

Endorsement Split Dollar with Optional Transfer

For: Ben Davidson, President and CEO, Davidson Windows, Inc.



Presented By: _____

[Licensed user's name appears here]

Preface

Of all the strategies used by employers to provide unique fringe benefits for their valuable executives, this variation is one of the most efficient.

With this arrangement, the policy is issued on the executive's life and owned by the employer. Policy values and benefits are allocated as follows:

- The employer owns all cash values which are carried as an asset on its books. (The employer's outlay is simply a transfer from the firm's "cash account" to "cash value account".) The employer has access to cash values through the policy's withdrawal and/or loan provisions.
- The employer's death benefit is equal to its cumulative premiums paid or, if greater, an amount equal to the policy cash value. Through use of a policy endorsement, the executive's beneficiaries are entitled to receive a portion of the policy death benefit.

The accompanying illustration assumes that the executive pays no share of the premium. As a result, the executive will be in receipt of imputed income each year based on the attained age rates contained in Table 2001 (issued as part of IRS Notice 2001-10). This income consequence is illustrated in the accompanying reports including a bonus from the employer to help offset the income tax that results.

Optional Transfer of the Policy to the Executive

In order to provide continuing death protection to the executive's family in post-retirement years, this arrangement provides the employer with an option to transfer the policy to the executive at retirement, or earlier if the executive's employment terminates due to disability, or severance of employment without cause. The option to transfer does not in any way limit the employer's ownership rights, including the right to surrender, assign, or terminate the policy.

The option to transfer should not be construed to keep the cash values of the policy from being used to satisfy the legally enforceable claims of the employer's general creditors, and all interests of the employer in the policy are subject to the legally enforceable claims of the employer's general

creditors.

This Optional Transfer arrangement would work especially well with sole or controlling shareholders who would not have to rely solely on the good faith of the employer's management to be awarded the policy by transfer.

Employer's Tax Consequences at Transfer

If the employer transfers the policy to the executive, the employer must recognize gain to the extent that the policy's cash accumulation value exceeds its premium payments; however, provided the executive's overall compensation is reasonable, the employer is entitled to a deduction under IRC Section 162 equal to the amount the executive includes in income on the transfer (see below).

Executive's Tax Consequences at Transfer

At the point of transfer, the Executive has taxable income to the extent the policy's fair market value (generally approximated by the policy's cash value without reduction for surrender charges) exceeds its premium payments. (See Reg. Sections 1.61-22(g)(2), 1.61-22(d)(4)(i), and IRS Rev. Proc. 2005-25.) The executive's source of funds for the resulting income tax is generally one or more of the following: 1) withdrawal or loan on the policy; 2) bonus from the employer; or 3) out-of-pocket cash.

After the transfer, the executive has unfettered access to plan cash values through the policy's loan and withdrawal provisions, and this source of continuing cash flow is often used to supplement the executive's retirement income. (The executive's basis in the policy after transfer is the amount on which he/she paid tax, i.e., the policy's cash value without reduction for surrender charges.)

Extensive life insurance coverage for the executive coupled with the transfer option, combined with an impressive array of interim cash values for the employer, constitute a program that should be financially compelling to both employer and

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Preface (continued)

executive.

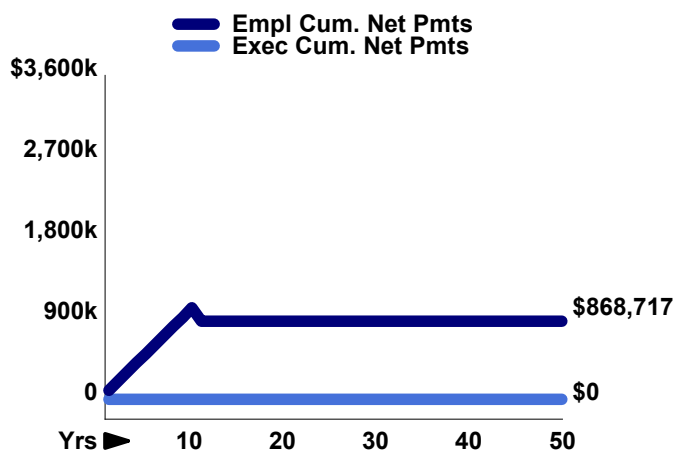
Note: From an ERISA perspective, this option to transfer the policy is part of a plan to provide life insurance coverage and not a plan to provide pension or retirement benefits.

Note: Specimen documents and analysis for this plan are available in InsMark's Documents On A Disk

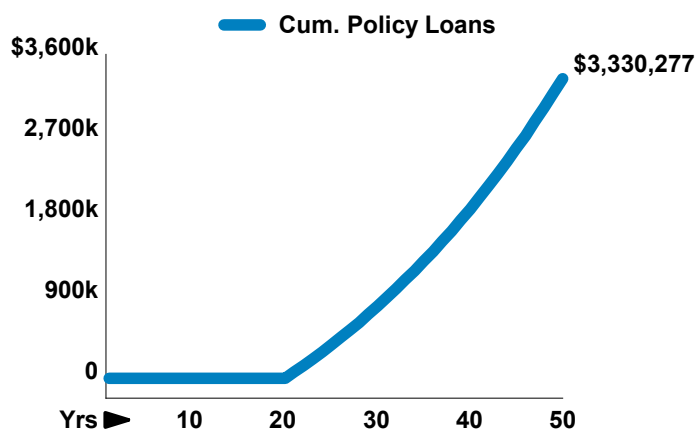
System.

Note: The Final Split Dollar Regulations (68 FR 54336) issued in September 2003 should have no adverse impact on this plan as illustrated; however, in all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation of any form of split dollar.

