

A Life Insurance and Retirement Plan

For: Sam and Allison Hunt



Presented By: _____

[Licensed user's name appears here]

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.

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 2.89% interest rate, the long-term AFR in effect for the month in which this report is written (October 2014).

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 bonus¹ 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 significant offset.
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.
4. Consolidate all loans at the inception of the plan: 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.

¹ If a bonus is used to assist with loan interest payments (or repayment of the employer's loans), care must be taken so as not to have the employer directly or indirectly make the loan interest payments (or loan repayments) on behalf of the executive. The purpose of this is to comply with the prohibition against the employer making such payments as provided in the split dollar final regulations issued in 2003 (TD 9092, 9/11/03 and Rev. Rul. 2003-105).

Preface (continued)

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 following ways. 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 bonuses an amount to the executive to offset the repayment of the loans.
- 4. The employer grosses up a bonus to the executive to offset both the repayment of the loans and the tax on the bonus.

Living Benefits for the Executive

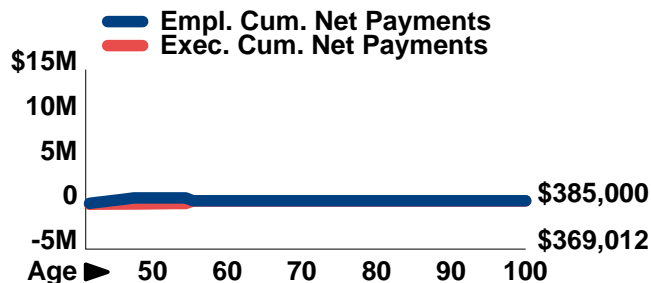
The executive may, if the parties agree, have direct access to policy cash values in excess of the amount required to collateralize the loans from the employer.

If the loans have been repaid, the executive has free access to the cash values. The cash values can be accessed via: 1) policy loans or 2) policy withdrawals or 3) a combination of loans and withdrawals.

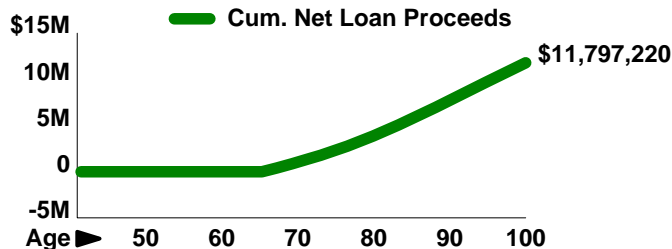
Death Benefits for Beneficiaries

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.

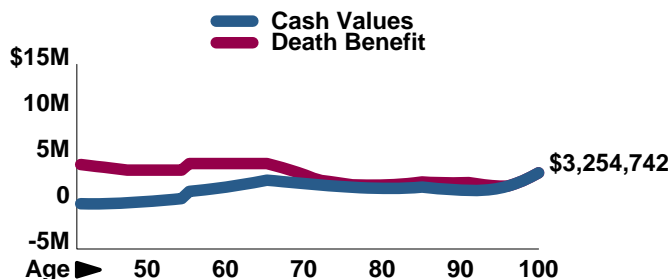
Plan Payments



Executive's Cash Flow



Executive's Values

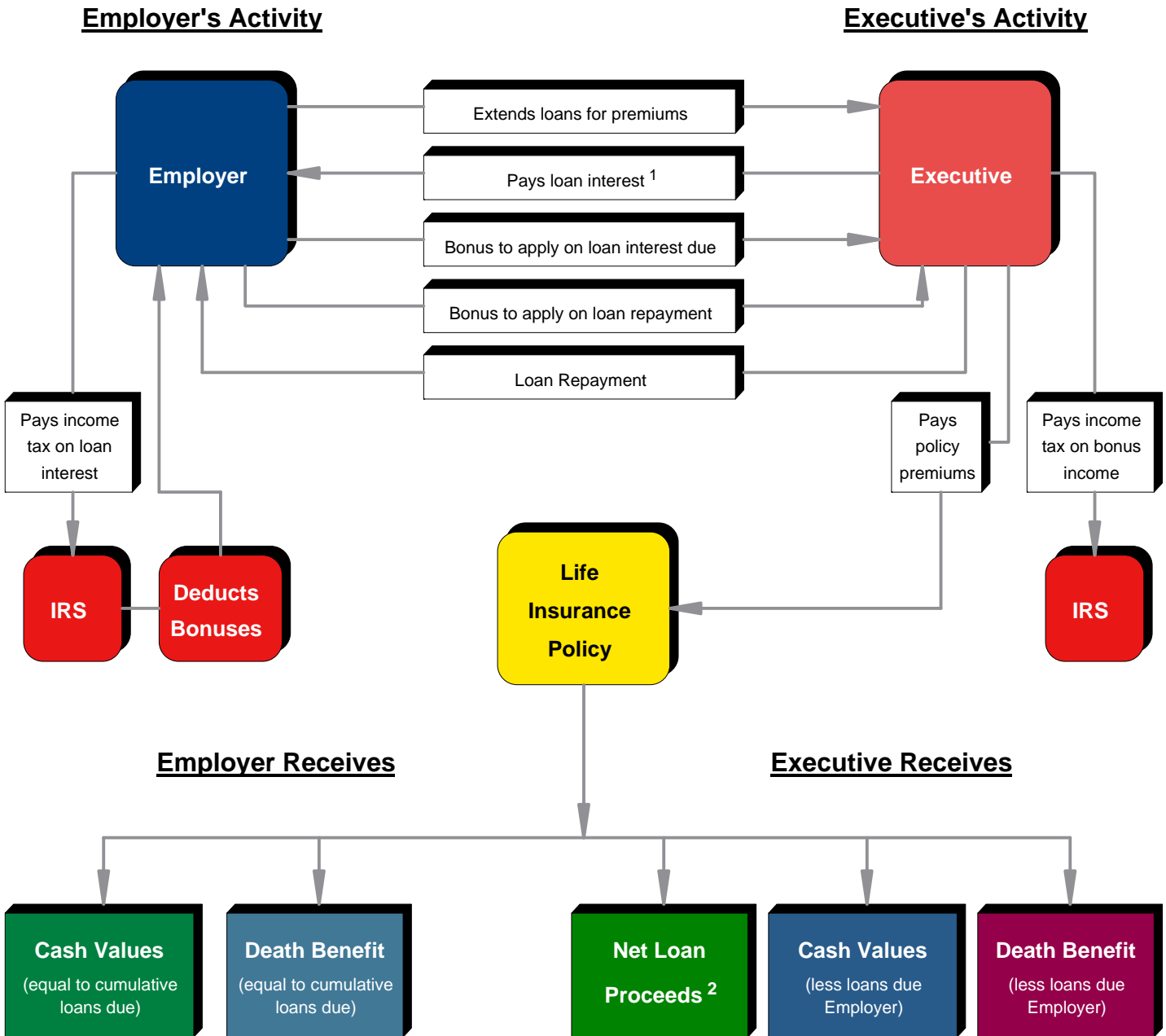


Notes

IRC Section 409A: Section 409A should not apply to loan regime collateral assignment split dollar plans unless the employer is bound by the agreement between the parties to forgive the loan, waive payments, etc.

