

# Loan-Based Split Dollar

## Preface

This executive fringe benefit involves a series of employer-sponsored loans to a valued executive for the purpose of purchasing a cash value life insurance policy. It is designed to be in compliance with the Final Split Dollar Regulations issued in September 2003 (68 FR 54336).

**Promissory Notes:** The loans associated with the arrangement are evidenced by a series of promissory notes between the employer and the executive, and the life insurance policy is assigned as collateral security for the loans. The loans are term loans, i.e., they are due at the end of a specific period of years; however, the promissory note calls for the acceleration of repayment should the executive die prior to the date of scheduled loan repayments.

**Loan Interest:** The interest rate for the life of each loan is set at least to the long-term rate in effect at the beginning of the loan under IRC Sections 7872(f)(2)(A) and 1274(d) (often referred to as the "Applicable Federal Rate" or "AFR"). As an additional benefit in some arrangements, the employer will help offset the executive's loan interest payments via a bonus.

If no interest or an inadequate rate of interest is charged on a loan, the IRS recharacterizes the loan into an "arms-length" transaction and imputes an interest rate that is deemed to have been received by the lender and paid by the borrower. The rate is published monthly and is determined by the length of the loan transaction, i.e., either the short-term rate (3 years or less), the mid-term rate (over 3 years but not over 9 years), or the long-term rate (over 9 years).

So long as the loan interest rate is equal to or exceeds the Applicable Federal Rate, no interest is imputed by the IRS on the transaction. For illustrative purposes, the entire series of premium loans illustrated in the accompanying material reflects a constant 3.16% interest rate, the long-term AFR in effect for the month in which this report is written (August 2013). The loan interest rate for each new loan will likely be different, and each future loan must bear interest equal to or greater than the AFR in effect during the month the new loan is executed. Each new loan should be evidenced by its own promissory note as well.

There are four ways to deal with unknown future loan interest rates:

1. If a bonus is paid to the executive to offset the loan interest, accept the risk: Changing interest rates may increase or decrease the amount of the bonus; however, the loan interest paid to the employer by the executive should provide a full or partial offset, as the case may be.
2. Accrue additional loan interest: If the loan interest rate increases, the executive could be allowed to accrue the additional loan interest. Alternatively, the executive may be able to withdraw funds from the policy to make up the difference in the loan interest due.

3. Renegotiate the loans: Wait until a time when AFR dips and recast the series of promissory notes into a new note at the reduced rate. For a detailed analysis of this strategy, see the report entitled "Renegotiating the Applicable Federal Rate".
4. Consolidate all loans at the inception of the arrangement: In this case, the loaned funds in excess of the amount needed to pay the policy's initial premium should be reserved by the executive to pay the remaining stream of premiums as they fall due. The employer may wish to consider requiring some form of custodianship for the reserved funds to be certain they are used for the intended purpose.

### **Repayment of Loans from the Employer**

In the event of the executive's death, the employer's loans are repaid from the life insurance policy's death benefit; otherwise, loan repayment is handled in one of the ways listed below. A check mark indicates the method illustrated in the accompanying material.

- 1. The executive uses personal funds to repay the loans from the employer.
- 2. The executive borrows against the policy or surrenders a portion of policy values to repay the loans from the employer.
- 3. The employer may forgive the loan. When this occurs, the executive typically borrows against the policy or surrenders a portion of policy values to offset the income tax on the bonus resulting from the forgiveness of the loan.
- 4. The employer may forgive the loan and bonus an amount to offset all income taxes.

### **Living Benefits for the Executive**

The executive may, if the parties agree, have direct access to policy cash values in excess of the amount required to collateralize the loans from the employer. The policy cash values are usually accessed via: 1) policy loans or 2) surrender of a portion of policy values or 3) a combination thereof.

### **Death Benefits for the Executive's Beneficiaries**

Income tax free death benefits from the executive's share of the life insurance policy's death benefit can produce income streams for the executive's family or liquidity to help offset wealth transfer taxes.

### **Notes**

Policy loans reduce cash values and death benefits, and the lapse of a policy with loans could result in significant tax ramifications to the policy owner.

Care must always be exercised regarding IRC Section 409A when an executive is provided with the arrangement discussed herein.

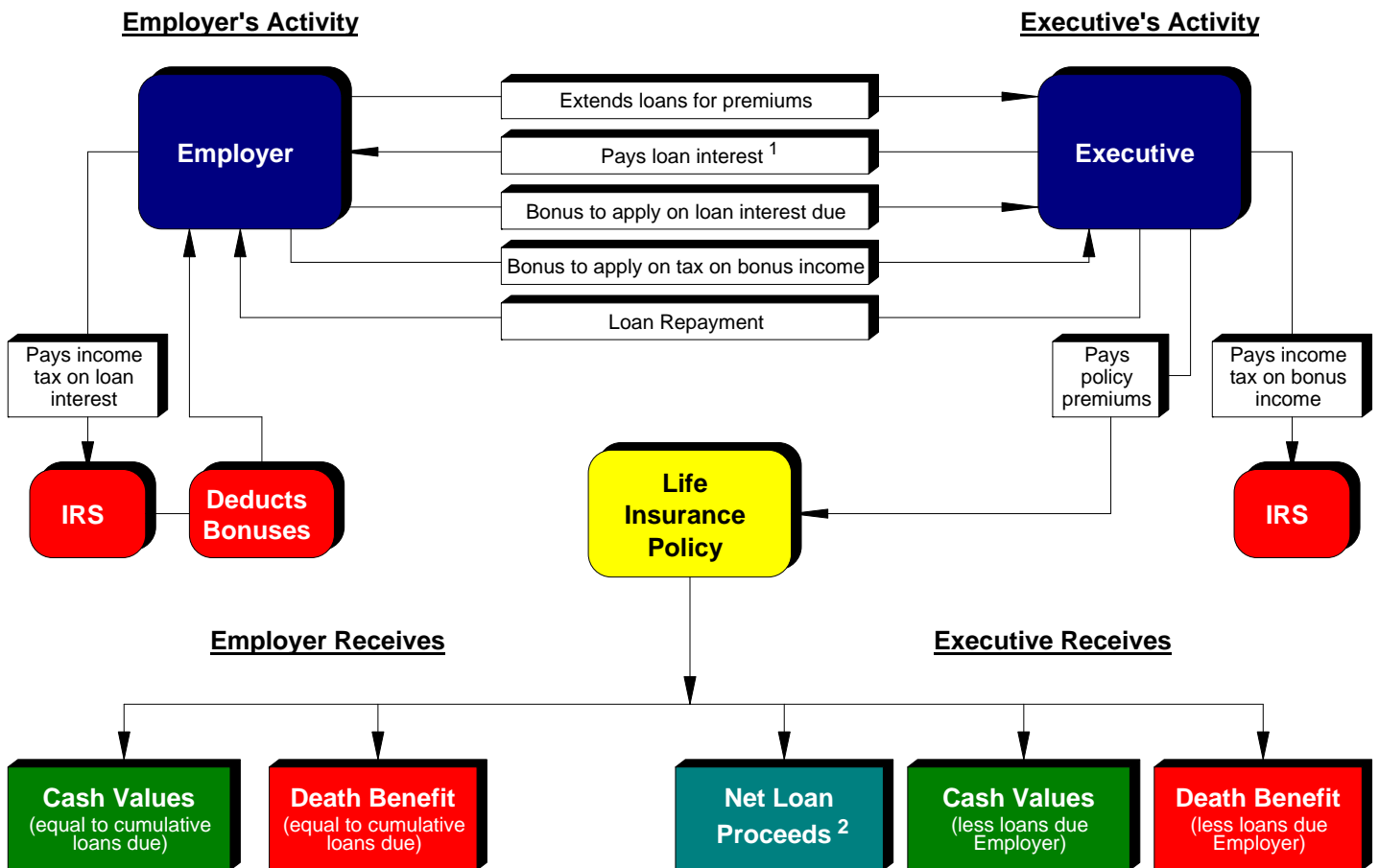
Be sure to consult with your own tax attorney and accountant before entering into this or any other arrangement involving tax, legal, and economic considerations.