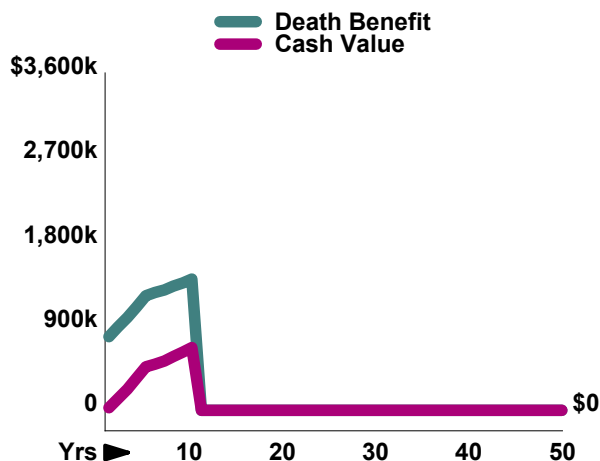
Plan Payments



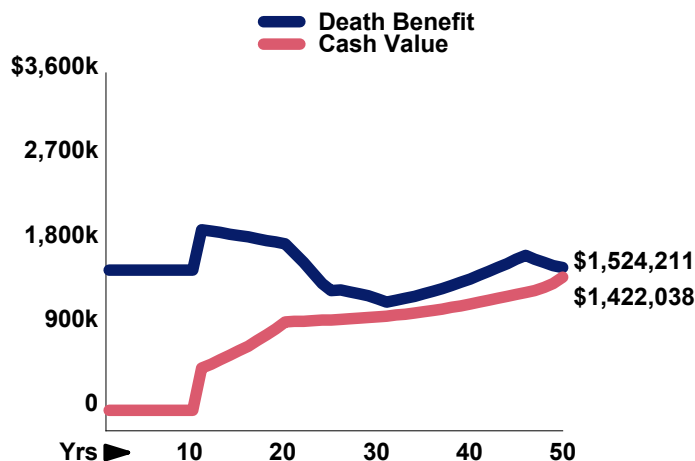
Executive's Cash Flow



Employer's Values



Executive's Values



¹For Retirement Income.

Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.

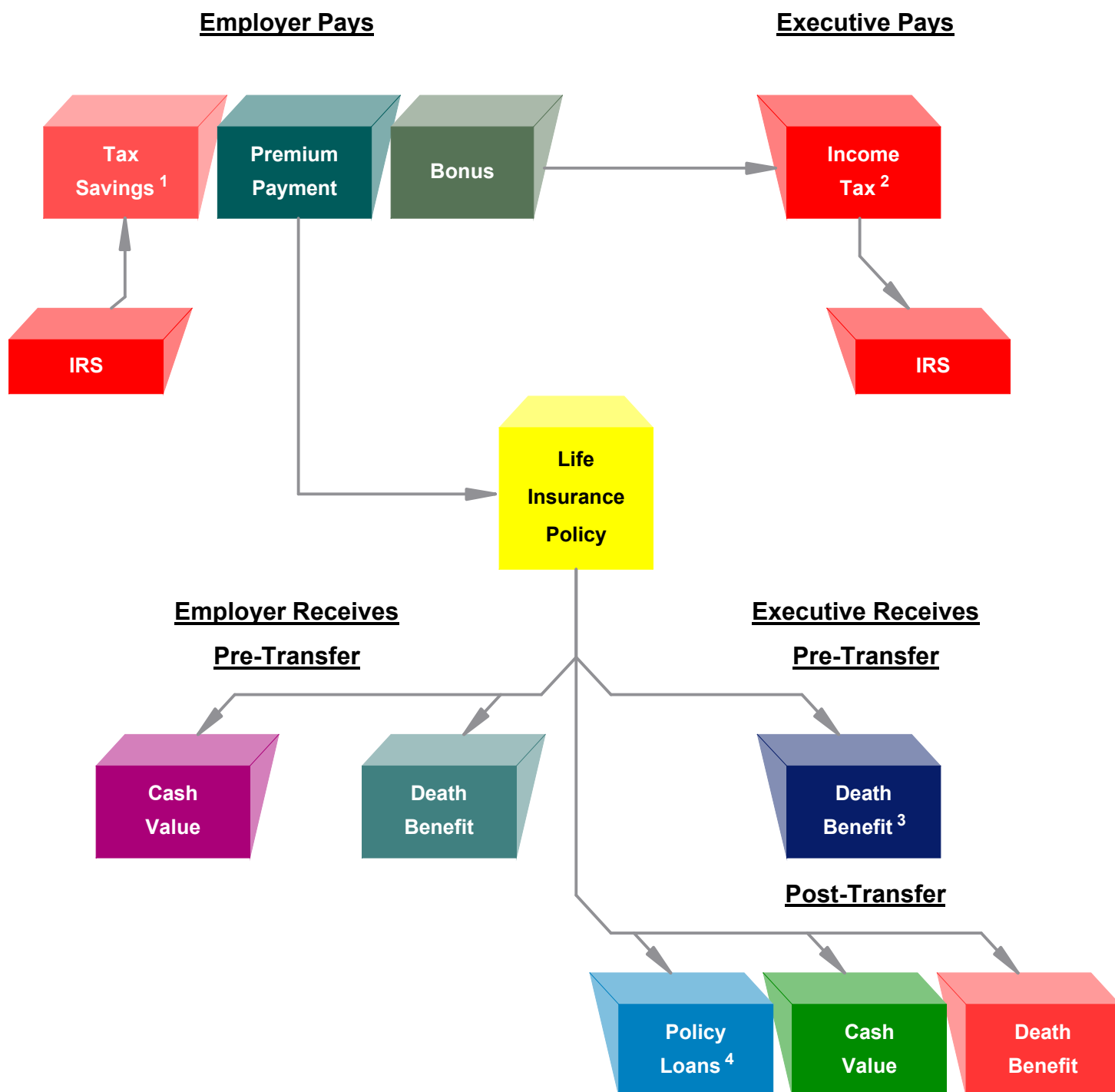
Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Who Pays What - Who Receives What



¹ See Employer's Analysis page for details.
² See Executive's Analysis page for details.

