

## **Private Split Dollar (Limited Collateral Assignment Variation)**

### **The Plan Description**

Of all the strategies used by families for wealth preservation planning, Limited Collateral Assignment Split Dollar is one of the most efficient.

With this arrangement, parents (referred to as "Plan Sponsor") pay a substantial share of the premiums for a cash value life insurance policy insuring one (or both) of their lives. An irrevocable trust (referred to as "Plan Recipient") formed on behalf of children is typically the owner of the policy.

Through use of a Split Dollar Agreement containing a limited collateral assignment, the Plan Recipient assigns the Plan Sponsor an interest in the policy equal to the Plan Sponsor's aggregate premiums or the policy's cash values, if greater. (This means that none of the policy's cash values are gifted to the Plan Recipient -- a key to avoiding additional gift tax consequences associated with IRS Notice 2002-8.)

The Plan Recipient is usually expected to pay a portion of the plan's premiums, and these payments are pegged to IRS-approved rate tables. In the accompanying presentation, gifts from the Plan Sponsor are illustrated in order to offset the Plan Recipient's schedule of payments.

The main purpose of the arrangement is to provide the Plan Recipient with access to inexpensive life insurance death benefits, keep the policy's death proceeds out of the Plan Sponsor's estate, yet not have any portion of the policy's cash values constitute gifts to the Plan Recipient.

This strategy combines low cost coverage for the Plan Recipient with an impressive array of cash values for the Plan Sponsor, thus generating a program that should be financially compelling to both Plan Sponsor and Plan Recipient.

Note: If a request is made by the Plan Sponsor to terminate the split dollar arrangement (as might occur if permanent estate tax repeal is enacted), the formal Agreement between the parties typically provides that the Plan Recipient has the option of transferring its interest in the policy to the Plan Sponsor in settlement of its obligations under the plan. This feature provides vital flexibility in view of the uncertainty surrounding permanent estate tax repeal.

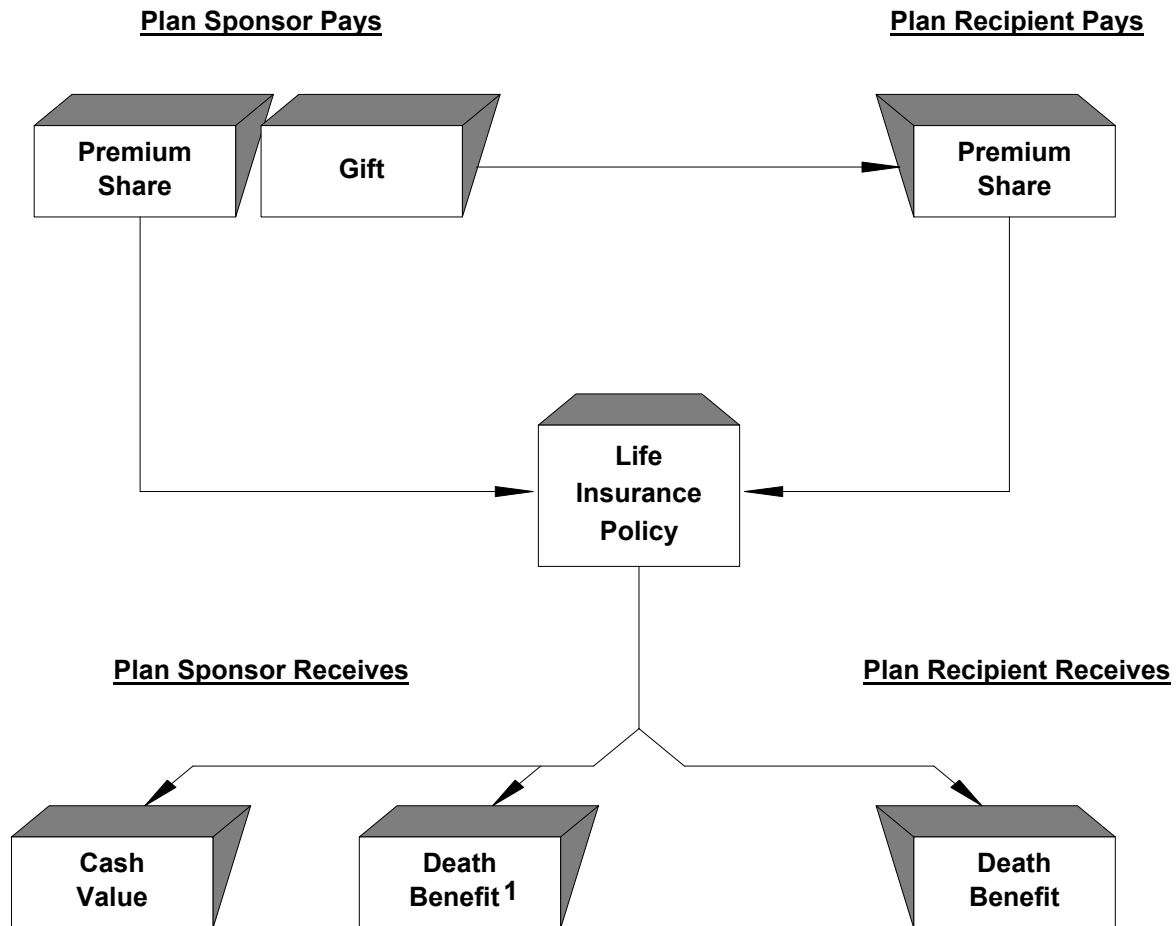
# A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