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.

Flow Chart



¹ 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.

² For retirement income for the executive.

Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Summary

Employer's Tax Bracket 45.00%	Executive's Tax Bracket 40.00%	Indexed UL Interest Rate 7.50%	Initial Policy Death Benefit 4,200,000	Assumed Long-Term AFR for All Years Illustrated 2.89%	Promissory Note Interest Rate 2.89%
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Year	Male Age	Employer				Executive			Death Benefit
		(1) Net Payment*	(2) Cumulative Net Payments	(3) Portion of Col. (2) Due as a Loan Receivable	(4) Cumulative Charge to Earnings (2) - (3)	(5) Net Payment*	(6) Net Policy Loan Proceeds Available for Retirement Income	(7) Cash Value**	
1	40	100,000	100,000	100,000	0	1,156	0	0	4,250,000
2	41	100,000	200,000	200,000	0	2,312	0	80,732	4,250,000
3	42	100,000	300,000	300,000	0	3,468	0	189,337	4,250,000
4	43	100,000	400,000	400,000	0	4,624	0	304,873	4,250,000
5	44	100,000	500,000	500,000	0	5,780	0	427,751	4,250,000
6	45	100,000	600,000	600,000	0	6,936	0	559,630	4,250,000
7	46	100,000	700,000	700,000	0	8,092	0	701,400	4,250,000
8	47	0	700,000	700,000	0	8,092	0	751,650	4,250,000
9	48	0	700,000	700,000	0	8,092	0	805,876	4,250,000
10	49	0	700,000	700,000	0	8,092	0	864,318	4,250,000
11	50	0	700,000	700,000	0	8,092	0	937,616	4,250,000
12	51	0	700,000	700,000	0	8,092	0	1,004,701	4,250,000
13	52	0	700,000	700,000	0	8,092	0	1,076,552	4,250,000
14	53	0	700,000	700,000	0	8,092	0	1,153,477	4,250,000
15	54	-315,000	385,000	0	385,000	280,000	0	1,235,831	4,250,000
16	55	0	385,000	0	385,000	0	0	1,323,925	4,250,000
17	56	0	385,000	0	385,000	0	0	1,418,235	4,250,000
18	57	0	385,000	0	385,000	0	0	1,519,228	4,250,000
19	58	0	385,000	0	385,000	0	0	1,627,414	4,250,000
20	59	0	385,000	0	385,000	0	0	1,743,351	4,250,000
21	60	0	385,000	0	385,000	0	0	1,867,587	4,250,000
22	61	0	385,000	0	385,000	0	0	2,000,712	4,250,000
23	62	0	385,000	0	385,000	0	0	2,143,326	4,250,000
24	63	0	385,000	0	385,000	0	0	2,296,120	4,250,000
25	64	0	385,000	0	385,000	0	0	2,459,856	4,250,000
26	65	0	385,000	0	385,000	0	203,795	2,382,640	4,036,015
27	66	0	385,000	0	385,000	0	211,175	2,304,338	3,803,583
28	67	0	385,000	0	385,000	0	218,776	2,225,505	3,551,548
29	68	0	385,000	0	385,000	0	226,605	2,146,841	3,278,690
30	69	0	385,000	0	385,000	0	234,668	2,069,249	2,983,723
		385,000				369,012	1,095,019		

Executive's 30 Year Summary

	Living Values †	Death Benefit
Indexed Universal Life:	2,069,249	2,983,723
Less Loan Repayment Due Employer:	0	0
Equals Executive's Net Value:	2,069,249	2,983,723
Plus Cumulative After Tax Cash Flow:	1,095,019	1,095,019
Equals Executive's Total Net Value:	3,164,268	4,078,742

*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.

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

Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Summary

Employer's Tax Bracket 45.00%	Executive's Tax Bracket 40.00%	Indexed UL Interest Rate 7.50%	Initial Policy Death Benefit 4,200,000	Assumed Long-Term AFR for All Years Illustrated 2.89%	Promissory Note Interest Rate 2.89%
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Year	Male Age	Employer				(5) Net Payment*	Executive		
		(1) Net Payment*	(2) Cumulative Net Payments	(3) Portion of Col. (2) Due as a Loan Receivable	(4) Cumulative Charge to Earnings (2) - (3)		(6) Net Policy Loan Proceeds Available for Retirement Income	(7) Cash Value**	(8) Death Benefit
31	70	0	385,000	0	385,000	0	242,974	1,993,862	2,665,286
32	71	0	385,000	0	385,000	0	251,529	1,922,102	2,422,623
33	72	0	385,000	0	385,000	0	260,341	1,855,636	2,312,516
34	73	0	385,000	0	385,000	0	269,417	1,793,413	2,197,424
35	74	0	385,000	0	385,000	0	278,765	1,736,588	2,076,764
36	75	0	385,000	0	385,000	0	288,393	1,686,631	1,950,065
37	76	0	385,000	0	385,000	0	298,311	1,643,429	1,929,319
38	77	0	385,000	0	385,000	0	308,526	1,608,155	1,918,665
39	78	0	385,000	0	385,000	0	319,048	1,582,085	1,919,546
40	79	0	385,000	0	385,000	0	329,885	1,566,617	1,933,542
41	80	0	385,000	0	385,000	0	341,047	1,563,178	1,962,266
42	81	0	385,000	0	385,000	0	352,544	1,573,252	2,007,399
43	82	0	385,000	0	385,000	0	364,386	1,598,481	2,070,794
44	83	0	385,000	0	385,000	0	376,583	1,640,618	2,154,427
45	84	0	385,000	0	385,000	0	389,147	1,701,349	2,260,214
46	85	0	385,000	0	385,000	0	402,087	1,616,622	2,216,050
47	86	0	385,000	0	385,000	0	402,087	1,541,961	2,184,695
48	87	0	385,000	0	385,000	0	402,087	1,477,773	2,166,689
49	88	0	385,000	0	385,000	0	402,087	1,424,103	2,162,196
50	89	0	385,000	0	385,000	0	402,087	1,380,717	2,171,095
51	90	0	385,000	0	385,000	0	402,087	1,346,895	2,192,759
52	91	0	385,000	0	385,000	0	402,087	1,340,501	2,064,965
53	92	0	385,000	0	385,000	0	402,087	1,370,557	1,952,629
54	93	0	385,000	0	385,000	0	402,087	1,448,917	1,865,007
55	94	0	385,000	0	385,000	0	402,087	1,589,822	1,813,176
56	95	0	385,000	0	385,000	0	402,087	1,805,413	1,805,413
57	96	0	385,000	0	385,000	0	402,087	2,073,661	2,073,661
58	97	0	385,000	0	385,000	0	402,087	2,400,339	2,400,339
59	98	0	385,000	0	385,000	0	402,087	2,791,744	2,791,744
60	99	0	385,000	0	385,000	0	402,087	3,254,742	3,254,742
		385,000				369,012	11,797,220		

