

RABBI TRUST

(SUPPLEMENTAL EXECUTIVE RETIREMENT INCOME TRUST)

HIGHLIGHTS OF THE PLAN

Background

A Rabbi Trust is a vehicle for holding assets set aside to support an employer's unfunded deferred compensation obligations.

The trust is established by the employer ("Company"), and its assets are held by an independent trustee.

The trust is called a "Rabbi Trust" because the first Internal Revenue Service ruling on this deferred compensation technique involved a congregation that utilized such an arrangement to support its retirement obligations for its rabbi. The Internal Revenue Service ruled that the rabbi would not be currently subject to income tax on contributions to the trust.

The reason for this is that the income of the trust is taxable to the Company and that the trust assets will be assets of the Company in the event of insolvency.

Function Of The Trust

The benefits funded via this trust are usually a combination of retirement income and, in the event of the death of a participant, a survivor income benefit paid to beneficiaries.

Benefit levels are established in a variety of ways. The two most common ways use either a percent of the participant's current compensation, or a percent of the compensation in the year just prior to the start of a benefit payment.

The reason a Rabbi Trust is used is to provide participating employees with some assurance that their promised benefits will be paid. To accomplish these ends, a Rabbi Trust is usually irrevocable. Although this provides protection against the Company's unwillingness to pay benefits, the employee is not protected if the Company's inability to pay results from insolvency or bankruptcy. In that event, the trust's assets can be used to pay the claims of the Company's general creditors.