245	750,245	869,465	0	1,619,710	11,346,605	14.27%
2011	722,806	722,806	991,540	0	1,714,346	12,216,048	14.03%
2012	695,098	695,367	687,853	0	1,383,220	13,008,917	10.63%
2013	667,929	667,929	528,172	0	1,196,101	13,847,561	8.63%
2014	640,344	640,490	622,112	0	1,262,602	14,958,766	8.44%
2015	105,981	105,987	1,043,098	0	1,149,085	15,980,164	7.19%
2016	0	0	800,914	0	800,914	16,867,359	4.74%
2017	0	0	969,961	0	969,961	18,043,717	5.37%
2018	0	0	1,035,971	0	1,035,971	19,091,558	5.42%
2019	0	0	839,149	0	839,149	20,049,576	4.18%
2020	0	0	1,288,813	0	1,288,813	21,326,216	6.04%
2021	0	0	1,083,768	0	1,083,768	22,567,987	4.80%
2022	0	0	1,099,111	0	1,099,111	23,833,912	4.61%
2023	0	0	1,398,735	0	1,398,735	25,366,979	5.51%
2024	0	0	1,437,385	0	1,437,385	26,804,709	5.36%
2025	0	0	1,796,767	0	1,796,767	28,387,141	6.32%
2026	0	0	1,361,805	0	1,361,805	30,252,215	4.50%
2027	0	0	1,375,201	0	1,375,201	31,935,098	4.30%
2028	0	0	1,464,248	0	1,464,248	33,878,690	4.32%
Total:	\$4,388,771	\$4,389,565	\$21,114,906	\$0	\$25,504,471		

ABC Company, Inc.

Projected Employee Allocations

Scenario 4: \$50,000 Min Installment

ABC Company, Inc. - C Corp

Contract: 123456

All Plans

Year	Value of Shares Released From Debt Payment	Value of Shared Recycled	Value of Allocated Forfeit Shares	Contributioun of Shares	Total Allocation To Employees	Total Covered Compensation	Alloc. as % of Comp.
2009	\$392,202	\$1,073,600	\$12,628	\$0	\$1,478,430	\$10,278,512	14.38%
2010	431,422	954,911	12,900	0	1,399,233	11,346,605	12.33%
2011	474,613	1,487,754	17,552	0	1,979,919	12,216,048	16.21%
2012	488,848	1,337,078	20,913	0	1,846,839	13,008,917	14.20%
2013	503,471	1,262,503	21,793	0	1,787,767	13,847,561	12.91%
2014	518,578	1,368,886	21,639	0	1,909,103	14,958,766	12.76%
2015	89,028	1,842,374	20,300	0	1,951,703	15,980,164	12.21%
2016	0	1,619,564	20,820	0	1,640,385	16,867,359	9.73%
2017	0	1,802,237	17,387	0	1,819,624	18,043,717	10.08%
2018	0	1,932,000	15,583	0	1,947,583	19,091,558	10.20%
2019	0	1,763,306	14,724	0	1,778,030	20,049,576	8.87%
2020	0	2,232,843	13,845	0	2,246,689	21,326,216	10.53%
2021	0	2,093,334	16,746	0	2,110,080	22,567,987	9.35%
2022	0	2,131,691	17,161	0	2,148,852	23,833,912	9.02%
2023	0	2,454,707	17,053	0	2,471,760	25,366,979	9.74%
2024	0	2,565,229	19,170	0	2,584,399	26,804,709	9.64%
2025	0	2,958,487	20,897	0	2,979,384	28,387,141	10.50%
2026	0	2,555,104	23,870	0	2,578,974	30,252,215	8.52%
2027	0	2,663,799	22,012	0	2,685,810	31,935,098	8.41%
2028	0	2,777,579	20,420	0	2,797,999	33,878,690	8.26%
Total:	\$2,898,163	\$38,876,984	\$367,414	\$0	\$42,142,561		

ABC Company, Inc.