Executive's 60 Year Summary

	Living Values †	Death Benefit
Indexed Universal Life:	3,254,742	3,254,742
Less Loan Repayment Due Employer:	0	0
Equals Executive's Net Value:	3,254,742	3,254,742
Plus Cumulative After Tax Cash Flow:	11,797,220	11,797,220
Equals Executive's Total Net Value:	15,051,962	15,051,962

*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.

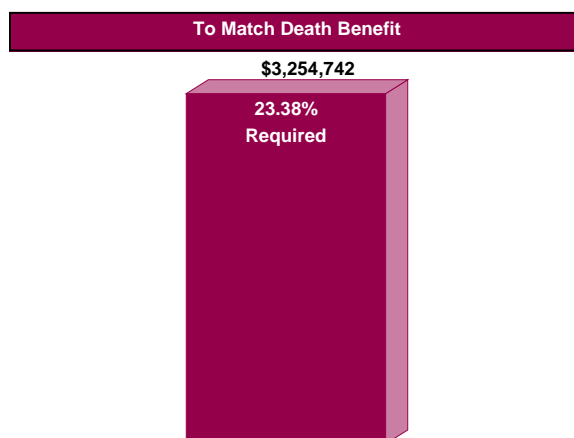
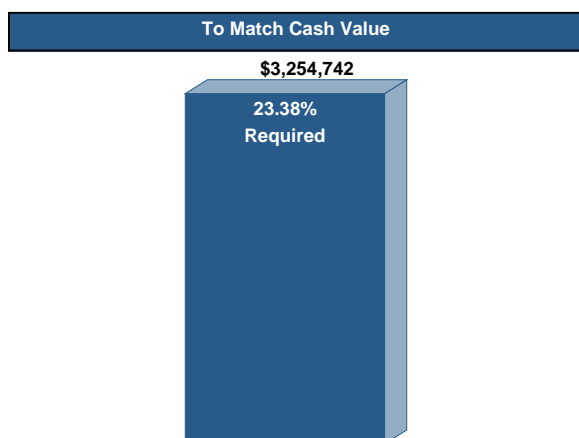
†Cash value less employer's loans plus cum. net policy loans.

Executive's Personal Report

Male	Executive's	Indexed UL
Age	Tax Bracket	Interest Rate
40	40.00%	7.50%

Gross Interest Rate Required on a Hypothetical Taxable Investment to Match the Executive's Share of Indexed Universal Life Policy Values over 60 Years (Executive's Net Payments Used as the Hypothetical Investment)

	Hypothetical Taxable Alternative
To match Cash Value of: \$3,254,742	23.38%
To match Death Benefit of: \$3,254,742	23.38%



Income Tax Considerations

1. Hypothetical Taxable Investment: Interest is taxed as earned.
2. Indexed Universal Life:
 - a. Death Benefit including available 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]

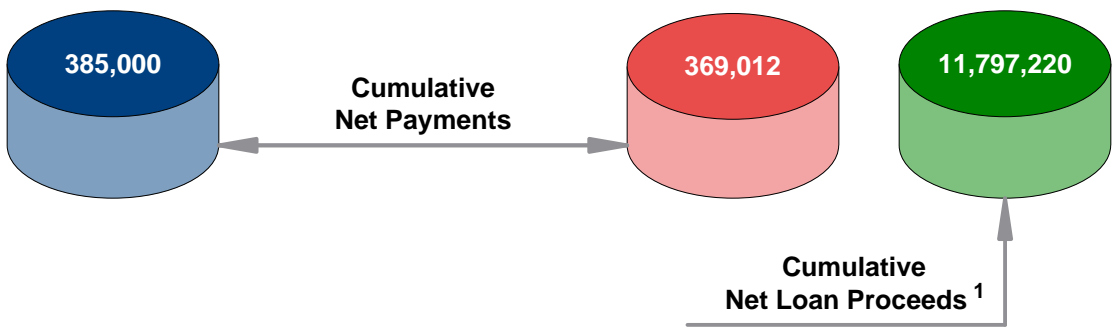
Insured: Sam Hunt

BFI, Inc

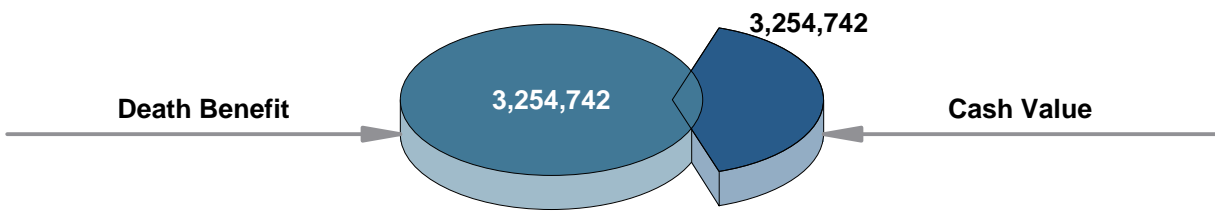
A Look at Year 60

Employer

Executive



Executive



¹ For retirement income.