³ Equal to remaining balance after employer's portion is deducted.
⁴ For Retirement Income.

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Illustration of Policy Values Funding the Plan

		Employer's Tax Bracket 21.00%	Indexed UL Interest Rate 7.00%	Initial Payment 100,000	Initial Death Benefit 2,200,000		
Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit	
1	45	100,000	0	91,336	27,382	2,291,336	
2	46	100,000	0	189,137	126,085	2,389,137	
3	47	100,000	0	293,706	231,600	2,493,706	
4	48	100,000	0	405,903	344,787	2,605,903	
5	49	100,000	0	526,538	466,434	2,726,538	
6	50	100,000	0	557,170	498,100	2,757,170	
7	51	100,000	0	590,022	532,008	2,790,022	
8	52	100,000	0	625,262	576,928	2,825,262	
9	53	100,000	0	663,007	624,331	2,863,007	
10	54	100,000	0	703,429	674,433	2,903,429	
11	55	0	260,269	746,188	453,567	1,926,718	
12	56	0	0	792,102	495,497	1,913,053	
13	57	0	0	846,797	545,503	1,898,706	
14	58	0	0	905,724	589,365	1,883,641	
15	59	0	0	969,283	637,107	1,867,823	
16	60	0	0	1,037,669	688,884	1,851,215	
17	61	0	0	1,111,379	745,155	1,833,775	
18	62	0	0	1,190,939	806,403	1,815,464	
19	63	0	0	1,276,880	873,118	1,796,237	
20	64	0	0	1,369,648	945,697	1,776,049	
21	65	0	70,000	1,468,741	950,092	1,681,352	
22	66	0	72,100	1,574,638	954,352	1,579,714	
23	67	0	74,263	1,687,886	958,610	1,470,724	
24	68	0	76,491	1,809,110	963,055	1,353,945	
25	69	0	78,786	1,939,057	967,974	1,278,223	
26	70	0	81,149	2,078,355	973,511	1,285,264	
27	71	0	83,584	2,227,122	979,273	1,268,799	
28	72	0	86,091	2,386,074	985,437	1,247,905	
29	73	0	88,674	2,556,005	992,228	1,222,269	
30	74	0	91,334	2,737,804	999,938	1,191,584	
		1,000,000	1,062,741				

30 Year Summary

Cum. Payments	1,000,000
Cum. Policy Loan Proceeds	1,062,741
Accum Value	999,938
Death Benefit	1,191,584

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Illustration of Policy Values Funding the Plan

		Employer's Tax Bracket 21.00%	Indexed UL Interest Rate 7.00%	Initial Payment 100,000	Initial Death Benefit 2,200,000	
Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
31	75	0	94,074	2,932,475	1,008,937	1,155,561
32	76	0	96,896	3,140,133	1,018,678	1,175,684
33	77	0	99,803	3,361,601	1,029,279	1,197,359
34	78	0	102,797	3,597,739	1,040,864	1,220,751
35	79	0	105,881	3,849,460	1,053,566	1,246,039
36	80	0	109,058	4,117,709	1,067,509	1,273,395
37	81	0	112,329	4,403,388	1,082,733	1,302,903
38	82	0	115,699	4,707,503	1,099,331	1,334,706
39	83	0	119,170	5,031,079	1,117,369	1,368,923
40	84	0	122,745	5,375,112	1,136,834	1,405,590
41	85	0	126,428	5,740,231	1,157,290	1,444,302
42	86	0	130,221	6,127,366	1,178,546	1,484,915
43	87	0	134,127	6,537,262	1,200,168	1,527,031
44	88	0	138,151	6,970,292	1,221,284	1,569,799
45	89	0	142,296	7,426,818	1,240,950	1,612,291
46	90	0	146,564	7,906,894	1,257,839	1,653,184
47	91	0	150,961	8,420,148	1,280,131	1,616,937
48	92	0	155,490	8,971,575	1,311,292	1,580,440
49	93	0	160,155	9,567,815	1,356,356	1,547,712
50	94	0	164,960	10,217,278	1,422,038	1,524,211

1,000,000 3,590,546

50 Year Summary

Cum. Payments	1,000,000
Cum. Policy Loan Proceeds	3,590,546
Accum Value	1,422,038
Death Benefit	1,524,211

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Summary of Costs and Benefits

Form of Transaction (Endorsement) Employer's Tax Bracket 21.00% Executive's Tax Bracket 37.00% Indexed UL Interest Rate 7.00% Year Transfer is Illustrated 11