# Loan-Based Split Dollar Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]  
Date: 08/01/2013

For: Tony Callahan  
Callahan Software Design, Inc.

## Flow Chart Analysis



<sup>1</sup> If the loan interest paid on each loan is equal to or greater than the Applicable Federal Rate established under IRC Sections 7872(f)(2)(A) and 1274(d), then no additional loan interest will be imputed to the Executive.

<sup>2</sup> For retirement income for the executive.

## Illustration of Policy Values Funding The Plan

### Loan-Based Split Dollar Using Indexed Universal Life

Values Page: 1  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|                   |                                      |                               |  |
|-------------------|--------------------------------------|-------------------------------|--|
| Male<br>Age<br>45 | Indexed UL<br>Interest Rate<br>7.50% | Initial<br>Premium<br>100,000 | Initial Policy<br>Death Benefit<br>2,200,000 |
|-------------------|--------------------------------------|-------------------------------|--|

| Year | Age | (1)<br>Policy<br>Premium | (2)<br>Net Policy<br>Loan<br>Proceeds | (3)<br>Cash<br>Value<br>Increase* | (4)<br>Year End<br>Cash<br>Value* | (5)<br>Death<br>Benefit |
|------|-----|--------------------------|---------------------------------------|-----------------------------------|-----------------------------------|-------------------------|
| 1    | 45  | 100,000                  | 0                                     | 31,107                            | 31,107                            | 2,200,000               |
| 2    | 46  | 100,000                  | 0                                     | 101,660                           | 132,767                           | 2,296,960               |
| 3    | 47  | 100,000                  | 0                                     | 108,760                           | 241,527                           | 2,401,713               |
| 4    | 48  | 100,000                  | 0                                     | 116,420                           | 357,947                           | 2,514,127               |
| 5    | 49  | 100,000                  | 0                                     | 124,600                           | 482,547                           | 2,634,723               |
| 6    | 50  | 100,000                  | 0                                     | 133,933                           | 616,480                           | 2,764,650               |
| 7    | 51  | 100,000                  | 0                                     | 143,980                           | 760,460                           | 2,904,627               |
| 8    | 52  | 0                        | 0                                     | 52,720                            | 813,180                           | 2,953,340               |
| 9    | 53  | 0                        | 0                                     | 56,827                            | 870,007                           | 3,006,160               |
| 10   | 54  | 0                        | 0                                     | 61,343                            | 931,350                           | 3,063,500               |
| 11   | 55  | 0                        | 0                                     | 72,810                            | 1,004,160                         | 3,132,303               |
| 12   | 56  | 0                        | 0                                     | 77,620                            | 1,081,780                         | 3,205,920               |
| 13   | 57  | 0                        | 0                                     | 82,730                            | 1,164,510                         | 3,284,643               |
| 14   | 58  | 0                        | 0                                     | 88,203                            | 1,252,713                         | 3,368,840               |
| 15   | 59  | 0                        | 0                                     | 94,044                            | 1,346,757                         | 3,458,877               |
| 16   | 60  | 0                        | 0                                     | 100,103                           | 1,446,860                         | 3,554,997               |
| 17   | 61  | 0                        | 0                                     | 102,593                           | 1,549,453                         | 3,657,590               |
| 18   | 62  | 0                        | 0                                     | 109,457                           | 1,658,910                         | 3,767,047               |
| 19   | 63  | 0                        | 0                                     | 116,727                           | 1,775,637                         | 3,883,773               |
| 20   | 64  | 0                        | 0                                     | 124,426                           | 1,900,063                         | 4,008,200               |
|      |     | 700,000                  | 0                                     |                                   |                                   |                         |

\*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

#### 20 Year Summary

|                               |           |
|-------------------------------|-----------|
| Cum. Payments                 | 700,000   |
| Cum. Net Policy Loan Proceeds | 0         |
| Cash Value                    | 1,900,063 |
| Death Benefit                 | 4,008,200 |