Loan-Based Split Dollar Funded With Indexed Universal Life

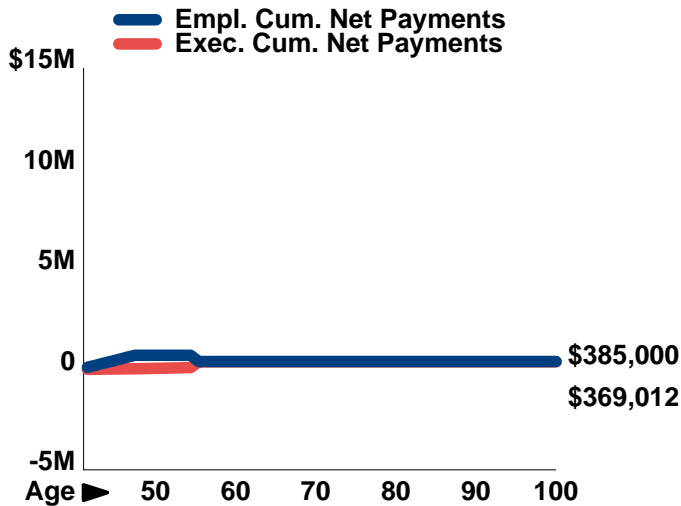
Presented By: [Licensed user's name appears here]

Insured: Sam Hunt

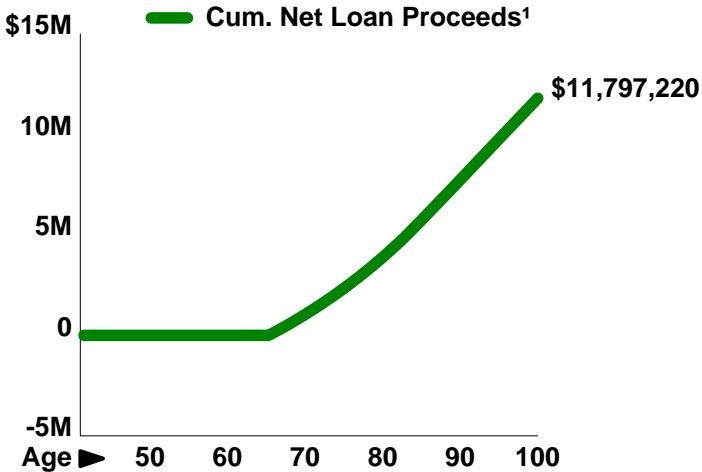
BFI, Inc

60 Year Analysis

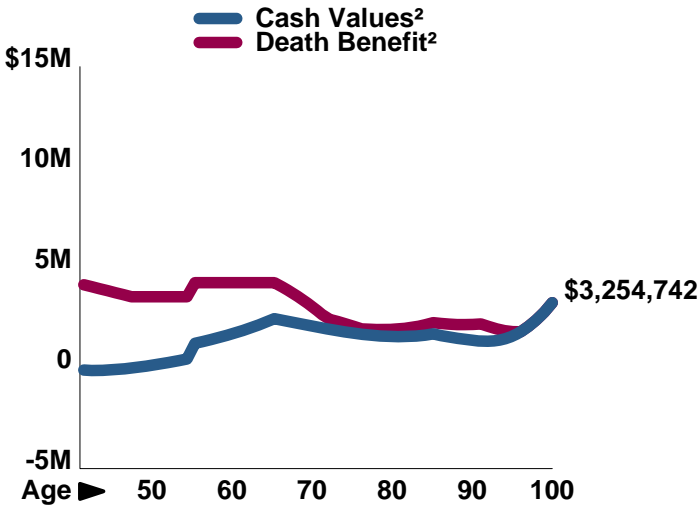
Plan Payments



Executive's Cash Flow



Executive's Values



¹ For retirement income.

² Less cumulative loan due employer.

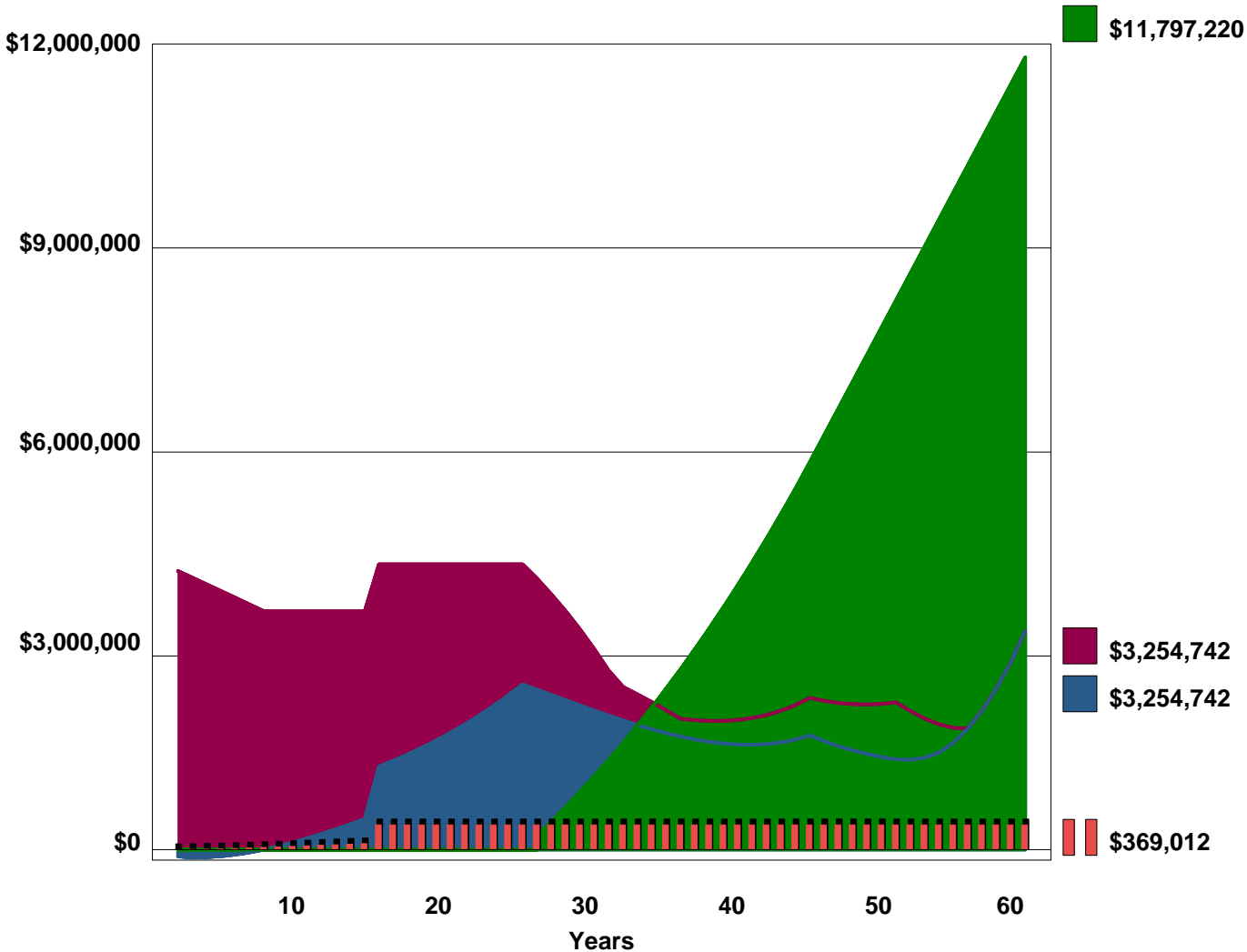
Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Executive's 60 Year Analysis