Year	Male Age	Employer					Executive					
		(1) Net Payment	(2) Cumulative Net Payments	(3) Share of Policy Accum Value*	(4) Share of Policy Cash Value*	(5) Share of Policy Death Benefit	(6) Net Payment	(7) Net Loan Proceeds Applied to Transfer	(8) Retirement Income Net Loan Proceeds	(9) Share of Policy Accum Value*	(10) Share of Policy Cash Value*	(11) Share of Policy Death Benefit
1	45	101,065	101,065	91,336	27,382	791,336	0	0	0	0	0	1,500,000
2	46	101,162	202,227	189,137	126,085	889,137	0	0	0	0	0	1,500,000
3	47	101,273	303,500	293,706	231,600	993,706	0	0	0	0	0	1,500,000
4	48	101,378	404,878	405,903	344,787	1,105,903	0	0	0	0	0	1,500,000
5	49	101,482	506,360	526,538	466,434	1,226,538	0	0	0	0	0	1,500,000
6	50	101,601	607,961	557,170	498,100	1,257,170	0	0	0	0	0	1,500,000
7	51	101,754	709,715	590,022	532,008	1,290,022	0	0	0	0	0	1,500,000
8	52	101,955	811,670	625,262	576,928	1,325,262	0	0	0	0	0	1,500,000
9	53	102,227	913,897	663,007	624,331	1,363,007	0	0	0	0	0	1,500,000
10	54	102,540	1,016,437	703,429	674,433	1,403,429	0	0	0	0	0	1,500,000
11	55	-147,720	868,717	0	0	0	0	260,269	0	746,188	453,567	1,926,718
12	56	0	868,717	0	0	0	0	0	0	792,102	495,497	1,913,053
13	57	0	868,717	0	0	0	0	0	0	846,797	545,503	1,898,706
14	58	0	868,717	0	0	0	0	0	0	905,724	589,365	1,883,641
15	59	0	868,717	0	0	0	0	0	0	969,283	637,107	1,867,823
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20	64	0	868,717	0	0	0	0	0	0	1,369,648	945,697	1,776,049
21	65	0	868,717	0	0	0	0	0	70,000	1,468,741	950,092	1,681,352
22	66	0	868,717	0	0	0	0	0	72,100	1,574,638	954,352	1,579,714
23	67	0	868,717	0	0	0	0	0	74,263	1,687,886	958,610	1,470,724
24	68	0	868,717	0	0	0	0	0	76,491	1,809,110	963,055	1,353,945
25	69	0	868,717	0	0	0	0	0	78,786	1,939,057	967,974	1,278,223
26	70	0	868,717	0	0	0	0	0	81,149	2,078,355	973,511	1,285,264
27	71	0	868,717	0	0	0	0	0	83,584	2,227,122	979,273	1,268,799
28	72	0	868,717	0	0	0	0	0	86,091	2,386,074	985,437	1,247,905
29	73	0	868,717	0	0	0	0	0	88,674	2,556,005	992,228	1,222,269
30	74	0	868,717	0	0	0	0	0	91,334	2,737,804	999,938	1,191,584
		868,717					0 260,269 802,472					

Split dollar arrangement presumed terminated in year 11.

30 Year Summary

Employer's Cum. A/T Costs	868,717
Employer's Accum Value	0
Employer's Death Benefit	0
Executive's Cum. A/T Costs	0
Executive's Net Loan Proceeds Applied to Transfer	260,269
Executive's Cum. Other Net Loan Proceeds	802,472
Executive's Accum Value	2,737,804
Executive's Death Benefit	1,191,584

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Summary of Costs and Benefits

Form of Transaction (Endorsement) Employer's Tax Bracket 21.00% Executive's Tax Bracket 37.00% Indexed UL Interest Rate 7.00% Year Transfer is Illustrated 11

Year	Male Age	Employer					Executive					
		(1) Net Payment	(2) Cumulative Net Payments	(3) Share of Policy Accum Value*	(4) Share of Policy Cash Value*	(5) Share of Policy Death Benefit	(6) Net Payment	(7) Net Loan Proceeds Applied to Transfer	(8) Retirement Income Net Loan Proceeds	(9) Share of Policy Accum Value*	(10) Share of Policy Cash Value*	(11) Share of Policy Death Benefit
31	75	0	868,717	0	0	0	0	0	94,074	2,932,475	1,008,937	1,155,561
32	76	0	868,717	0	0	0	0	0	96,896	3,140,133	1,018,678	1,175,684
33	77	0	868,717	0	0	0	0	0	99,803	3,361,601	1,029,279	1,197,359
34	78	0	868,717	0	0	0	0	0	102,797	3,597,739	1,040,864	1,220,751
35	79	0	868,717	0	0	0	0	0	105,881	3,849,460	1,053,566	1,246,039
36	80	0	868,717	0	0	0	0	0	109,058	4,117,709	1,067,509	1,273,395
37	81	0	868,717	0	0	0	0	0	112,329	4,403,388	1,082,733	1,302,903
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44	88	0	868,717	0	0	0	0	0	138,151	6,970,292	1,221,284	1,569,799
45	89	0	868,717	0	0	0	0	0	142,296	7,426,818	1,240,950	1,612,291
46	90	0	868,717	0	0	0	0	0	146,564	7,906,894	1,257,839	1,653,184
47	91	0	868,717	0	0	0	0	0	150,961	8,420,148	1,280,131	1,616,937
48	92	0	868,717	0	0	0	0	0	155,490	8,971,575	1,311,292	1,580,440
49	93	0	868,717	0	0	0	0	0	160,155	9,567,815	1,356,356	1,547,712
50	94	0	868,717	0	0	0	0	0	164,960	10,217,278	1,422,038	1,524,211

868,717

0 260,269 3,330,277

Split dollar arrangement presumed terminated in year 11.

50 Year Summary

Employer's Cum. A/T Costs	868,717
Employer's Accum Value	0
Employer's Death Benefit	0
Executive's Cum. A/T Costs	0
Executive's Net Loan Proceeds Applied to Transfer	260,269
Executive's Cum. Other Net Loan Proceeds	3,330,277
Executive's Accum Value	10,217,278
Executive's Death Benefit	1,524,211

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Details of the Tax Consequences if the Optional Transfer is Elected

Davidson Windows, Inc.

Employer's Tax Bracket	Executive's Tax Bracket	Year Transfer is Illustrated
21.00%	37.00%	11

Transfer Details:

Accumulation value of policy in year of transfer: \$703,429

Employer's cumulative premiums: \$1,000,000

Executive's cumulative premiums: \$0

Timing of transfer: beginning of year 11

Employer's Transfer Tax Consequences:

The employer must recognize gain to the extent that the accumulation value exceeds the employer's premium payments; however, the employer is entitled to a deduction under IRC Section 162 equal to the amount the executive includes in income on the transfer -- which is generally approximated by the accumulation value without regard to any surrender charges.

Therefore, for this case:

1. The employer has a taxable gain of the difference between \$703,429 (accumulation value of policy) and \$1,000,000 (employer's cumulative premium share) which equals \$0 in taxable gain. $\$0 \times 21.00\%$ (the employer's tax bracket) = \$0 of income tax due.
2. In addition, the employer has an income tax deduction of the difference between \$703,429 (policy accumulation value) and \$0 (executive's cumulative premium share) which equals \$703,429 in taxable gain. $\$703,429 \times 21.00\% = \$147,720$ of income tax savings.
3. $\$147,720$ of income tax savings less \$0 of income tax due = $\$147,720$ of net income tax savings to the employer at transfer.