## Illustration of Policy Values Funding The Plan

### Loan-Based Split Dollar Using Indexed Universal Life

Values Page: 2  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|                   |                                      |                               |  |
|-------------------|--------------------------------------|-------------------------------|--|
| Male<br>Age<br>45 | Indexed UL<br>Interest Rate<br>7.50% | Initial<br>Premium<br>100,000 | Initial Policy<br>Death Benefit<br>2,200,000 |
|-------------------|--------------------------------------|-------------------------------|--|

| Year | Age | (1)<br>Policy<br>Premium | (2)<br>Net Policy<br>Loan<br>Proceeds | (3)<br>Cash<br>Value<br>Increase* | (4)<br>Year End<br>Cash<br>Value* | (5)<br>Death<br>Benefit |
|------|-----|--------------------------|---------------------------------------|-----------------------------------|-----------------------------------|-------------------------|
| 21   | 65  | 0                        | 165,000                               | -72,090                           | 1,827,973                         | 2,494,680               |
| 22   | 66  | 0                        | 165,000                               | -42,740                           | 1,785,233                         | 2,309,880               |
| 23   | 67  | 0                        | 165,000                               | -41,416                           | 1,743,817                         | 2,185,260               |
| 24   | 68  | 0                        | 165,000                               | -39,457                           | 1,704,360                         | 2,148,597               |
| 25   | 69  | 0                        | 165,000                               | -38,563                           | 1,665,797                         | 2,111,437               |
| 26   | 70  | 0                        | 165,000                               | -36,577                           | 1,629,220                         | 2,074,770               |
| 27   | 71  | 0                        | 165,000                               | -33,750                           | 1,595,470                         | 2,008,693               |
| 28   | 72  | 0                        | 165,000                               | -30,340                           | 1,565,130                         | 1,939,650               |
| 29   | 73  | 0                        | 165,000                               | -26,343                           | 1,538,787                         | 1,867,373               |
| 30   | 74  | 0                        | 165,000                               | -21,744                           | 1,517,043                         | 1,791,520               |
| 31   | 75  | 0                        | 165,000                               | -12,113                           | 1,504,930                         | 1,716,283               |
| 32   | 76  | 0                        | 165,000                               | -7,200                            | 1,497,730                         | 1,722,317               |
| 33   | 77  | 0                        | 165,000                               | -1,710                            | 1,496,020                         | 1,734,933               |
| 34   | 78  | 0                        | 165,000                               | 4,527                             | 1,500,547                         | 1,754,963               |
| 35   | 79  | 0                        | 165,000                               | 11,463                            | 1,512,010                         | 1,783,187               |
| 36   | 80  | 0                        | 165,000                               | 19,073                            | 1,531,083                         | 1,820,360               |
| 37   | 81  | 0                        | 165,000                               | 25,637                            | 1,556,720                         | 1,867,330               |
| 38   | 82  | 0                        | 165,000                               | 34,427                            | 1,591,147                         | 1,924,590               |
| 39   | 83  | 0                        | 165,000                               | 43,810                            | 1,634,957                         | 1,992,820               |
| 40   | 84  | 0                        | 165,000                               | 53,750                            | 1,688,707                         | 2,072,667               |
|      |     | 700,000                  | 3,300,000                             |                                   |                                   |                         |

\*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

#### 40 Year Summary

|                               |           |
|-------------------------------|-----------|
| Cum. Payments                 | 700,000   |
| Cum. Net Policy Loan Proceeds | 3,300,000 |
| Cash Value                    | 1,688,707 |
| Death Benefit                 | 2,072,667 |

# Summary

## Loan-Based Split Dollar Funded With Indexed Universal Life

Summary Page: 1  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|          |                        |                         |                          |                              |   |                               |
|----------|------------------------|-------------------------|--------------------------|------------------------------|---|-------------------------------|
| Male Age | Employer's Tax Bracket | Executive's Tax Bracket | Indexed UL Interest Rate | Initial Policy Death Benefit | Assumed Long-Term AFR for All Years Illustrated | Promissory Note Interest Rate |
| 45       | 34.00%                 | 45.00%                  | 7.50%                    | 2,200,000                    | 3.16%   | 3.16%                         |

| Year | Age | Employer     |                         |  |   | Executive    |  |                 |           |
|------|-----|--------------|-------------------------|--|---|--------------|--|-----------------|-----------|
|      |     | (1)          | (2)                     | (3)  | (4)                                     | (5)          | (6)  | (7)             | (8)       |
|      |     | Net Payment* | Cumulative Net Payments | Portion of Col. (2) Due as a Loan Receivable | Cumulative Charge to Earnings (2) - (3) | Net Payment* | Net Policy Loan Proceeds Available for Retirement Income | Loan Collateral |           |
|      |     |              |                         |  |   | Cash Value** | Death Benefit  |                 |           |
| 1    | 45  | 100,000      | 100,000                 | 100,000                                      | 0                                       | 1,422        | 0  | 31,107          | 2,200,000 |
| 2    | 46  | 100,000      | 200,000                 | 200,000                                      | 0                                       | 2,844        | 0  | 132,767         | 2,296,960 |
| 3    | 47  | 100,000      | 300,000                 | 300,000                                      | 0                                       | 4,266        | 0  | 241,527         | 2,401,713 |
| 4    | 48  | 100,000      | 400,000                 | 400,000                                      | 0                                       | 5,688        | 0  | 357,947         | 2,514,127 |
| 5    | 49  | 100,000      | 500,000                 | 500,000                                      | 0                                       | 7,110        | 0  | 482,547         | 2,634,723 |
| 6    | 50  | 100,000      | 600,000                 | 600,000                                      | 0                                       | 8,532        | 0  | 616,480         | 2,764,650 |
| 7    | 51  | 100,000      | 700,000                 | 700,000                                      | 0                                       | 9,954        | 0  | 760,460         | 2,904,627 |
| 8    | 52  | 0            | 700,000                 | 700,000                                      | 0                                       | 9,954        | 0  | 813,180         | 2,953,340 |
| 9    | 53  | 0            | 700,000                 | 700,000                                      | 0                                       | 9,954        | 0  | 870,007         | 3,006,160 |
| 10   | 54  | 0            | 700,000                 | 700,000                                      | 0                                       | 9,954        | 0  | 931,350         | 3,063,500 |
| 11   | 55  | 0            | 700,000                 | 700,000                                      | 0                                       | 9,954        | 0  | 1,004,160       | 3,132,303 |
| 12   | 56  | 0            | 700,000                 | 700,000                                      | 0                                       | 9,954        | 0  | 1,081,780       | 3,205,920 |
| 13   | 57  | 0            | 700,000                 | 700,000                                      | 0                                       | 9,954        | 0  | 1,164,510       | 3,284,643 |
| 14   | 58  | 0            | 700,000                 | 700,000                                      | 0                                       | 9,954        | 0  | 1,252,713       | 3,368,840 |
| 15   | 59  | 0            | 700,000                 | 700,000                                      | 0                                       | 9,954        | 0  | 1,346,757       | 3,458,877 |
| 16   | 60  | 28,000       | 728,000                 | 560,000                                      | 168,000                                 | 7,963        | 0  | 1,446,860       | 3,554,997 |
| 17   | 61  | 28,000       | 756,000                 | 420,000                                      | 336,000                                 | 5,972        | 0  | 1,549,453       | 3,657,590 |
| 18   | 62  | 28,000       | 784,000                 | 280,000                                      | 504,000                                 | 3,982        | 0  | 1,658,910       | 3,767,047 |
| 19   | 63  | 28,000       | 812,000                 | 140,000                                      | 672,000                                 | 1,991        | 0  | 1,775,637       | 3,883,773 |
| 20   | 64  | 28,000       | 840,000                 | 0  | 840,000                                 | 0            | 0  | 1,900,063       | 4,008,200 |
|      |     | 840,000      |                         |  |   | 139,356      | 0  |                 |           |

### Executive's 20 Year Summary

Living Values<sup>†</sup>    Death Benefit

\*See appropriate Net Payment Analysis for details.

