

SINGLE PREMIUM WHOLE LIFE MODIFIED ENDOWMENT CONTRACT ACKNOWLEDGEMENT

The Technical and Miscellaneous Revenue Act of 1988 (TAMRA) established a classification of life insurance policies termed, "modified endowment contracts". TAMRA alters the tax treatment of distributions received from modified endowment contracts. A life insurance policy (certificate) is classified as a modified endowment contract if the premiums paid over the first seven years of the policy exceed an amount established by Congress.

The certificate you are applying for is a modified endowment contract (exceptions may apply if the certificate is being funded entirely by a 1035 exchange of a non MEC certificate). As a result of this classification, you should be aware that:

1. if there is gain in the certificate, the portion of the gain included in any distribution (including certificate loans, full or partial surrenders, assignments, pledges, withdrawals or loans secured by the certificate) will be reported as taxable income;
2. if such a distribution occurs prior to the insured attaining age 59 ½, the taxable portion of the distribution may also be subject to a 10% tax penalty;
3. taxable distributions are reported by FCSLA to the IRS; and
4. the cash value of a Modified Endowment Contract will accumulate income tax free. In addition, death benefits will be income tax free to any named beneficiary (not to the insured's estate).

Please contact your tax professional regarding the tax consequences of a modified endowment contract."

I have read the above explanation concerning Modified Endowment Contracts. I understand that the certificate I have applied for is a Modified Endowment Contract and I agree to accept the certificate on that basis. I understand, and my FCSLA agent has advised me, that First Catholic Slovak Ladies Association assumes no responsibility for the tax consequences of any particular transaction and that I should consult my own tax advisor to determine the tax implications of any situation.

Signature of Applicant _____

Date _____

Signature of Agent _____

Date _____

***** Please submit with application *****