	<u>At Year 60</u>
Executive's Cumulative Net Payments	\$369,012
Executive's Cumulative Net Loan Proceeds ¹	\$11,797,220
Executive's Cash Value Less Cum. Loan Due Employer	\$3,254,742
Executive's Death Benefit Less Cum. Loan Due Employer	\$3,254,742

¹ For retirement income.

Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Employer's Net Payment Analysis

Employer's Tax Bracket 45.00%
 Assumed Long-Term AFR for All Years Illustrated 2.89%*
 Promissory Note Interest Rate 2.89%

Year	Male Age	(1) Beginning of Year Loan to Executive	(2) Loan Repayment from Executive	(3) Cumulative Loan to Executive	(4) Loan Interest Received from Executive	(5) After Tax Loan Interest Received from Executive	(6) Bonus Paid to Executive	(7) After Tax Cost of Bonus Paid to Executive	(8) Employer's Net Payment (1)-(2)-(5)+(7)	(9) Employer's Annual Charge to Earnings (7) - (5)	(10) Employer's Cumulative Charge to Earnings
1	40	100,000	0	100,000	2,890	1,590	2,890	1,590	100,000	0	0
2	41	100,000	0	200,000	5,780	3,179	5,780	3,179	100,000	0	0
3	42	100,000	0	300,000	8,670	4,769	8,670	4,769	100,000	0	0
4	43	100,000	0	400,000	11,560	6,358	11,560	6,358	100,000	0	0
5	44	100,000	0	500,000	14,450	7,948	14,450	7,948	100,000	0	0
6	45	100,000	0	600,000	17,340	9,537	17,340	9,537	100,000	0	0
7	46	100,000	0	700,000	20,230	11,127	20,230	11,127	100,000	0	0
8	47	0	0	700,000	20,230	11,127	20,230	11,127	0	0	0
9	48	0	0	700,000	20,230	11,127	20,230	11,127	0	0	0
10	49	0	0	700,000	20,230	11,127	20,230	11,127	0	0	0
11	50	0	0	700,000	20,230	11,127	20,230	11,127	0	0	0
12	51	0	0	700,000	20,230	11,127	20,230	11,127	0	0	0
13	52	0	0	700,000	20,230	11,127	20,230	11,127	0	0	0
14	53	0	0	700,000	20,230	11,127	20,230	11,127	0	0	0
15	54	0	700,000	0	0	0	700,000	385,000	-315,000	385,000	385,000
16	55	0	0	0	0	0	0	0	0	0	385,000
17	56	0	0	0	0	0	0	0	0	0	385,000
18	57	0	0	0	0	0	0	0	0	0	385,000
19	58	0	0	0	0	0	0	0	0	0	385,000
20	59	0	0	0	0	0	0	0	0	0	385,000
21	60	0	0	0	0	0	0	0	0	0	385,000
22	61	0	0	0	0	0	0	0	0	0	385,000
23	62	0	0	0	0	0	0	0	0	0	385,000
24	63	0	0	0	0	0	0	0	0	0	385,000
25	64	0	0	0	0	0	0	0	0	0	385,000
26	65	0	0	0	0	0	0	0	0	0	385,000
27	66	0	0	0	0	0	0	0	0	0	385,000
28	67	0	0	0	0	0	0	0	0	0	385,000
29	68	0	0	0	0	0	0	0	0	0	385,000
30	69	0	0	0	0	0	0	0	0	0	385,000
		700,000	700,000		222,530	122,397	922,530	507,397	385,000	385,000	

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 15; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Employer's Net Payment Analysis

Employer's Tax Bracket 45.00%
 Assumed Long-Term AFR for All Years Illustrated 2.89%*
 Promissory Note Interest Rate 2.89%