\*\*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Indexed Universal Life:              | 1,900,063 | 4,008,200 |
| Less Loan Repayment Due Employer:    | 0         | 0         |
| Equals Executive's Net Value:        | 1,900,063 | 4,008,200 |
| Plus Cumulative After Tax Cash Flow: | 0         | 0         |
| Equals Executive's Total Net Value:  | 1,900,063 | 4,008,200 |

†Cash value less employer's loans plus cum. net policy loans.

# Summary

## Loan-Based Split Dollar Funded With Indexed Universal Life

Summary Page: 2  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|          |                        |                         |                          |                              |   |                               |
|----------|------------------------|-------------------------|--------------------------|------------------------------|---|-------------------------------|
| Male Age | Employer's Tax Bracket | Executive's Tax Bracket | Indexed UL Interest Rate | Initial Policy Death Benefit | Assumed Long-Term AFR for All Years Illustrated | Promissory Note Interest Rate |
| 45       | 34.00%                 | 45.00%                  | 7.50%                    | 2,200,000                    | 3.16%   | 3.16%                         |

|      |     | Employer            |                                |   |  | Executive           |   |                            |               |
|------|-----|---------------------|--------------------------------|---|--|---------------------|---|----------------------------|---------------|
| Year | Age | (1)<br>Net Payment* | (2)<br>Cumulative Net Payments | (3)<br>Portion of Col. (2) Due as a Loan Receivable | (4)<br>Cumulative Charge to Earnings (2) - (3) | (5)<br>Net Payment* | (6)<br>Net Policy Loan Proceeds Available for Retirement Income | (7) (8)<br>Loan Collateral |               |
|      |     |                     |                                |   |  |                     |   | Cash Value**               | Death Benefit |
| 21   | 65  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,827,973                  | 2,494,680     |
| 22   | 66  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,785,233                  | 2,309,880     |
| 23   | 67  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,743,817                  | 2,185,260     |
| 24   | 68  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,704,360                  | 2,148,597     |
| 25   | 69  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,665,797                  | 2,111,437     |
| 26   | 70  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,629,220                  | 2,074,770     |
| 27   | 71  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,595,470                  | 2,008,693     |
| 28   | 72  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,565,130                  | 1,939,650     |
| 29   | 73  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,538,787                  | 1,867,373     |
| 30   | 74  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,517,043                  | 1,791,520     |
| 31   | 75  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,504,930                  | 1,716,283     |
| 32   | 76  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,497,730                  | 1,722,317     |
| 33   | 77  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,496,020                  | 1,734,933     |
| 34   | 78  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,500,547                  | 1,754,963     |
| 35   | 79  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,512,010                  | 1,783,187     |
| 36   | 80  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,531,083                  | 1,820,360     |
| 37   | 81  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,556,720                  | 1,867,330     |
| 38   | 82  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,591,147                  | 1,924,590     |
| 39   | 83  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,634,957                  | 1,992,820     |
| 40   | 84  | 0                   | 840,000                        | 0   | 840,000  | 0                   | 165,000   | 1,688,707                  | 2,072,667     |
|      |     | 840,000             |                                |   |  | 139,356             | 3,300,000   |                            |               |

### Executive's 40 Year Summary

Living Values<sup>†</sup>    Death Benefit

\*See appropriate Net Payment Analysis for details.

\*\*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Indexed Universal Life:              | 1,688,707 | 2,072,667 |
| Less Loan Repayment Due Employer:    | 0         | 0         |
| Equals Executive's Net Value:        | 1,688,707 | 2,072,667 |
| Plus Cumulative After Tax Cash Flow: | 3,300,000 | 3,300,000 |
| Equals Executive's Total Net Value:  | 4,988,707 | 5,372,667 |

†Cash value less employer's loans plus cum. net policy loans.



# Executive's Personal Report

## Loan-Based Split Dollar Funded With Indexed Universal Life

Executive's MV Page: 1  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|      |             |               |
|------|-------------|---------------|
| Male | Executive's | Indexed UL    |
| Age  | Tax Bracket | Interest Rate |
| 45   | 45.00%      | 7.50%         |

### Matching Values

**Gross Interest Rate Required on  
a Hypothetical Taxable Investment  
to Match the Executive's Share of Indexed Universal Life Policy Values over 40 Years  
(Executive's Net Payments Used as the Hypothetical Investment)**

|                            |             | Hypothetical<br>Taxable<br>Alternative |
|----------------------------|-------------|--|
| To match Cash Value of:    | \$1,688,707 | 33.41%                                 |
| To match Death Benefit of: | \$2,072,667 | 33.54%                                 |

### Income Tax Considerations

1. Hypothetical Taxable Investment: Interest is taxed as earned.
2. Indexed Universal Life:
  - a. Death Benefit including cash value component is income tax free.
  - b. Loans are income tax free as long as the policy is kept in force.
  - c. Withdrawals and other non-loan policy cash flow up to cost basis (not in violation of IRC Section 7702) are income tax free as a return of premium.
  - d. Cash values shown assume most favorable combination of b and/or c.

