



A MORE RESPONSIBLE APPROACH TO RETENTION PLANNING

Reward Your Top Talent and Improve Your Bottom Line

With ever-increasing levels of attention on compensation practices at non-profit organizations, The CAP-Ex Group has developed a socially responsible approach to providing retention benefits for executives and physicians.

We are setting out to return hundreds of millions of dollars to community hospitals throughout the United States by transforming the way executive benefits are provided.

The non-profit sector typically uses the same type of non-qualified benefits as the for-profit sector. However, corporate-style plans, such as SERPs or 457(f) deferred compensation,

may use capital less efficiently and result in a permanent loss of funds.

Your commitment to community service provides advantages that have not been applied to retention planning strategies by the non-profit sector... until now.

The CAP-ExSM program facilitates the return of all costs of the plan, plus interest, back to the hospital while simultaneously rewarding key executives and physicians with competitive retirement benefits.

Cost Effective Solution to Meet Equitable Objectives

Grow Capital

- ▶ Creates a growing asset for the hospital
- ▶ Benefit does not create an expense
- ▶ Returns funds to the hospital plus interest

Retain Talent

- ▶ Attractive retirement plan for executive/physician
- ▶ Benefit tied to vesting provisions to improve retention
- ▶ Potential for greater income levels during retirement

Retention Planning Has Evolved

While the CAP-ExSM program is based on the established benefit structure of split-dollar, we do not follow the traditional split-dollar approach you may be familiar with. We have made very important refinements to traditional split-dollar planning in order to mitigate typical risks through superior design, product and administration.

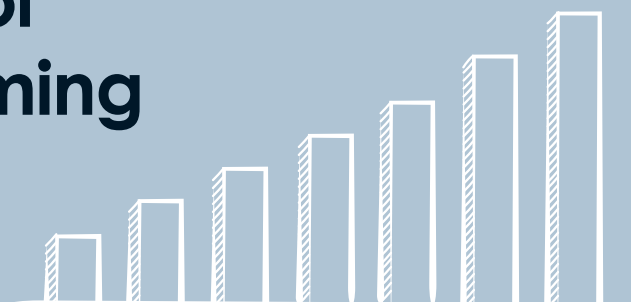
Since the 1950s, split-dollar plans have offered attractive advantages as a retention planning strategy. However, the general perception of the ability to attain these advantages has gradually diminished due to historical occurrences of poor plan administration and risk management. The IRS issued final regulations in September of 2003, which clearly indicate

how to properly structure split-dollar plans going forward.

Over the last decade, The CAP-Ex Group, working with the support of multiple advisors and legal counsel, has created a program that is fully compliant with these regulations and addresses the potential pitfalls associated with traditional split-dollar planning.

While we exercise best practices for all aspects of the CAP-ExSM program, it is our attention to administration services that truly ensures success for our clients' plans, as we regularly monitor compliance, asset performance and pertinent regulatory developments.

Improve Stewardship of Resources by Transforming Benefit Expenses into Assets



Case Study

The following is a comparative forecast of the CAP-ExSM program and a traditional deferred compensation program. In this forecast, the following assumptions are made:

- ▶ In the CAP-ExSM program, the hospital loans the executive/physician \$100,000 per year for five years.
- ▶ In the traditional deferred compensation program, the hospital pays \$100,000 per year for five years into a deferred compensation fund.
- ▶ The funds in both programs are assumed to grow at comparable rates.
- ▶ The executive/physician is assumed to currently be age 50 and to receive an income stream for 20 years from age 66 to age 85.
- ▶ In this scenario, the executive/physician is male and standard non-smoker.
- ▶ It is a hypothetical forecast for descriptive purposes only and may not be used to predict actual results.

Grow Capital

	Deferred Compensation	CAP-Ex SM
Cash Funding	\$(500,000)	\$(500,000)
Return of Principal Plus Interest	\$0	\$1,779,442
Net Cash Flow	\$(500,000)	\$1,279,442
Accounting Treatment	Expense	Asset

Retain Talent

	Deferred Compensation	CAP-Ex SM
Annual Retirement Income	\$15,663	\$35,000
Total Retirement Income, All Years	\$313,251	\$700,000
Residual Death Benefit to Executive's Estate	\$0	\$361,046

Strategic Business Partner

"We are committed to helping our members improve operational efficiencies, maximize earnings and solve challenges. CAP-ExSM is an attractive alternative to SERPs as a solution to help healthcare organizations deploy resources in innovative ways that more effectively meet the needs of the institution and its stakeholders."

– **Scott Twomey**, Senior Vice President & CFO of Hospital Association of Southern California