## Who Pays What - Who Receives What

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

### Flow Chart Analysis



(1) Equal to remaining balance after Plan Recipient's portion is deducted.

# A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

## Illustration of Values of The Policy Used in the Plan

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Values Page: 1

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

|      | M/F<br>Age<br>65/60 | UL<br>Interest Rate<br>6.00%   | Initial<br>Payment<br>50,000 | Initial<br>Death Benefit<br>3,500,000 |                  |
|------|---------------------|--------------------------------|------------------------------|---------------------------------------|------------------|
|      | (1)                 | (2)                            | (3)                          | (4)                                   | (5)              |
| Year | Policy<br>Premium   | Pre-Tax<br>Policy<br>Cash Flow | Year End<br>Accum<br>Value*  | Year End<br>Cash<br>Value*            | Death<br>Benefit |
| 1    | 50,000              | 0                              | 20,994                       | 0                                     | 3,520,994        |
| 2    | 50,000              | 0                              | 71,770                       | 0                                     | 3,571,770        |
| 3    | 50,000              | 0                              | 125,543                      | 32,443                                | 3,625,543        |
| 4    | 50,000              | 0                              | 182,509                      | 89,409                                | 3,682,509        |
| 5    | 50,000              | 0                              | 242,657                      | 149,557                               | 3,742,657        |
| 6    | 50,000              | 0                              | 305,892                      | 217,447                               | 3,805,892        |
| 7    | 50,000              | 0                              | 371,289                      | 287,499                               | 3,871,289        |
| 8    | 50,000              | 0                              | 440,548                      | 361,412                               | 3,940,548        |
| 9    | 50,000              | 0                              | 512,922                      | 438,442                               | 4,012,922        |
| 10   | 50,000              | 0                              | 588,356                      | 518,531                               | 4,088,357        |
| 11   | 50,000              | 0                              | 665,880                      | 603,038                               | 4,165,880        |
| 12   | 50,000              | 0                              | 745,716                      | 689,856                               | 4,245,717        |
| 13   | 50,000              | 0                              | 826,111                      | 777,233                               | 4,326,111        |
| 14   | 50,000              | 0                              | 906,668                      | 864,773                               | 4,406,668        |
| 15   | 50,000              | 0                              | 989,477                      | 954,564                               | 4,489,477        |
| 16   | 50,000              | 0                              | 1,074,683                    | 1,046,753                             | 4,574,684        |
| 17   | 50,000              | 0                              | 1,161,579                    | 1,140,632                             | 4,661,580        |
| 18   | 50,000              | 0                              | 1,248,371                    | 1,234,406                             | 4,748,371        |
| 19   | 50,000              | 0                              | 1,333,235                    | 1,326,253                             | 4,833,235        |
| 20   | 50,000              | 0                              | 1,415,182                    | 1,415,182                             | 4,915,182        |
|      | 1,000,000           | 0                              |                              |                                       |                  |