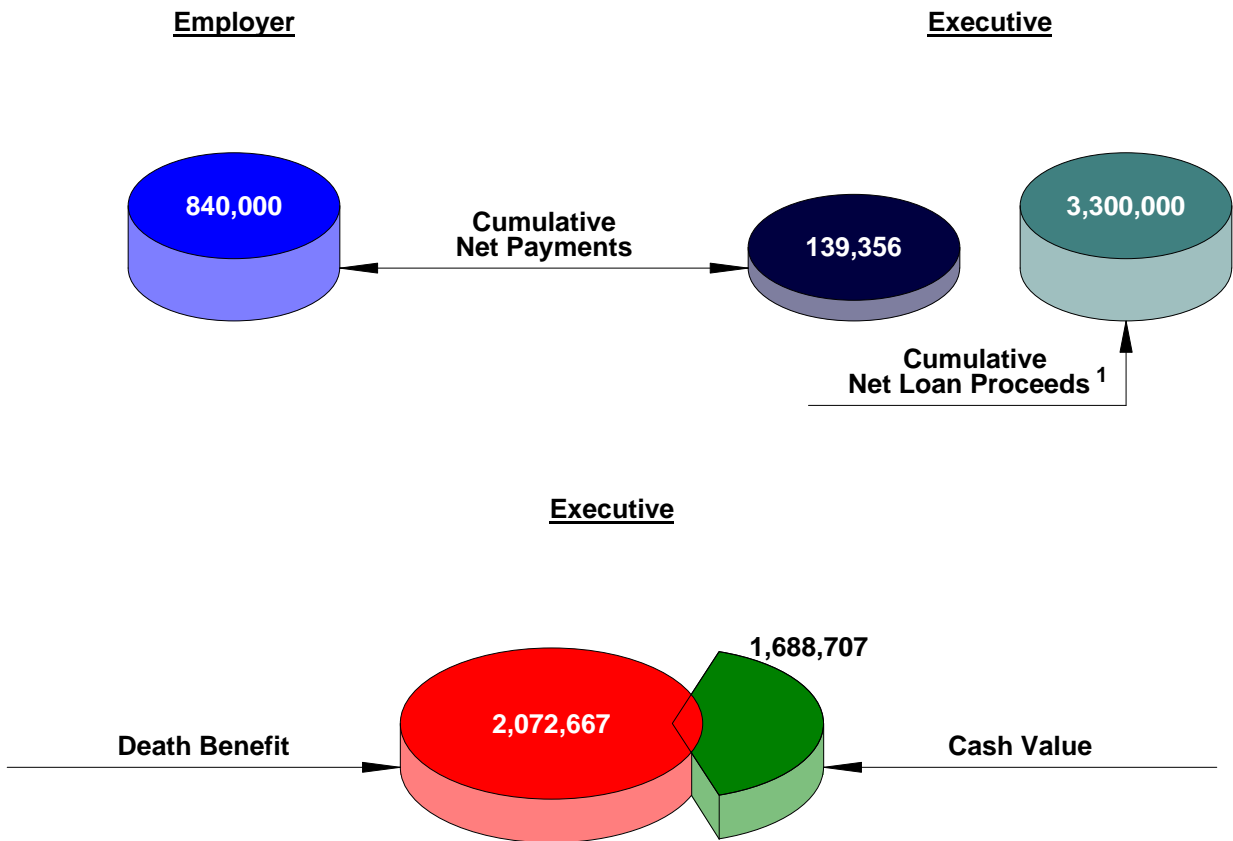
\*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

# Loan-Based Split Dollar Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]  
Date: 08/01/2013

For: Tony Callahan  
Callahan Software Design, Inc.

## 40th Year Summary Analysis



<sup>1</sup> For retirement income.

# Promissory Note Analysis

## Loan-Based Split Dollar Funded With Indexed Universal Life

Promissory Note Analysis Page: 1  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|      |     | Male<br>Age<br>45                            | Assumed Long-Term AFR<br>for All Years Illustrated<br>3.16%** | Promissory Note<br>Interest Rate<br>3.16%                |  |  |  |                                      |   |
|------|-----|--|---|--|--|--|--|--------------------------------------|---|
|      |     | (1)  | (2)   | (3)  | (4)  | (5)  | (6)  | (7)                                  | (8)                                     |
|      |     | Loan Collateral                              |   |  |  |  |  |                                      |   |
| Year | Age | Beginning<br>of Year<br>Loan to<br>Executive | Annual<br>Loan Interest<br>Paid from<br>Non-Policy<br>Values  | Annual<br>Loan Interest<br>Paid from<br>Policy<br>Values | Loan<br>Repayments<br>from<br>Non-Policy<br>Values | Loan<br>Repayments<br>from<br>Policy<br>Values | Year End<br>Cumulative<br>Loan to<br>Executive | Year End<br>Policy<br>Cash<br>Value* | Year End<br>Policy<br>Death<br>Benefit* |
| 1    | 45  | 100,000                                      | 3,160   | 0  | 0  | 0  | 100,000  | 31,107                               | 2,200,000                               |
| 2    | 46  | 100,000                                      | 6,320   | 0  | 0  | 0  | 200,000  | 132,767                              | 2,296,960                               |
| 3    | 47  | 100,000                                      | 9,480   | 0  | 0  | 0  | 300,000  | 241,527                              | 2,401,713                               |
| 4    | 48  | 100,000                                      | 12,640  | 0  | 0  | 0  | 400,000  | 357,947                              | 2,514,127                               |
| 5    | 49  | 100,000                                      | 15,800  | 0  | 0  | 0  | 500,000  | 482,547                              | 2,634,723                               |
| 6    | 50  | 100,000                                      | 18,960  | 0  | 0  | 0  | 600,000  | 616,480                              | 2,764,650                               |
| 7    | 51  | 100,000                                      | 22,120  | 0  | 0  | 0  | 700,000  | 760,460                              | 2,904,627                               |
| 8    | 52  | 0  | 22,120  | 0  | 0  | 0  | 700,000  | 813,180                              | 2,953,340                               |
| 9    | 53  | 0  | 22,120  | 0  | 0  | 0  | 700,000  | 870,007                              | 3,006,160                               |
| 10   | 54  | 0  | 22,120  | 0  | 0  | 0  | 700,000  | 931,350                              | 3,063,500                               |
| 11   | 55  | 0  | 22,120  | 0  | 0  | 0  | 700,000  | 1,004,160                            | 3,132,303                               |
| 12   | 56  | 0  | 22,120  | 0  | 0  | 0  | 700,000  | 1,081,780                            | 3,205,920                               |
| 13   | 57  | 0  | 22,120  | 0  | 0  | 0  | 700,000  | 1,164,510                            | 3,284,643                               |
| 14   | 58  | 0  | 22,120  | 0  | 0  | 0  | 700,000  | 1,252,713                            | 3,368,840                               |
| 15   | 59  | 0  | 22,120  | 0  | 0  | 0  | 700,000  | 1,346,757                            | 3,458,877                               |
| 16   | 60  | 0  | 17,696  | 0  | 140,000  | 0  | 560,000  | 1,446,860                            | 3,554,997                               |
| 17   | 61  | 0  | 13,272  | 0  | 140,000  | 0  | 420,000  | 1,549,453                            | 3,657,590                               |
| 18   | 62  | 0  | 8,848   | 0  | 140,000  | 0  | 280,000  | 1,658,910                            | 3,767,047                               |
| 19   | 63  | 0  | 4,424   | 0  | 140,000  | 0  | 140,000  | 1,775,637                            | 3,883,773                               |
| 20   | 64  | 0  | 0   | 0  | 140,000  | 0  | 0  | 1,900,063                            | 4,008,200                               |
|      |     | 700,000                                      | 309,680   | 0  | 700,000  | 0  |  |                                      |   |

\*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

\*\*See the accompanying supplemental report entitled "Loan-Based Split Dollar (Preface)" for remarks regarding loan interest rates used in this illustration.