Payout Repurchase Liability

Scenario 4: \$50,000 Min Installment

ABC Company, Inc. - C Corp

Contract: 123456

Contribution Plan

Distribution Criteria

Mortality:	Installments:	1	Delay Years:	1	Minimum Installment:	\$0.00
Disability:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00
Turnover:	Installments:	5	Delay Years:	1	Minimum Installment:	\$50000.00
Retirement:	Installments:	5	Delay Years:	1	Minimum Installment:	\$0.00

Year	Mortality	Disability	Turnover	Diversification	Retirement	Total Repurchase Liability
2009	\$849,889	\$0	\$0	\$223,711	\$0	\$1,073,601
2010	405,684	9,712	227,875	199,225	112,415	954,911
2011	380,472	22,774	326,857	582,326	175,325	1,487,754
2012	365,311	40,858	337,040	364,686	229,183	1,337,078
2013	216,344	60,422	345,848	265,056	374,833	1,262,503
2014	40,981	80,602	360,575	260,366	626,362	1,368,886
2015	42,295	86,722	383,150	649,431	680,775	1,842,374
2016	47,185	93,151	401,018	382,196	696,013	1,619,564
2017	51,251	98,214	416,371	392,253	844,148	1,802,237
2018	55,949	103,269	417,498	525,846	829,439	1,932,000
2019	60,752	113,456	420,582	497,968	670,548	1,763,306
2020	59,218	122,823	415,374	865,840	769,587	2,232,843
2021	60,641	129,219	398,147	554,456	950,871	2,093,334
2022	64,117	135,039	412,163	484,478	1,035,894	2,131,691
2023	69,060	140,563	424,139	707,582	1,113,362	2,454,707
2024	72,883	142,506	424,275	654,363	1,271,202	2,565,229
2025	70,722	147,180	432,282	1,094,426	1,213,877	2,958,487
2026	73,548	154,341	442,572	683,571	1,201,073	2,555,104
2027	83,294	166,153	469,609	826,163	1,118,579	2,663,798
2028	84,093	177,269	484,962	732,154	1,299,102	2,777,579
Total:	\$3,153,688	\$2,024,274	\$7,540,337	\$10,946,098	\$15,212,588	\$38,876,985

ABC Company, Inc.

Summary of Share Balances

Scenario 4: \$50,000 Min Installment

ABC Company, Inc. - C Corp

Contract: 123456

Year	Beginning Balance	Allocated			Ending Balance	Value of Allocated Shares	Suspense Shares	Ending Balance
		Shares Released	Shares Contributed	Shares Distributed				
2009	290,486.8127	9,684.0001	.0000	.0000	300,170.7959	\$12,156,917	50,034.0007	350,204.7966
2010	300,170.7959	9,684.0001	.0000	.0000	309,854.7947	13,804,031	40,350.0006	350,204.7953
2011	309,854.7947	9,684.0001	.0000	.0000	319,538.7934	15,660,596	30,666.0005	350,204.7939
2012	319,538.7934	9,684.0001	.0000	.0000	329,222.7922	16,619,167	20,982.0004	350,204.7926
2013	329,222.7922	9,684.0001	.0000	.0000	338,906.7918	17,619,764	11,298.0003	350,204.7921
2014	338,906.7918	9,684.0001	.0000	.0000	348,590.7911	18,667,037	1,614.0002	350,204.7913
2015	348,590.7911	1,614.0000	.0000	.0000	350,204.7905	19,317,296	.0002	350,204.7907
2016	350,204.7905	.0000	.0000	.0000	350,204.7893	19,895,134	.0000	350,204.7893
2017	350,204.7893	.0000	.0000	.0000	350,204.7878	20,490,482	.0000	350,204.7878
2018	350,204.7878	.0000	.0000	.0000	350,204.7862	21,106,842	.0000	350,204.7862
2019	350,204.7862	.0000	.0000	.0000	350,204.7860	21,740,713	.0000	350,204.7860
2020	350,204.7860	.0000	.0000	.0000	350,204.7850	22,392,094	.0000	350,204.7850
2021	350,204.7850	.0000	.0000	.0000	350,204.7838	23,064,487	.0000	350,204.7838
2022	350,204.7838	.0000	.0000	.0000	350,204.7836	23,757,893	.0000	350,204.7836
2023	350,204.7836	.0000	.0000	.0000	350,204.7826	24,472,310	.0000	350,204.7826
2024	350,204.7826	.0000	.0000	.0000	350,204.7832	25,207,740	.0000	350,204.7832
2025	350,204.7832	.0000	.0000	.0000	350,204.7809	25,964,182	.0000	350,204.7809
2026	350,204.7809	.0000	.0000	.0000	350,204.7797	26,741,637	.0000	350,204.7797
2027	350,204.7797	.0000	.0000	.0000	350,204.7806	27,543,606	.0000	350,204.7806
2028	350,204.7806	.0000	.0000	.0000	350,204.7783	28,370,089	.0000	350,204.7783
Total:		59,718.0006	.0000	.0000				

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