\*This is an example of an InsMark "supplemental" illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

# A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

## Illustration of Values of The Policy Used in the Plan

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Values Page: 2

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

|      | M/F<br>Age<br>65/60 | UL<br>Interest Rate<br>6.00%   | Initial<br>Payment<br>50,000 | Initial<br>Death Benefit<br>3,500,000 |                  |
|------|---------------------|--------------------------------|------------------------------|---------------------------------------|------------------|
|      | (1)                 | (2)                            | (3)                          | (4)                                   | (5)              |
| Year | Policy<br>Premium   | Pre-Tax<br>Policy<br>Cash Flow | Year End<br>Accum<br>Value*  | Year End<br>Cash<br>Value*            | Death<br>Benefit |
| 21   | 50,000              | 0                              | 1,493,634                    | 1,493,634                             | 4,993,635        |
| 22   | 50,000              | 0                              | 1,567,717                    | 1,567,717                             | 5,067,717        |
| 23   | 50,000              | 0                              | 1,635,935                    | 1,635,935                             | 5,135,935        |
| 24   | 50,000              | 0                              | 1,696,308                    | 1,696,308                             | 5,196,308        |
| 25   | 50,000              | 0                              | 1,745,126                    | 1,745,126                             | 5,245,126        |
| 26   | 50,000              | 0                              | 1,776,535                    | 1,776,535                             | 5,276,535        |
| 27   | 50,000              | 0                              | 1,784,124                    | 1,784,124                             | 5,284,124        |
| 28   | 50,000              | 0                              | 1,761,153                    | 1,761,152                             | 5,261,153        |
| 29   | 50,000              | 0                              | 1,699,917                    | 1,699,917                             | 5,199,917        |
| 30   | 50,000              | 0                              | 1,588,098                    | 1,588,098                             | 5,088,098        |

1,500,000                      0

\*This is an example of an InsMark "supplemental" illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

## Summary of Costs and Benefits

### A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Summary Page: 1

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

M/F                      UL  
Age                      Interest Rate  
65/60                      6.00%