Loan arrangement presumed terminated in year 20; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

# Promissory Note Analysis

## Loan-Based Split Dollar Funded With Indexed Universal Life

Promissory Note Analysis Page: 2  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|      |     | Male<br>Age<br>45                            | Assumed Long-Term AFR<br>for All Years Illustrated<br>3.16%** | Promissory Note<br>Interest Rate<br>3.16%                |  |  |  |                                      |   |  |
|------|-----|--|---|--|--|--|--|--------------------------------------|---|--|
|      |     | (1)  | (2)   | (3)  | (4)  | (5)  | (6)  | (7)                                  | (8)                                     |  |
|      |     |  |   |  |  |  |  |                                      | Loan Collateral                         |  |
| Year | Age | Beginning<br>of Year<br>Loan to<br>Executive | Annual<br>Loan Interest<br>Paid from<br>Non-Policy<br>Values  | Annual<br>Loan Interest<br>Paid from<br>Policy<br>Values | Loan<br>Repayments<br>from<br>Non-Policy<br>Values | Loan<br>Repayments<br>from<br>Policy<br>Values | Year End<br>Cumulative<br>Loan to<br>Executive | Year End<br>Policy<br>Cash<br>Value* | Year End<br>Policy<br>Death<br>Benefit* |  |
| 21   | 65  | 0  | 0   | 0  | 0  | 0  | 0  | 1,827,973                            | 2,494,680                               |  |
| 22   | 66  | 0  | 0   | 0  | 0  | 0  | 0  | 1,785,233                            | 2,309,880                               |  |
| 23   | 67  | 0  | 0   | 0  | 0  | 0  | 0  | 1,743,817                            | 2,185,260                               |  |
| 24   | 68  | 0  | 0   | 0  | 0  | 0  | 0  | 1,704,360                            | 2,148,597                               |  |
| 25   | 69  | 0  | 0   | 0  | 0  | 0  | 0  | 1,665,797                            | 2,111,437                               |  |
| 26   | 70  | 0  | 0   | 0  | 0  | 0  | 0  | 1,629,220                            | 2,074,770                               |  |
| 27   | 71  | 0  | 0   | 0  | 0  | 0  | 0  | 1,595,470                            | 2,008,693                               |  |
| 28   | 72  | 0  | 0   | 0  | 0  | 0  | 0  | 1,565,130                            | 1,939,650                               |  |
| 29   | 73  | 0  | 0   | 0  | 0  | 0  | 0  | 1,538,787                            | 1,867,373                               |  |
| 30   | 74  | 0  | 0   | 0  | 0  | 0  | 0  | 1,517,043                            | 1,791,520                               |  |
| 31   | 75  | 0  | 0   | 0  | 0  | 0  | 0  | 1,504,930                            | 1,716,283                               |  |
| 32   | 76  | 0  | 0   | 0  | 0  | 0  | 0  | 1,497,730                            | 1,722,317                               |  |
| 33   | 77  | 0  | 0   | 0  | 0  | 0  | 0  | 1,496,020                            | 1,734,933                               |  |
| 34   | 78  | 0  | 0   | 0  | 0  | 0  | 0  | 1,500,547                            | 1,754,963                               |  |
| 35   | 79  | 0  | 0   | 0  | 0  | 0  | 0  | 1,512,010                            | 1,783,187                               |  |
| 36   | 80  | 0  | 0   | 0  | 0  | 0  | 0  | 1,531,083                            | 1,820,360                               |  |
| 37   | 81  | 0  | 0   | 0  | 0  | 0  | 0  | 1,556,720                            | 1,867,330                               |  |
| 38   | 82  | 0  | 0   | 0  | 0  | 0  | 0  | 1,591,147                            | 1,924,590                               |  |
| 39   | 83  | 0  | 0   | 0  | 0  | 0  | 0  | 1,634,957                            | 1,992,820                               |  |
| 40   | 84  | 0  | 0   | 0  | 0  | 0  | 0  | 1,688,707                            | 2,072,667                               |  |
|      |     | 700,000                                      | 309,680   | 0  | 700,000  | 0  |  |                                      |   |  |

\*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

\*\*See the accompanying supplemental report entitled "Loan-Based Split Dollar (Preface)" for remarks regarding loan interest rates used in this illustration.

Loan arrangement presumed terminated in year 20; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