Year	Male Age	(1) Beginning of Year Loan to Executive	(2) Loan Repayment from Executive	(3) Cumulative Loan to Executive	(4) Loan Interest Received from Executive	(5) After Tax Loan Interest Received from Executive	(6) Bonus Paid to Executive	(7) After Tax Cost of Bonus Paid to Executive	(8) Employer's Net Payment (1)-(2)-(5)+(7)	(9) Employer's Annual Charge to Earnings (7) - (5)	(10) Employer's Cumulative Charge to Earnings
31	70	0	0	0	0	0	0	0	0	0	385,000
32	71	0	0	0	0	0	0	0	0	0	385,000
33	72	0	0	0	0	0	0	0	0	0	385,000
34	73	0	0	0	0	0	0	0	0	0	385,000
35	74	0	0	0	0	0	0	0	0	0	385,000
36	75	0	0	0	0	0	0	0	0	0	385,000
37	76	0	0	0	0	0	0	0	0	0	385,000
38	77	0	0	0	0	0	0	0	0	0	385,000
39	78	0	0	0	0	0	0	0	0	0	385,000
40	79	0	0	0	0	0	0	0	0	0	385,000
41	80	0	0	0	0	0	0	0	0	0	385,000
42	81	0	0	0	0	0	0	0	0	0	385,000
43	82	0	0	0	0	0	0	0	0	0	385,000
44	83	0	0	0	0	0	0	0	0	0	385,000
45	84	0	0	0	0	0	0	0	0	0	385,000
46	85	0	0	0	0	0	0	0	0	0	385,000
47	86	0	0	0	0	0	0	0	0	0	385,000
48	87	0	0	0	0	0	0	0	0	0	385,000
49	88	0	0	0	0	0	0	0	0	0	385,000
50	89	0	0	0	0	0	0	0	0	0	385,000
51	90	0	0	0	0	0	0	0	0	0	385,000
52	91	0	0	0	0	0	0	0	0	0	385,000
53	92	0	0	0	0	0	0	0	0	0	385,000
54	93	0	0	0	0	0	0	0	0	0	385,000
55	94	0	0	0	0	0	0	0	0	0	385,000
56	95	0	0	0	0	0	0	0	0	0	385,000
57	96	0	0	0	0	0	0	0	0	0	385,000
58	97	0	0	0	0	0	0	0	0	0	385,000
59	98	0	0	0	0	0	0	0	0	0	385,000
60	99	0	0	0	0	0	0	0	0	0	385,000
		700,000	700,000		222,530	122,397	922,530	507,397	385,000	385,000	

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 15; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Executive's Net Payment Analysis

		Executive's Tax Bracket 40.00%		Assumed Long-Term AFR for All Years Illustrated 2.89%*		Promissory Note Interest Rate 2.89%				
Year	Male Age	(1) Policy Premium Due by Executive	(2) Beginning of Year Loan from Employer	(3) Loan Repayment from Personal Funds	(4) Cumulative Loan Due Employer	(5) Loan Interest Paid to Employer	(6) Bonus Received from Employer	(7) After Tax Bonus Received from Employer	(8) Executive's Net Payment**	(9) Net Policy Loan Proceeds Available for Retirement Income
1	40	100,000	100,000	0	100,000	2,890	2,890	1,734	1,156	0
2	41	100,000	100,000	0	200,000	5,780	5,780	3,468	2,312	0
3	42	100,000	100,000	0	300,000	8,670	8,670	5,202	3,468	0
4	43	100,000	100,000	0	400,000	11,560	11,560	6,936	4,624	0
5	44	100,000	100,000	0	500,000	14,450	14,450	8,670	5,780	0
6	45	100,000	100,000	0	600,000	17,340	17,340	10,404	6,936	0
7	46	100,000	100,000	0	700,000	20,230	20,230	12,138	8,092	0
8	47	0	0	0	700,000	20,230	20,230	12,138	8,092	0
9	48	0	0	0	700,000	20,230	20,230	12,138	8,092	0
10	49	0	0	0	700,000	20,230	20,230	12,138	8,092	0
11	50	0	0	0	700,000	20,230	20,230	12,138	8,092	0
12	51	0	0	0	700,000	20,230	20,230	12,138	8,092	0
13	52	0	0	0	700,000	20,230	20,230	12,138	8,092	0
14	53	0	0	0	700,000	20,230	20,230	12,138	8,092	0
15	54	0	0	700,000	0	0	700,000	420,000	280,000	0
16	55	0	0	0	0	0	0	0	0	0
17	56	0	0	0	0	0	0	0	0	0
18	57	0	0	0	0	0	0	0	0	0
19	58	0	0	0	0	0	0	0	0	0
20	59	0	0	0	0	0	0	0	0	0
21	60	0	0	0	0	0	0	0	0	0
22	61	0	0	0	0	0	0	0	0	0
23	62	0	0	0	0	0	0	0	0	0
24	63	0	0	0	0	0	0	0	0	0
25	64	0	0	0	0	0	0	0	0	0
26	65	0	0	0	0	0	0	0	0	203,795
27	66	0	0	0	0	0	0	0	0	211,175
28	67	0	0	0	0	0	0	0	0	218,776
29	68	0	0	0	0	0	0	0	0	226,605
30	69	0	0	0	0	0	0	0	0	234,668
		700,000	700,000	700,000		222,530	922,530	553,518	369,012	1,095,019

*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 15; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Executive's Net Payment Analysis

		Executive's Tax Bracket 40.00%		Assumed Long-Term AFR for All Years Illustrated 2.89%*		Promissory Note Interest Rate 2.89%					
Year	Male Age	(1) Policy Premium Due by Executive	(2) Beginning of Year Loan from Employer	(3) Loan Repayment from Personal Funds	(4) Cumulative Loan Due Employer	(5) Loan Interest Paid to Employer	(6) Bonus Received from Employer	(7) After Tax Bonus Received from Employer	(8) Executive's Net Payment**	(9) Net Policy Loan Proceeds Available for Retirement Income	
31	70	0	0	0	0	0	0	0	0	242,974	
32	71	0	0	0	0	0	0	0	0	251,529	
33	72	0	0	0	0	0	0	0	0	260,341	
34	73	0	0	0	0	0	0	0	0	269,417	
35	74	0	0	0	0	0	0	0	0	278,765	
36	75	0	0	0	0	0	0	0	0	288,393	
37	76	0	0	0	0	0	0	0	0	298,311	
38	77	0	0	0	0	0	0	0	0	308,526	
39	78	0	0	0	0	0	0	0	0	319,048	
40	79	0	0	0	0	0	0	0	0	329,885	
41	80	0	0	0	0	0	0	0	0	341,047	
42	81	0	0	0	0	0	0	0	0	352,544	
43	82	0	0	0	0	0	0	0	0	364,386	
44	83	0	0	0	0	0	0	0	0	376,583	
45	84	0	0	0	0	0	0	0	0	389,147	
46	85	0	0	0	0	0	0	0	0	402,087	
47	86	0	0	0	0	0	0	0	0	402,087	
48	87	0	0	0	0	0	0	0	0	402,087	
49	88	0	0	0	0	0	0	0	0	402,087	
50	89	0	0	0	0	0	0	0	0	402,087	
51	90	0	0	0	0	0	0	0	0	402,087	
52	91	0	0	0	0	0	0	0	0	402,087	
53	92	0	0	0	0	0	0	0	0	402,087	
54	93	0	0	0	0	0	0	0	0	402,087	
55	94	0	0	0	0	0	0	0	0	402,087	
56	95	0	0	0	0	0	0	0	0	402,087	
57	96	0	0	0	0	0	0	0	0	402,087	
58	97	0	0	0	0	0	0	0	0	402,087	
59	98	0	0	0	0	0	0	0	0	402,087	
60	99	0	0	0	0	0	0	0	0	402,087	
		700,000	700,000	700,000		222,530	922,530	553,518	369,012	11,797,220	