Executive's Transfer Tax Consequences:

The executive has taxable income to the extent of the policy's fair market value -- which is generally approximated by the policy's accumulation value without reduction for surrender charges. (See Reg. Sections 1.61-22(g)(2), 1.61-22(d)(4)(i), and IRS Rev. Proc. 2005-25.)

Therefore, for this case:

1. The executive has a taxable income of \$703,429 (the policy accumulation value).
2. $\$703,429 \times 37.00\% = \$260,269$ of income tax due.

Note: Any premium payments, increase in policy values, or policy activity (loans, withdrawals, etc.) in the year of transfer are presumed to occur after the transfer takes place.

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

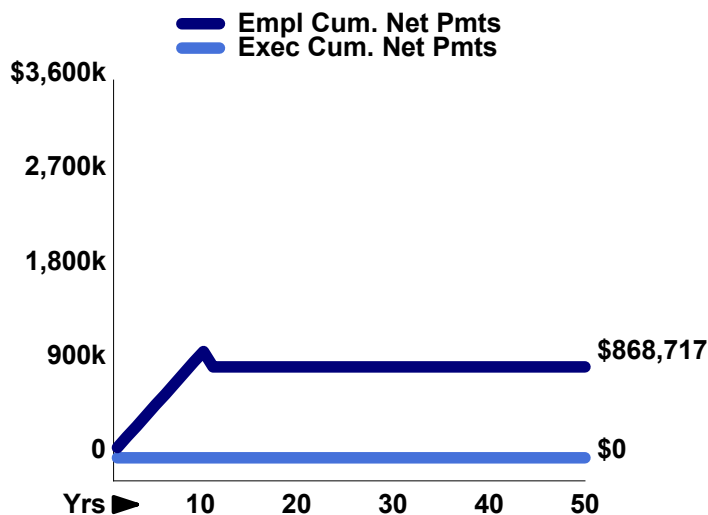
Presented By: [Licensed user's name appears here]

Insured: Ben Davidson

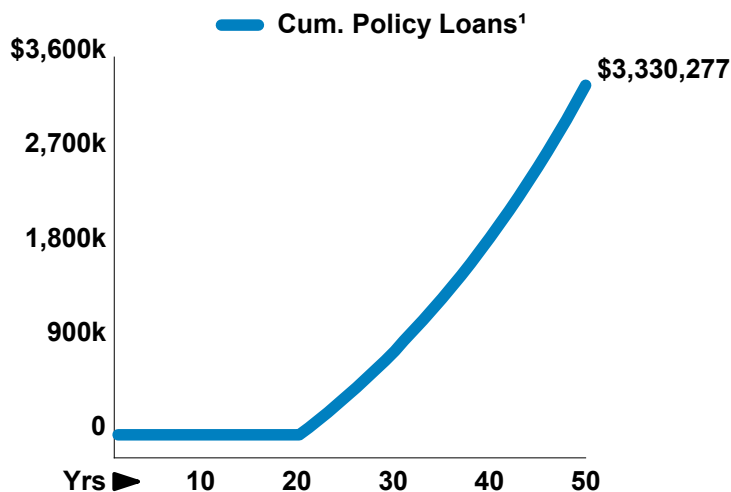
Davidson Windows, Inc.

50 Year Analysis

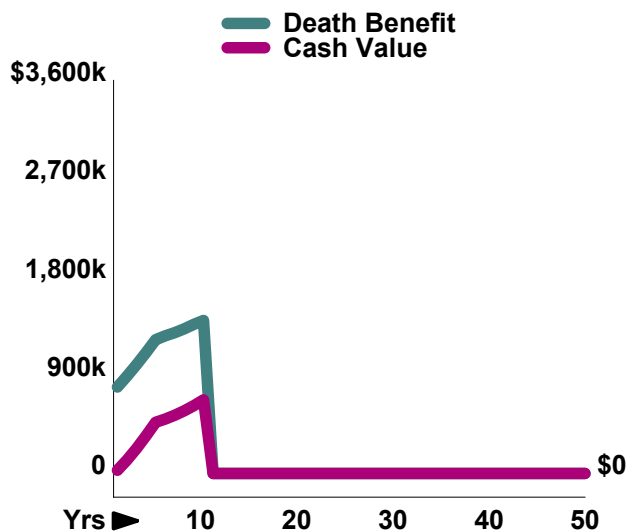
Plan Payments



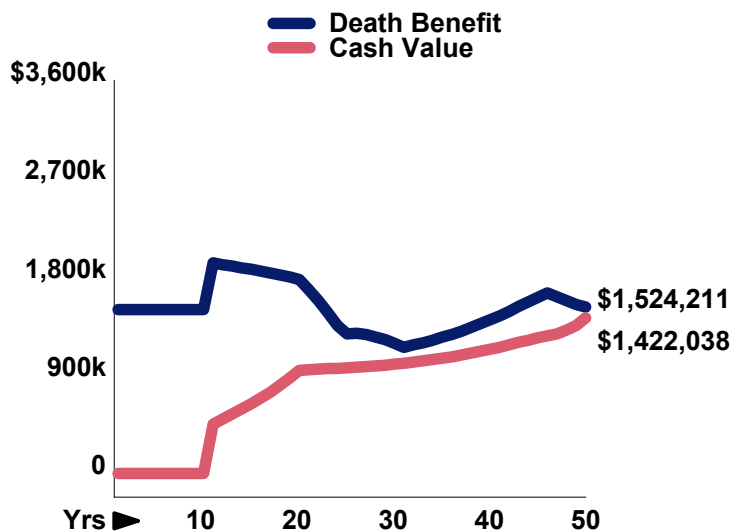
Executive's Cash Flow



Employer's Values



Executive's Values



¹For Retirement Income.

Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.

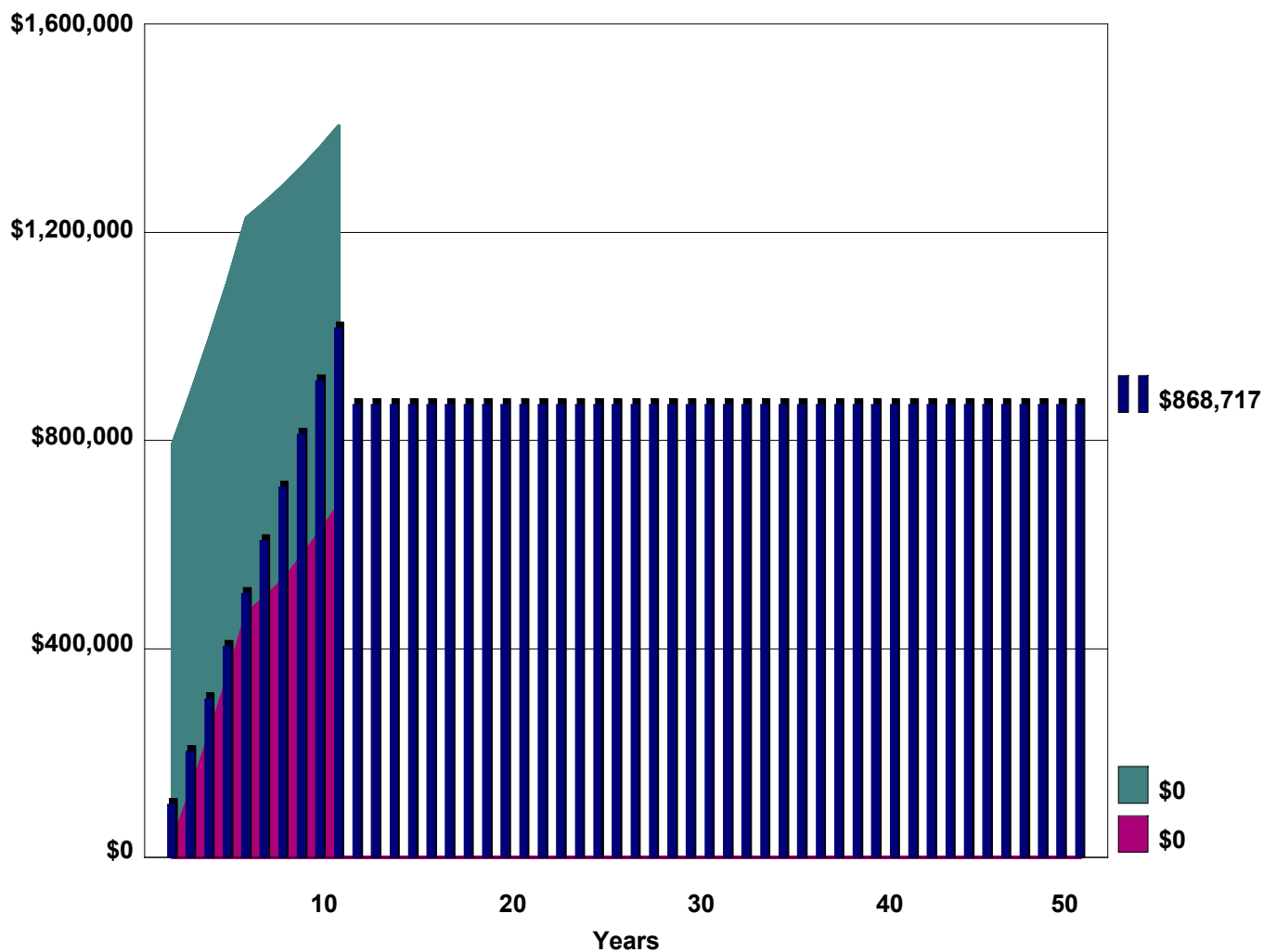
Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Employer's 50 Year Analysis

Davidson Windows, Inc.



At Year 50

Employer's Cumulative Net Payments	\$868,717
Employer's Cash Value	\$0
Employer's Death Benefit	\$0

Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.