# Employer's Net Payment Analysis

## Loan-Based Split Dollar Funded With Indexed Universal Life

Employer's Page: 1  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|      |     | Male<br>Age<br>45                            | Employer's<br>Tax Bracket<br>34.00%    | Assumed Long-Term AFR<br>for All Years Illustrated<br>3.16%* | Promissory Note<br>Interest Rate<br>3.16%         |  |                               |   |  |  |   |
|------|-----|--|--|--|---|--|-------------------------------|---|--|--|---|
|      |     | (1)  | (2)                                    | (3)  | (4)   | (5)  | (6)                           | (7)   | (8)  | (9)  | (10)  |
| Year | Age | Beginning<br>of Year<br>Loan to<br>Executive | Loan<br>Repayment<br>from<br>Executive | Cumulative<br>Loan to<br>Executive                           | Loan<br>Interest<br>Received<br>from<br>Executive | After Tax<br>Loan<br>Interest<br>Received<br>from<br>Executive | Bonus<br>Paid to<br>Executive | After Tax<br>Cost of<br>Bonus<br>Paid to<br>Executive | Employer's<br>Net<br>Payment<br>(1)-(2)-(-5)+(7) | Employer's<br>Annual<br>Charge to<br>Earnings<br>(7) - (5) | Employer's<br>Cumulative<br>Charge to<br>Earnings |
| 1    | 45  | 100,000                                      | 0                                      | 100,000  | 3,160   | 2,086  | 3,160                         | 2,086   | 100,000  | 0  | 0   |
| 2    | 46  | 100,000                                      | 0                                      | 200,000  | 6,320   | 4,171  | 6,320                         | 4,171   | 100,000  | 0  | 0   |
| 3    | 47  | 100,000                                      | 0                                      | 300,000  | 9,480   | 6,257  | 9,480                         | 6,257   | 100,000  | 0  | 0   |
| 4    | 48  | 100,000                                      | 0                                      | 400,000  | 12,640  | 8,342  | 12,640                        | 8,342   | 100,000  | 0  | 0   |
| 5    | 49  | 100,000                                      | 0                                      | 500,000  | 15,800  | 10,428   | 15,800                        | 10,428  | 100,000  | 0  | 0   |
| 6    | 50  | 100,000                                      | 0                                      | 600,000  | 18,960  | 12,514   | 18,960                        | 12,514  | 100,000  | 0  | 0   |
| 7    | 51  | 100,000                                      | 0                                      | 700,000  | 22,120  | 14,599   | 22,120                        | 14,599  | 100,000  | 0  | 0   |
| 8    | 52  | 0  | 0                                      | 700,000  | 22,120  | 14,599   | 22,120                        | 14,599  | 0  | 0  | 0   |
| 9    | 53  | 0  | 0                                      | 700,000  | 22,120  | 14,599   | 22,120                        | 14,599  | 0  | 0  | 0   |
| 10   | 54  | 0  | 0                                      | 700,000  | 22,120  | 14,599   | 22,120                        | 14,599  | 0  | 0  | 0   |
| 11   | 55  | 0  | 0                                      | 700,000  | 22,120  | 14,599   | 22,120                        | 14,599  | 0  | 0  | 0   |
| 12   | 56  | 0  | 0                                      | 700,000  | 22,120  | 14,599   | 22,120                        | 14,599  | 0  | 0  | 0   |
| 13   | 57  | 0  | 0                                      | 700,000  | 22,120  | 14,599   | 22,120                        | 14,599  | 0  | 0  | 0   |
| 14   | 58  | 0  | 0                                      | 700,000  | 22,120  | 14,599   | 22,120                        | 14,599  | 0  | 0  | 0   |
| 15   | 59  | 0  | 0                                      | 700,000  | 22,120  | 14,599   | 22,120                        | 14,599  | 0  | 0  | 0   |
| 16   | 60  | 0  | 140,000                                | 560,000  | 17,696  | 11,679   | 272,241                       | 179,679   | 28,000   | 168,000  | 168,000   |
| 17   | 61  | 0  | 140,000                                | 420,000  | 13,272  | 8,760  | 267,817                       | 176,760   | 28,000   | 168,000  | 336,000   |
| 18   | 62  | 0  | 140,000                                | 280,000  | 8,848   | 5,840  | 263,393                       | 173,840   | 28,000   | 168,000  | 504,000   |
| 19   | 63  | 0  | 140,000                                | 140,000  | 4,424   | 2,920  | 258,969                       | 170,920   | 28,000   | 168,000  | 672,000   |
| 20   | 64  | 0  | 140,000                                | 0  | 0   | 0  | 254,545                       | 168,000   | 28,000   | 168,000  | 840,000   |
|      |     | 700,000                                      | 700,000                                |  | 309,680   | 204,388  | 1,582,405                     | 1,044,388   | 840,000  | 840,000  |   |

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

\*See the accompanying supplemental report entitled "Loan-Based Split Dollar (Preface)" for remarks regarding loan interest rates used in this illustration.

Loan arrangement presumed terminated in year 20; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

# Employer's Net Payment Analysis

## Loan-Based Split Dollar Funded With Indexed Universal Life

Employer's Page: 2  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|                   |                                     |  |   |
|-------------------|-------------------------------------|--|---|
| Male<br>Age<br>45 | Employer's<br>Tax Bracket<br>34.00% | Assumed Long-Term AFR<br>for All Years Illustrated<br>3.16%* | Promissory Note<br>Interest Rate<br>3.16% |
|-------------------|-------------------------------------|--|---|

| Year | Age | (1)  | (2)                                    | (3)                                | (4)   | (5)  | (6)                           | (7)   | (8)   | (9)  | (10)  |
|------|-----|--|--|------------------------------------|---|--|-------------------------------|---|---|--|---|
|      |     | Beginning<br>of Year<br>Loan to<br>Executive | Loan<br>Repayment<br>from<br>Executive | Cumulative<br>Loan to<br>Executive | Loan<br>Interest<br>Received<br>from<br>Executive | After Tax<br>Loan<br>Interest<br>Received<br>from<br>Executive | Bonus<br>Paid to<br>Executive | After Tax<br>Cost of<br>Bonus<br>Paid to<br>Executive | Employer's<br>Net<br>Payment<br>(1)-(2)-(5)+(7) | Employer's<br>Annual<br>Charge to<br>Earnings<br>(7) - (5) | Employer's<br>Cumulative<br>Charge to<br>Earnings |
| 21   | 65  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 22   | 66  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 23   | 67  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 24   | 68  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 25   | 69  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 26   | 70  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 27   | 71  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 28   | 72  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 29   | 73  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 30   | 74  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 31   | 75  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 32   | 76  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 33   | 77  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 34   | 78  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 35   | 79  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 36   | 80  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 37   | 81  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 38   | 82  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 39   | 83  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
| 40   | 84  | 0  | 0                                      | 0                                  | 0   | 0  | 0                             | 0   | 0   | 0  | 840,000   |
|      |     | 700,000                                      | 700,000                                |                                    | 309,680   | 204,388  | 1,582,405                     | 1,044,388   | 840,000   | 840,000  |   |

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

\*See the accompanying supplemental report entitled "Loan-Based Split Dollar (Preface)" for remarks regarding loan interest rates used in this illustration.

