

# SPECIMEN EXECUTIVE BONUS PLAN AGREEMENT

AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between *(name of corporation)*, a corporation formed under the laws of the State of \_\_\_\_\_ (hereinafter called the "Corporation") and *(name of employee)* (hereinafter called the "Employee").

WHEREAS, the Employee makes a valuable contribution to the earnings of the Corporation and the Corporation wishes to reward the Employee with special bonus compensation; and

WHEREAS, the parties desire to have the specifics of the bonus compensation and the requirements under which such bonus compensation will be paid reduced to a written agreement;

NOW THEREFORE, in consideration of the services rendered to the Corporation and the mutual covenants and agreements described below, the Corporation and Employee agree as follows:

## ARTICLE 1 - Compensation

In addition to any and all other compensation paid by the Corporation to the Employee for services rendered to the Corporation, the Corporation agrees to pay the annual premium on a *\$(face amount)* policy (hereinafter called the "Policy") of *(type of insurance)* life insurance on the life of the Employee. The annual premium shall not exceed *\$(maximum annual premium Corporation will pay)*.

*If the Executive Bonus Plan is of the "double bonus" type, include:*

In addition, the Corporation agrees to reimburse the Employee in the form of a cash bonus for the amount of any state and federal income taxes the Employee must pay on the imputed income from this total bonus compensation. The Corporation shall be the sole arbiter of the exact amount of this additional bonus and shall have absolute discretion in determining how it is to be computed.

## ARTICLE 2 - Conditions of Bonus Compensation Payment

The annual Policy premiums will be paid directly by the Corporation to the insurer. The Corporation's obligation to pay said premiums shall cease upon the earlier of the Employee's death, disability, retirement, termination from service for any reason, or upon written notice from the Corporation to the Employee received at least thirty (30) days prior to the next premium due date that the Corporation is terminating its obligation to pay premiums under this Agreement.

### **ARTICLE 3 - Policy Ownership**

The Policy shall be purchased and owned by the Employee. All incidents of ownership shall belong to the Employee, who shall have sole discretion in naming the beneficiary of the Policy; however, in no event will the Employee name the Corporation or any of its subsidiaries or affiliates as a beneficiary thereof. The Employee shall have and may exercise all ownership rights in the Policy, including the right to secure a policy loan.

*If the Executive Bonus Plan contains a restrictive endorsement to the policy, use this paragraph, specifying only the contract rights to be restricted:*

The Policy shall be purchased and owned by the Employee. The Employee shall have sole discretion in naming the beneficiary of the Policy; however, in no event will the Employee name the Corporation or any of its subsidiaries or affiliates as a beneficiary thereof. The Employee shall have and may exercise all ownership rights in the Policy, except for the right to *[select as appropriate]* surrender the Policy, make a Policy loan and/or pledge the Policy as collateral without the Corporation's permission while this Agreement is in effect.

### **ARTICLE 4 - Termination of Agreement**

This Agreement may be terminated by either party on written notice to the other, such written notice to be made at least thirty (30) days prior to the next premium due date. This Agreement will automatically terminate on the termination of the Employee's employment with the Corporation for any reason, the Employee's retirement, or bankruptcy of the Corporation.

### **ARTICLE 5 - Participation in Other Plans**

Nothing contained in this Agreement shall be construed to alter, abridge or in any manner affect the rights and privileges of the Employee to participate in any employee benefit plan which the Employer may now or hereafter provide.

### **ARTICLE 6 - Insurer Not a Party**

The insurer shall not be deemed to be a party to this Agreement for any purpose; nor shall it be deemed in any way responsible for its validity; nor shall it be obligated to inquire as to the distribution or application of any monies payable or paid by it under the Policy. Payment or other performance of its contract obligations in accordance with the terms of the Policy shall fully discharge the insurer from any and all liability under said Policy.

## **ARTICLE 7 - Amendment**

This Agreement shall not be modified or amended except in writing signed by the parties hereto.

## **ARTICLE 8 – Binding Effect**

This Agreement shall be binding on the parties hereto, their heirs, legal or personal representatives and successors.

## **ARTICLE 9 - Not an Employment Contract**

This Agreement shall not be deemed to constitute a contract of employment between the parties hereto, nor shall any provision herein restrict the right of the Employer to discharge the Employee, or restrict the right of the Employee to terminate his or her employment.

## **ARTICLE 10 - Governing Law**

This Agreement shall be subject to and governed by the laws of the State of \_\_\_\_\_.

## **ARTICLE 11 – Named Fiduciary and Plan Administrator**

\_\_\_\_\_ is hereby designated the “named fiduciary.” *(Named Fiduciary)* shall be responsible for the management, control and administration of the life insurance plan established herein. *(Named Fiduciary)* may allocate to others certain aspects of the management and operational responsibilities of the plan, including employment of advisors and the delegation of any ministerial duties to qualified individuals.

Copies of any and all documentation concerning this Agreement shall be maintained by *(Named Fiduciary)* and shall be available to the Employee or other interested parties upon written request.

## ARTICLE 12 – Claims Procedure

A. **Making a Claim:** A person who thinks he or she is being denied benefits to which he or she is entitled pursuant to this Agreement may make a written request for such benefits by setting forth such claim to \_\_\_\_\_ of the Employer at this address:

\_\_\_\_\_.

B. **Time for Reply:** Upon receipt of a claim, the Employer shall inform the Claimant that a reply will be forthcoming within 90 days. However, the reply period may be extended for 90 more days if special circumstances so require. Written notice shall be furnished to the Claimant prior to the end of the initial 90-day period, indicating the special circumstances requiring the extension and the date by which a final decision is expected to be rendered.

Should the claim be denied in whole or in part, the Employer will reply to the Claimant in writing, setting forth the following:

1. The specific reason or reasons for denial of the claim;
2. Reference(s) to the portion or portions of this Agreement on which the denial is based;
3. An explanation of what is necessary for the Claimant to perfect his or her claim with the reasons therefore;
4. The steps the Claimant must take to subject the claim to review; and
5. The time limits for requesting and receiving a review.

C. **Review Request:** Within 60 days of receiving the Employer's written opinion denying the claim, the Claimant may make a written request to \_\_\_\_\_ of the Employer at \_\_\_\_\_, asking that a review of the Employer's determination be made. The Claimant's request may include a review of pertinent materials and a written submission of comments and issues for consideration. If the request for review is not submitted within the above 60-day period, the Claimant may not challenge the Employer's decision.

D. **Decision Review:** \_\_\_\_\_ of the Employer shall review the Employer's determination within 60 days after receipt of the Claimant's request for review, including all materials submitted, and shall render a written opinion setting forth the specific reasons for the decision and the provisions of this Agreement upon which it is based. Upon notice to the Claimant, the 60-day period may be extended to 120 days because of special circumstances.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the day and year first above written.

\_\_\_\_\_  
(Employee)

\_\_\_\_\_  
(Corporation)

*(Corporate Seal)*

By: \_\_\_\_\_  
(President)

ATTEST:

Date: \_\_\_\_\_

\_\_\_\_\_  
(Secretary)

SPECIMEN