*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 15; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Promissory Note Analysis

Assumed Long-Term AFR
for All Years Illustrated
2.89%**

Promissory Note
Interest Rate
2.89%

Year	Male Age	Loan Collateral							
		(1) Beginning of Year Loan to Executive	(2) Annual Loan Interest Paid from Non-Policy Values	(3) Annual Loan Interest Paid from Policy Values	(4) Loan Repayments from Non-Policy Values	(5) Loan Repayments from Policy Values	(6) Year End Cumulative Loan to Executive	(7) Year End Policy Cash Value*	(8) Year End Policy Death Benefit*
1	40	100,000	2,890	0	0	0	100,000	0	4,250,000
2	41	100,000	5,780	0	0	0	200,000	80,732	4,250,000
3	42	100,000	8,670	0	0	0	300,000	189,337	4,250,000
4	43	100,000	11,560	0	0	0	400,000	304,873	4,250,000
5	44	100,000	14,450	0	0	0	500,000	427,751	4,250,000
6	45	100,000	17,340	0	0	0	600,000	559,630	4,250,000
7	46	100,000	20,230	0	0	0	700,000	701,400	4,250,000
8	47	0	20,230	0	0	0	700,000	751,650	4,250,000
9	48	0	20,230	0	0	0	700,000	805,876	4,250,000
10	49	0	20,230	0	0	0	700,000	864,318	4,250,000
11	50	0	20,230	0	0	0	700,000	937,616	4,250,000
12	51	0	20,230	0	0	0	700,000	1,004,701	4,250,000
13	52	0	20,230	0	0	0	700,000	1,076,552	4,250,000
14	53	0	20,230	0	0	0	700,000	1,153,477	4,250,000
15	54	0	0	0	700,000	0	0	1,235,831	4,250,000
16	55	0	0	0	0	0	0	1,323,925	4,250,000
17	56	0	0	0	0	0	0	1,418,235	4,250,000
18	57	0	0	0	0	0	0	1,519,228	4,250,000
19	58	0	0	0	0	0	0	1,627,414	4,250,000
20	59	0	0	0	0	0	0	1,743,351	4,250,000
21	60	0	0	0	0	0	0	1,867,587	4,250,000
22	61	0	0	0	0	0	0	2,000,712	4,250,000
23	62	0	0	0	0	0	0	2,143,326	4,250,000
24	63	0	0	0	0	0	0	2,296,120	4,250,000
25	64	0	0	0	0	0	0	2,459,856	4,250,000
26	65	0	0	0	0	0	0	2,382,640	4,036,015
27	66	0	0	0	0	0	0	2,304,338	3,803,583
28	67	0	0	0	0	0	0	2,225,505	3,551,548
29	68	0	0	0	0	0	0	2,146,841	3,278,690
30	69	0	0	0	0	0	0	2,069,249	2,983,723
		700,000	222,530	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 15; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Promissory Note Analysis

Assumed Long-Term AFR
for All Years Illustrated
2.89%**

Promissory Note
Interest Rate
2.89%

Year	Male Age	(1) Beginning of Year Loan to Executive	(2) Annual Loan Interest Paid from Non-Policy Values	(3) Annual Loan Interest Paid from Policy Values	(4) Loan Repayments from Non-Policy Values	(5) Loan Repayments from Policy Values	(6) Year End Cumulative Loan to Executive	Loan Collateral	
								(7) Year End Policy Cash Value*	(8) Year End Policy Death Benefit*
31	70	0	0	0	0	0	0	1,993,862	2,665,286
32	71	0	0	0	0	0	0	1,922,102	2,422,623
33	72	0	0	0	0	0	0	1,855,636	2,312,516
34	73	0	0	0	0	0	0	1,793,413	2,197,424
35	74	0	0	0	0	0	0	1,736,588	2,076,764
36	75	0	0	0	0	0	0	1,686,631	1,950,065
37	76	0	0	0	0	0	0	1,643,429	1,929,319
38	77	0	0	0	0	0	0	1,608,155	1,918,665
39	78	0	0	0	0	0	0	1,582,085	1,919,546
40	79	0	0	0	0	0	0	1,566,617	1,933,542
41	80	0	0	0	0	0	0	1,563,178	1,962,266
42	81	0	0	0	0	0	0	1,573,252	2,007,399
43	82	0	0	0	0	0	0	1,598,481	2,070,794
44	83	0	0	0	0	0	0	1,640,618	2,154,427
45	84	0	0	0	0	0	0	1,701,349	2,260,214
46	85	0	0	0	0	0	0	1,616,622	2,216,050
47	86	0	0	0	0	0	0	1,541,961	2,184,695
48	87	0	0	0	0	0	0	1,477,773	2,166,689
49	88	0	0	0	0	0	0	1,424,103	2,162,196
50	89	0	0	0	0	0	0	1,380,717	2,171,095
51	90	0	0	0	0	0	0	1,346,895	2,192,759
52	91	0	0	0	0	0	0	1,340,501	2,064,965
53	92	0	0	0	0	0	0	1,370,557	1,952,629
54	93	0	0	0	0	0	0	1,448,917	1,865,007
55	94	0	0	0	0	0	0	1,589,822	1,813,176
56	95	0	0	0	0	0	0	1,805,413	1,805,413
57	96	0	0	0	0	0	0	2,073,661	2,073,661
58	97	0	0	0	0	0	0	2,400,339	2,400,339
59	98	0	0	0	0	0	0	2,791,744	2,791,744
60	99	0	0	0	0	0	0	3,254,742	3,254,742
		700,000	222,530	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 15; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Loan-Based Split Dollar Funded With Indexed Universal Life

