MTL INSURANCE COMPANY®
A member of the MUTUAL TRUST FINANCIAL GROUP

Covenant II

WHOLE LIFE INSURANCE

Take a closer look at Covenant II and discover why MTL is The Whole Life Company.”®

Entity or Stock Redemption Buy-Sell Agreements

Covenant II is MTL Insurance Company’s leading participating whole life insurance policy. Its design and flexibility offer key advantages for individual as well as business use, such as Entity or Stock Redemption Buy-Sell Agreements.

An Entity or Stock Redemption Buy-Sell agreement is a plan in which the business agrees to purchase a deceased owner’s interest. While there are no fixed rules for why one Buy-Sell agreement is better than another, there are some situations where an Entity or Stock Redemption Agreement may be preferable to a Cross-Purchase Agreement.

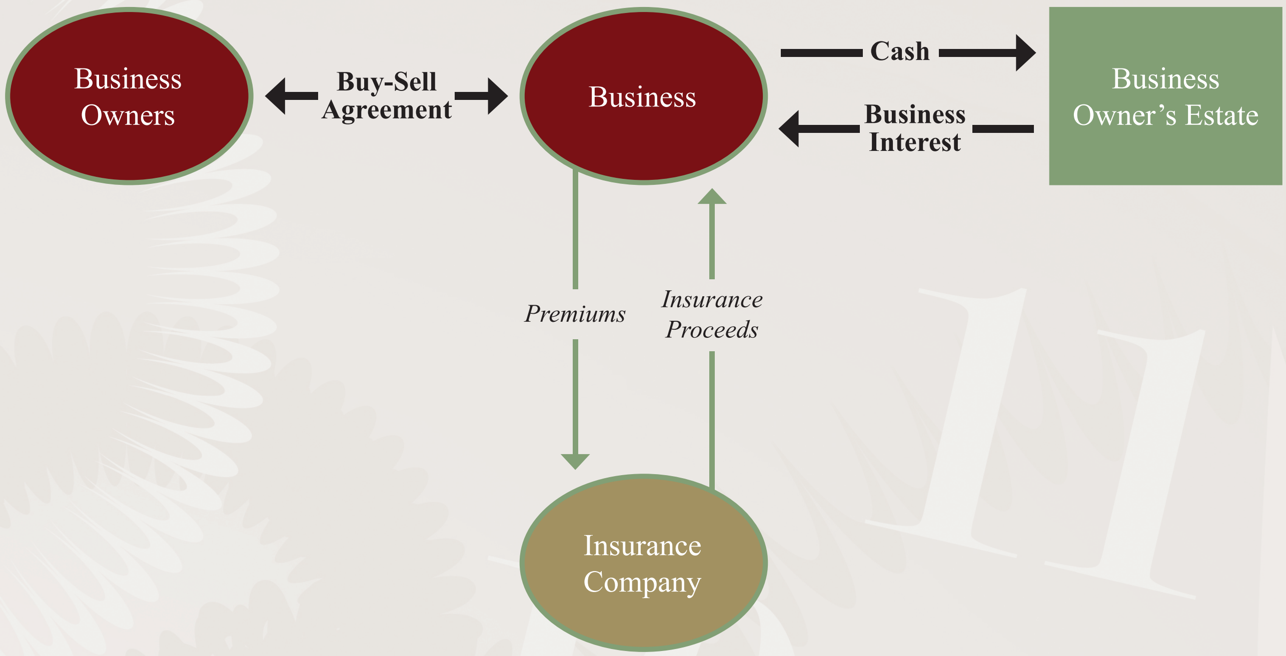
When to Use an Entity or Stock Redemption Agreement

- ***There are a large number of owners.*** An entity or stock redemption plan means there is one policy for each owner.
- ***There is a wide disparity in the ages of the owners.*** An entity or stock redemption plan is paid by the company so the younger owners will not be forced to pay the higher premiums on older owners.
- ***The business wants the cash values of the policies to be available as reserve funds.*** (If the business uses these cash values, the death benefit could be reduced and an owner’s untimely death could create financial distress, because unrecovered loans or withdrawals will reduce the death benefit payable, possibly defeating the purpose for which the agreement was intended.)

The agreement establishes the price to be paid for the deceased owner’s business interest by (1) a definite fixed amount stated in the agreement, or (2) a formula by which a definite price can be established. Current tax law has made the second method the more prudent choice in recent years.

The diagram on the reverse side shows how the agreement works.

Entity or Stock Redemption Buy-Sell Agreement



Each business owner is party to a properly drafted buy-sell agreement with the business. The employer gives the employee notice and obtains consent to buy life insurance. The business pays to the insurance company the premium for life insurance policies insuring each owner. When an owner dies, policy proceeds are paid to the business. The business uses the life insurance proceeds to help purchase the deceased owner's business interest from his or her estate. The premiums are not deductible by the business.

Advantage of using Whole Life Insurance in an Entity or Stock Redemption Buy-Sell Agreement

As long as premiums are paid when due and there have not been significant loans or withdrawals, the business may have funds to help purchase a deceased owner's business. By contrast, building an investment or reserve fund takes time. If an owner dies "too soon," the business may not have the funds it needs to purchase the deceased owner's business interest.

Your MTL Insurance Advisor can discuss these ideas with you. However, he or she is prohibited from giving tax or legal advice. You should consult with a tax or legal professional of your choice for tax and legal advice.

For more information, contact your MTL Insurance Company representative:

Enter Full Name
Enter Agency Name
Enter Phone Number
Enter E-mail

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Form No. 316; Base Policy Form No. 1BJ (4/12)

Not available in all states.