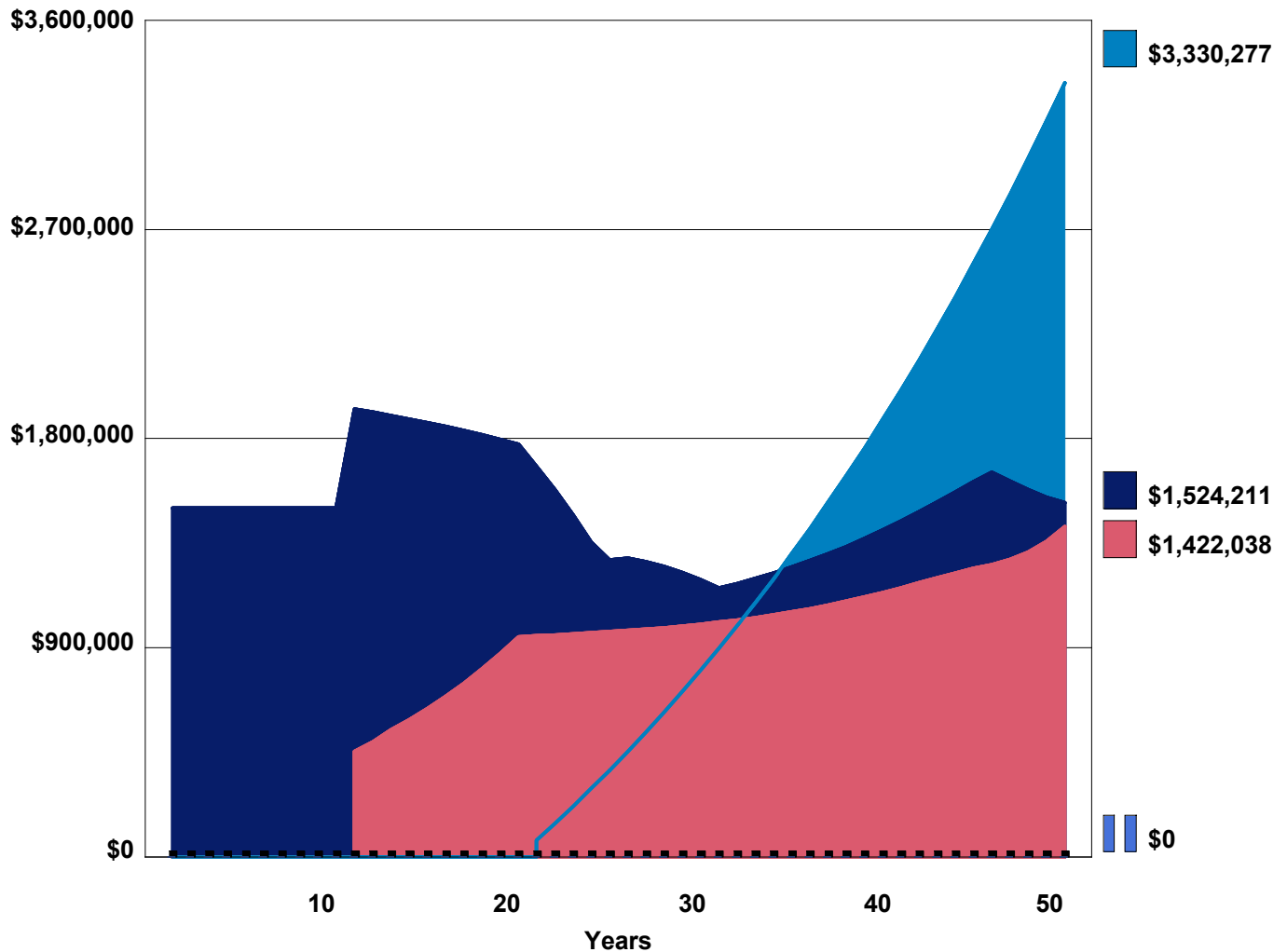
Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Executive's 50 Year Analysis

Davidson Windows, Inc.



	At Year 50
Executive's Cumulative Net Payments	\$0
Executive's Cumulative Policy Loans ¹	\$3,330,277
Executive's Cash Value	\$1,422,038
Executive's Death Benefit	\$1,524,211

¹For Retirement Income.

Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Employer's Analysis

		Form of Transaction (Endorsement)	Employer's Tax Bracket 21.00%	Indexed UL Interest Rate 7.00%	Year Transfer is Illustrated 11			
Year	Male Age	(1) Split Dollar Premium Share	(2) Cum. Split Dollar Premium Share	(3) Bonus to Executive	(4) After Tax Cost of Bonus	(5) Income Tax Savings from Transfer*	(6) Net Payment (1)+(4)-(5)	(7) Cumulative Net Payments
1	45	100,000	100,000	1,348	1,065	0	101,065	101,065
2	46	100,000	200,000	1,471	1,162	0	101,162	202,227
3	47	100,000	300,000	1,612	1,273	0	101,273	303,500
4	48	100,000	400,000	1,744	1,378	0	101,378	404,878
5	49	100,000	500,000	1,876	1,482	0	101,482	506,360
6	50	100,000	600,000	2,026	1,601	0	101,601	607,961
7	51	100,000	700,000	2,220	1,754	0	101,754	709,715
8	52	100,000	800,000	2,475	1,955	0	101,955	811,670
9	53	100,000	900,000	2,819	2,227	0	102,227	913,897
10	54	100,000	1,000,000	3,215	2,540	0	102,540	1,016,437
11	55	0	0	0	0	147,720	-147,720	868,717
12	56	0	0	0	0	0	0	868,717
13	57	0	0	0	0	0	0	868,717
14	58	0	0	0	0	0	0	868,717
15	59	0	0	0	0	0	0	868,717
16	60	0	0	0	0	0	0	868,717
17	61	0	0	0	0	0	0	868,717
18	62	0	0	0	0	0	0	868,717
19	63	0	0	0	0	0	0	868,717
20	64	0	0	0	0	0	0	868,717
21	65	0	0	0	0	0	0	868,717
22	66	0	0	0	0	0	0	868,717
23	67	0	0	0	0	0	0	868,717
24	68	0	0	0	0	0	0	868,717
25	69	0	0	0	0	0	0	868,717
26	70	0	0	0	0	0	0	868,717
27	71	0	0	0	0	0	0	868,717
28	72	0	0	0	0	0	0	868,717
29	73	0	0	0	0	0	0	868,717
30	74	0	0	0	0	0	0	868,717
		1,000,000		20,806	16,437		868,717	

This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

*The split dollar arrangement is presumed terminated at the beginning of year 11 via an optional transfer. This produces 1) taxable income to the employer to the extent its accumulation value (without regard to surrender charges) exceeds its cost basis and 2) an income tax deduction equal to the amount the executive includes in income.