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

Insured: Sam Hunt

BFI, Inc

Illustration of Policy Values Funding The Plan

Indexed UL Interest Rate 7.50%
 Initial Premium 100,000
 Initial Policy Death Benefit 4,200,000

Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Cash Value Increase*	(4) Year End Cash Value*	(5) Death Benefit
1	40	100,000	0	0	0	4,250,000
2	41	100,000	0	80,732	80,732	4,250,000
3	42	100,000	0	108,605	189,337	4,250,000
4	43	100,000	0	115,536	304,873	4,250,000
5	44	100,000	0	122,878	427,751	4,250,000
6	45	100,000	0	131,879	559,630	4,250,000
7	46	100,000	0	141,770	701,400	4,250,000
8	47	0	0	50,250	751,650	4,250,000
9	48	0	0	54,226	805,876	4,250,000
10	49	0	0	58,442	864,318	4,250,000
11	50	0	0	73,298	937,616	4,250,000
12	51	0	0	67,085	1,004,701	4,250,000
13	52	0	0	71,851	1,076,552	4,250,000
14	53	0	0	76,925	1,153,477	4,250,000
15	54	0	0	82,354	1,235,831	4,250,000
16	55	0	0	88,094	1,323,925	4,250,000
17	56	0	0	94,310	1,418,235	4,250,000
18	57	0	0	100,993	1,519,228	4,250,000
19	58	0	0	108,186	1,627,414	4,250,000
20	59	0	0	115,937	1,743,351	4,250,000
21	60	0	0	124,236	1,867,587	4,250,000
22	61	0	0	133,125	2,000,712	4,250,000
23	62	0	0	142,614	2,143,326	4,250,000
24	63	0	0	152,794	2,296,120	4,250,000
25	64	0	0	163,736	2,459,856	4,250,000
26	65	0	203,795	-77,216	2,382,640	4,036,015
27	66	0	211,175	-78,302	2,304,338	3,803,583
28	67	0	218,776	-78,833	2,225,505	3,551,548
29	68	0	226,605	-78,664	2,146,841	3,278,690
30	69	0	234,668	-77,592	2,069,249	2,983,723
		700,000	1,095,019			

30 Year Summary

Cum. Payments	700,000
Cum. Net Policy Loan Proceeds	1,095,019
Cash Value	2,069,249
Death Benefit	2,983,723

*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]

Insured: Sam Hunt

BFI, Inc

Illustration of Policy Values Funding The Plan

Indexed UL Interest Rate 7.50%
 Initial Premium 100,000
 Initial Policy Death Benefit 4,200,000

Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Cash Value Increase*	(4) Year End Cash Value*	(5) Death Benefit
31	70	0	242,974	-75,387	1,993,862	2,665,286
32	71	0	251,529	-71,760	1,922,102	2,422,623
33	72	0	260,341	-66,466	1,855,636	2,312,516
34	73	0	269,417	-62,223	1,793,413	2,197,424
35	74	0	278,765	-56,825	1,736,588	2,076,764
36	75	0	288,393	-49,957	1,686,631	1,950,065
37	76	0	298,311	-43,202	1,643,429	1,929,319
38	77	0	308,526	-35,274	1,608,155	1,918,665
39	78	0	319,048	-26,070	1,582,085	1,919,546
40	79	0	329,885	-15,468	1,566,617	1,933,542
41	80	0	341,047	-3,439	1,563,178	1,962,266
42	81	0	352,544	10,074	1,573,252	2,007,399
43	82	0	364,386	25,229	1,598,481	2,070,794
44	83	0	376,583	42,137	1,640,618	2,154,427
45	84	0	389,147	60,731	1,701,349	2,260,214
46	85	0	402,087	-84,727	1,616,622	2,216,050
47	86	0	402,087	-74,661	1,541,961	2,184,695
48	87	0	402,087	-64,188	1,477,773	2,166,689
49	88	0	402,087	-53,670	1,424,103	2,162,196
50	89	0	402,087	-43,386	1,380,717	2,171,095
51	90	0	402,087	-33,822	1,346,895	2,192,759
52	91	0	402,087	-6,394	1,340,501	2,064,965
53	92	0	402,087	30,056	1,370,557	1,952,629
54	93	0	402,087	78,360	1,448,917	1,865,007
55	94	0	402,087	140,905	1,589,822	1,813,176
56	95	0	402,087	215,591	1,805,413	1,805,413
57	96	0	402,087	268,248	2,073,661	2,073,661
58	97	0	402,087	326,678	2,400,339	2,400,339
59	98	0	402,087	391,405	2,791,744	2,791,744
60	99	0	402,087	462,998	3,254,742	3,254,742
		700,000	11,797,220			

*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.

60 Year Summary

Cum. Payments	700,000
Cum. Net Policy Loan Proceeds	11,797,220
Cash Value	3,254,742
Death Benefit	3,254,742

Supplemental Report: Duration of Loans

BFI, Inc

Each premium payment is considered a new loan, and the accompanying illustrations reflect loans that may remain in effect for many years. Most loans illustrated are assumed to be long-term loans (over 9 years) bearing a loan interest rate equal to or greater than the Applicable Federal Rate of 2.89% for October 2014. Other Applicable Federal Rates in effect for October 2014 are:

Mid-term loans (over 3 years but not over 9): 1.85%;

Short-term loans (3 years or less): 0.38%;

Demand loans: 0.38%.

The demand loan rate changes monthly -- an unhappy condition for a loan expected to remain in effect for many years. A so-called "blended" rate that is stable for one year at a time can be used for demand loans. The 2014 blended rate for demand loans is 0.28%, and the blended rate for 2015 will not be announced until late June 2015.

Stability of loan interest is an important component of any arrangement involving loans. A dramatic rise in loan interest rates at the maturity of a demand, short-term or mid-term loan may result in less-than-acceptable loan interest rates when the loan is renewed. When you are dealing with a financial arrangement of many years, long-term loans produce more stable interest rates that can be renegotiated downward should rates decline, but are capped at rates that are known as each loan is made. For an example of renegotiating loan interest downward, see the report entitled "Renegotiating the Applicable Federal Rate".

Due to the relative stability of the long-term Applicable Federal Rate coupled with the ability to renegotiate it downward, you may wish to establish your arrangement using long-term loans.

Supplemental Report

BFI, Inc

Important Note: This material is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

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