Loan arrangement presumed terminated in year 20; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

# Executive's Net Payment Analysis

## Loan-Based Split Dollar Funded With Indexed Universal Life

Executive's Page: 1  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|      |     | Male<br>Age<br>45                        | Executive's<br>Tax Bracket<br>45.00%          | Assumed Long-Term AFR<br>for All Years Illustrated<br>3.16%* | Promissory Note<br>Interest Rate<br>3.16% |   |                                       |  |                                 |   |
|------|-----|--|---|--|---|---|---------------------------------------|--|---------------------------------|---|
|      |     | (1)                                      | (2)   | (3)  | (4)                                       | (5)                                     | (6)                                   | (7)  | (8)                             | (9)   |
| Year | Age | Policy<br>Premium<br>Due by<br>Executive | Beginning<br>of Year<br>Loan from<br>Employer | Loan<br>Repayment<br>from<br>Personal<br>Funds               | Cumulative<br>Loan Due<br>Employer        | Loan<br>Interest<br>Paid to<br>Employer | Bonus<br>Received<br>from<br>Employer | After Tax<br>Bonus<br>Received<br>from<br>Employer | Executive's<br>Net<br>Payment** | Net Policy<br>Loan<br>Proceeds<br>Available for<br>Retirement<br>Income |
| 1    | 45  | 100,000                                  | 100,000                                       | 0  | 100,000                                   | 3,160                                   | 3,160                                 | 1,738  | 1,422                           | 0   |
| 2    | 46  | 100,000                                  | 100,000                                       | 0  | 200,000                                   | 6,320                                   | 6,320                                 | 3,476  | 2,844                           | 0   |
| 3    | 47  | 100,000                                  | 100,000                                       | 0  | 300,000                                   | 9,480                                   | 9,480                                 | 5,214  | 4,266                           | 0   |
| 4    | 48  | 100,000                                  | 100,000                                       | 0  | 400,000                                   | 12,640                                  | 12,640                                | 6,952  | 5,688                           | 0   |
| 5    | 49  | 100,000                                  | 100,000                                       | 0  | 500,000                                   | 15,800                                  | 15,800                                | 8,690  | 7,110                           | 0   |
| 6    | 50  | 100,000                                  | 100,000                                       | 0  | 600,000                                   | 18,960                                  | 18,960                                | 10,428   | 8,532                           | 0   |
| 7    | 51  | 100,000                                  | 100,000                                       | 0  | 700,000                                   | 22,120                                  | 22,120                                | 12,166   | 9,954                           | 0   |
| 8    | 52  | 0  | 0   | 0  | 700,000                                   | 22,120                                  | 22,120                                | 12,166   | 9,954                           | 0   |
| 9    | 53  | 0  | 0   | 0  | 700,000                                   | 22,120                                  | 22,120                                | 12,166   | 9,954                           | 0   |
| 10   | 54  | 0  | 0   | 0  | 700,000                                   | 22,120                                  | 22,120                                | 12,166   | 9,954                           | 0   |
| 11   | 55  | 0  | 0   | 0  | 700,000                                   | 22,120                                  | 22,120                                | 12,166   | 9,954                           | 0   |
| 12   | 56  | 0  | 0   | 0  | 700,000                                   | 22,120                                  | 22,120                                | 12,166   | 9,954                           | 0   |
| 13   | 57  | 0  | 0   | 0  | 700,000                                   | 22,120                                  | 22,120                                | 12,166   | 9,954                           | 0   |
| 14   | 58  | 0  | 0   | 0  | 700,000                                   | 22,120                                  | 22,120                                | 12,166   | 9,954                           | 0   |
| 15   | 59  | 0  | 0   | 0  | 700,000                                   | 22,120                                  | 22,120                                | 12,166   | 9,954                           | 0   |
| 16   | 60  | 0  | 0   | 140,000  | 560,000                                   | 17,696                                  | 272,241                               | 149,733  | 7,963                           | 0   |
| 17   | 61  | 0  | 0   | 140,000  | 420,000                                   | 13,272                                  | 267,817                               | 147,300  | 5,972                           | 0   |
| 18   | 62  | 0  | 0   | 140,000  | 280,000                                   | 8,848                                   | 263,393                               | 144,866  | 3,982                           | 0   |
| 19   | 63  | 0  | 0   | 140,000  | 140,000                                   | 4,424                                   | 258,969                               | 142,433  | 1,991                           | 0   |
| 20   | 64  | 0  | 0   | 140,000  | 0   | 0                                       | 254,545                               | 140,000  | 0                               | 0   |
|      |     | 700,000                                  | 700,000                                       | 700,000  |   | 309,680                                 | 1,582,405                             | 870,324  | 139,356                         | 0   |

\*See the accompanying supplemental report entitled "Loan-Based Split Dollar (Preface)" for remarks regarding loan interest rates used in this illustration.

\*\*Column (8) = Columns (1) - (2) + (3) + (5) - (7)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

Loan arrangement presumed terminated in year 20; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

## Executive's Net Payment Analysis

### Loan-Based Split Dollar Funded With Indexed Universal Life

Executive's Page: 2  
Date: 08/01/2013

Presented By: [Licensed user's name appears here]

For: Tony Callahan  
Callahan Software Design, Inc.

|      |     | Male<br>Age<br>45                        | Executive's<br>Tax Bracket<br>45.00%          | Assumed Long-Term AFR<br>for All Years Illustrated<br>3.16%* | Promissory Note<br>Interest Rate<br>3.16% |   |                                       |  |                                 |   |
|------|-----|--|---|--|---|---|---------------------------------------|--|---------------------------------|---|
|      |     | (1)                                      | (2)   | (3)  | (4)                                       | (5)                                     | (6)                                   | (7)  | (8)                             | (9)   |
| Year | Age | Policy<br>Premium<br>Due by<br>Executive | Beginning<br>of Year<br>Loan from<br>Employer | Loan<br>Repayment<br>from<br>Personal<br>Funds               | Cumulative<br>Loan Due<br>Employer        | Loan<br>Interest<br>Paid to<br>Employer | Bonus<br>Received<br>from<br>Employer | After Tax<br>Bonus<br>Received<br>from<br>Employer | Executive's<br>Net<br>Payment** | Net Policy<br>Loan<br>Proceeds<br>Available for<br>Retirement<br>Income |
| 21   | 65  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 22   | 66  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 23   | 67  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 24   | 68  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 25   | 69  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 26   | 70  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 27   | 71  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 28   | 72  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 29   | 73  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 30   | 74  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 31   | 75  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 32   | 76  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 33   | 77  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 34   | 78  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 35   | 79  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 36   | 80  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 37   | 81  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 38   | 82  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 39   | 83  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
| 40   | 84  | 0  | 0   | 0  | 0   | 0                                       | 0                                     | 0  | 0                               | 165,000   |
|      |     | 700,000                                  | 700,000                                       | 700,000  |   | 309,680                                 | 1,582,405                             | 870,324  | 139,356                         | 3,300,000   |

\*See the accompanying supplemental report entitled "Loan-Based Split Dollar (Preface)" for remarks regarding loan interest rates used in this illustration.

\*\*Column (8) = Columns (1) - (2) + (3) + (5) - (7)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

Loan arrangement presumed terminated in year 20; however, the employer's loans must be repaid no later than the date specified in the plan documentation.