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Employer's Analysis

		Form of Transaction (Endorsement)	Employer's Tax Bracket 21.00%	Indexed UL Interest Rate 7.00%	Year Transfer is Illustrated 11			
Year	Male Age	(1) Split Dollar Premium Share	(2) Cum. Split Dollar Premium Share	(3) Bonus to Executive	(4) After Tax Cost of Bonus	(5) Income Tax Savings from Transfer*	(6) Net Payment (1)+(4)-(5)	(7) Cumulative Net Payments
31	75	0	0	0	0	0	0	868,717
32	76	0	0	0	0	0	0	868,717
33	77	0	0	0	0	0	0	868,717
34	78	0	0	0	0	0	0	868,717
35	79	0	0	0	0	0	0	868,717
36	80	0	0	0	0	0	0	868,717
37	81	0	0	0	0	0	0	868,717
38	82	0	0	0	0	0	0	868,717
39	83	0	0	0	0	0	0	868,717
40	84	0	0	0	0	0	0	868,717
41	85	0	0	0	0	0	0	868,717
42	86	0	0	0	0	0	0	868,717
43	87	0	0	0	0	0	0	868,717
44	88	0	0	0	0	0	0	868,717
45	89	0	0	0	0	0	0	868,717
46	90	0	0	0	0	0	0	868,717
47	91	0	0	0	0	0	0	868,717
48	92	0	0	0	0	0	0	868,717
49	93	0	0	0	0	0	0	868,717
50	94	0	0	0	0	0	0	868,717

1,000,000

20,806

16,437

868,717

*The split dollar arrangement is presumed terminated at the beginning of year 11 via an optional transfer. This produces 1) taxable income to the employer to the extent its accumulation value (without regard to surrender charges) exceeds its cost basis and 2) an income tax deduction equal to the amount the executive includes in income.

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Executive's Analysis

Form of Transaction (Endorsement) Executive's Tax Bracket 37.00% Indexed UL Interest Rate 7.00% Year Transfer is Illustrated 11

Year	Male Age	(1) Split Dollar Premium Share	(2) Taxable Value of Benefit	(3) Bonus Income Received	(4) Income from Transfer*	(5) Taxable Income (2)+(3)+(4)	(6) Income Tax Due on Col (5)	(7) Net Policy Loan Proceeds	(8) Net Payment (1)-(3)+(6)-(7)
1	45	0	2,295	1,348	0	3,643	1,348	0	0
2	46	0	2,505	1,471	0	3,976	1,471	0	0
3	47	0	2,745	1,612	0	4,357	1,612	0	0
4	48	0	2,970	1,744	0	4,714	1,744	0	0
5	49	0	3,195	1,876	0	5,071	1,876	0	0
6	50	0	3,450	2,026	0	5,476	2,026	0	0
7	51	0	3,780	2,220	0	6,000	2,220	0	0
8	52	0	4,215	2,475	0	6,690	2,475	0	0
9	53	0	4,800	2,819	0	7,619	2,819	0	0
10	54	0	5,475	3,215	0	8,690	3,215	0	0
11	55	0	0	0	703,429	703,429	260,269	260,269	0
12	56	0	0	0	0	0	0	0	0
13	57	0	0	0	0	0	0	0	0
14	58	0	0	0	0	0	0	0	0
15	59	0	0	0	0	0	0	0	0
16	60	0	0	0	0	0	0	0	0
17	61	0	0	0	0	0	0	0	0
18	62	0	0	0	0	0	0	0	0
19	63	0	0	0	0	0	0	0	0
20	64	0	0	0	0	0	0	0	0
21	65	0	0	0	0	0	0	0	0
22	66	0	0	0	0	0	0	0	0
23	67	0	0	0	0	0	0	0	0
24	68	0	0	0	0	0	0	0	0
25	69	0	0	0	0	0	0	0	0
26	70	0	0	0	0	0	0	0	0
27	71	0	0	0	0	0	0	0	0
28	72	0	0	0	0	0	0	0	0
29	73	0	0	0	0	0	0	0	0
30	74	0	0	0	0	0	0	0	0
		0	35,430	20,806	703,429	759,665	281,075	260,269	0

Column (2) is the imputed economic benefit in compliance with IRS Notice 2002-8. (Table 2001 rates utilized.)

This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

*The split dollar arrangement is presumed terminated at the beginning of year 11 via an optional transfer. This produces taxable income to the executive equal to the accumulation value transferred from the employer (without regard to surrender charges).

Endorsement Split Dollar with Optional Transfer Using Indexed Universal Life

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

Insured: Ben Davidson

Davidson Windows, Inc.

Executive's Analysis

		Form of Transaction (Endorsement)	Executive's Tax Bracket 37.00%	Indexed UL Interest Rate 7.00%	Year Transfer is Illustrated 11					
Year	Male Age	(1) Split Dollar Premium Share	(2) Taxable Value of Benefit	(3) Bonus Income Received	(4) Income from Transfer*	(5) Taxable Income (2)+(3)+(4)	(6) Income Tax Due on Col (5)	(7) Net Policy Loan Proceeds	(8) Net Payment (1)-(3)+(6)-(7)	
31	75	0	0	0	0	0	0	0	0	
32	76	0	0	0	0	0	0	0	0	
33	77	0	0	0	0	0	0	0	0	
34	78	0	0	0	0	0	0	0	0	
35	79	0	0	0	0	0	0	0	0	
36	80	0	0	0	0	0	0	0	0	
37	81	0	0	0	0	0	0	0	0	
38	82	0	0	0	0	0	0	0	0	
39	83	0	0	0	0	0	0	0	0	
40	84	0	0	0	0	0	0	0	0	
41	85	0	0	0	0	0	0	0	0	
42	86	0	0	0	0	0	0	0	0	
43	87	0	0	0	0	0	0	0	0	
44	88	0	0	0	0	0	0	0	0	
45	89	0	0	0	0	0	0	0	0	
46	90	0	0	0	0	0	0	0	0	
47	91	0	0	0	0	0	0	0	0	
48	92	0	0	0	0	0	0	0	0	
49	93	0	0	0	0	0	0	0	0	
50	94	0	0	0	0	0	0	0	0	
		0	35,430	20,806	703,429	759,665	281,075	260,269	0	

Column (2) is the imputed economic benefit in compliance with IRS Notice 2002-8. (Table 2001 rates utilized.)

This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

*The split dollar arrangement is presumed terminated at the beginning of year 11 via an optional transfer. This produces taxable income to the executive equal to the accumulation value transferred from the employer (without regard to surrender charges).