| Year | Plan Sponsor<br>Richard and Melissa Hunt |  |                        |                       |                                     | Plan Recipient and Policy Owner<br>Hunt Family Trust |                                     |
|------|--|--|------------------------|-----------------------|-------------------------------------|--|-------------------------------------|
|      | (1)<br>Gifts to<br>Plan<br>Recipient     | (2)<br>Split<br>Dollar<br>Premium<br>Share | (3)<br>Accum<br>Value* | (4)<br>Cash<br>Value* | (5)<br>Share of<br>Death<br>Benefit | (6)<br>Net<br>Payment**                              | (7)<br>Share of<br>Death<br>Benefit |
| 1    | 276                                      | 49,724                                     | 20,994                 | 0                     | 49,724                              | 0  | 3,471,270                           |
| 2    | 342                                      | 49,658                                     | 71,770                 | 0                     | 99,382                              | 0  | 3,472,388                           |
| 3    | 431                                      | 49,569                                     | 125,543                | 32,443                | 148,951                             | 0  | 3,476,592                           |
| 4    | 549                                      | 49,451                                     | 182,509                | 89,409                | 198,402                             | 0  | 3,484,107                           |
| 5    | 697                                      | 49,303                                     | 242,657                | 149,557               | 247,705                             | 0  | 3,494,952                           |
| 6    | 883                                      | 49,117                                     | 305,892                | 217,447               | 296,822                             | 0  | 3,509,070                           |
| 7    | 1,109                                    | 48,891                                     | 371,289                | 287,499               | 345,713                             | 0  | 3,525,576                           |
| 8    | 1,385                                    | 48,615                                     | 440,548                | 361,412               | 394,328                             | 0  | 3,546,220                           |
| 9    | 1,707                                    | 48,293                                     | 512,922                | 438,442               | 442,621                             | 0  | 3,570,301                           |
| 10   | 2,065                                    | 47,935                                     | 588,356                | 518,531               | 518,531                             | 0  | 3,569,826                           |
| 11   | 2,489                                    | 47,511                                     | 665,880                | 603,038               | 603,038                             | 0  | 3,562,842                           |
| 12   | 3,008                                    | 46,992                                     | 745,716                | 689,856               | 689,856                             | 0  | 3,555,861                           |
| 13   | 3,663                                    | 46,337                                     | 826,111                | 777,233               | 777,233                             | 0  | 3,548,878                           |
| 14   | 4,437                                    | 45,563                                     | 906,668                | 864,773               | 864,773                             | 0  | 3,541,895                           |
| 15   | 5,383                                    | 44,617                                     | 989,477                | 954,564               | 954,564                             | 0  | 3,534,913                           |
| 16   | 6,521                                    | 43,479                                     | 1,074,683              | 1,046,753             | 1,046,753                           | 0  | 3,527,931                           |
| 17   | 7,934                                    | 42,066                                     | 1,161,579              | 1,140,632             | 1,140,632                           | 0  | 3,520,948                           |
| 18   | 9,656                                    | 40,344                                     | 1,248,371              | 1,234,406             | 1,234,406                           | 0  | 3,513,965                           |
| 19   | 11,644                                   | 38,356                                     | 1,333,235              | 1,326,253             | 1,326,253                           | 0  | 3,506,982                           |
| 20   | 14,191                                   | 35,809                                     | 1,415,182              | 1,415,182             | 1,415,182                           | 0  | 3,500,000                           |
|      | 78,370                                   | 921,630                                    |                        |                       |                                     | 0  |                                     |

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\*\*See Plan Recipient's Net Payment Analysis.

Split dollar arrangement presumed terminated in year 30.

## Summary of Costs and Benefits

### A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Summary Page: 2

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

M/F                      UL  
Age                      Interest Rate  
65/60                    6.00%

| Year | Plan Sponsor<br>Richard and Melissa Hunt |  |                        |                       |                                     | Plan Recipient and Policy Owner<br>Hunt Family Trust |                                     |  |
|------|--|--|------------------------|-----------------------|-------------------------------------|--|-------------------------------------|--|
|      | (1)<br>Gifts to<br>Plan<br>Recipient     | (2)<br>Split<br>Dollar<br>Premium<br>Share | (3)<br>Accum<br>Value* | (4)<br>Cash<br>Value* | (5)<br>Share of<br>Death<br>Benefit | (6)<br>Net<br>Payment**                              | (7)<br>Share of<br>Death<br>Benefit |  |
| 21   | 17,373                                   | 32,627                                     | 1,493,634              | 1,493,634             | 1,493,634                           | 0  | 3,500,001                           |  |
| 22   | 21,526                                   | 28,474                                     | 1,567,717              | 1,567,717             | 1,567,717                           | 0  | 3,500,000                           |  |
| 23   | 26,433                                   | 23,567                                     | 1,635,935              | 1,635,935             | 1,635,935                           | 0  | 3,500,000                           |  |
| 24   | 31,942                                   | 18,058                                     | 1,696,308              | 1,696,308             | 1,696,308                           | 0  | 3,500,000                           |  |
| 25   | 38,453                                   | 11,547                                     | 1,745,126              | 1,745,126             | 1,745,126                           | 0  | 3,500,000                           |  |
| 26   | 45,949                                   | 4,051                                      | 1,776,535              | 1,776,535             | 1,776,535                           | 0  | 3,500,000                           |  |
| 27   | 50,000                                   | 0  | 1,784,124              | 1,784,124             | 1,784,124                           | 0  | 3,500,000                           |  |
| 28   | 50,000                                   | 0  | 1,761,153              | 1,761,152             | 1,761,152                           | 0  | 3,500,001                           |  |
| 29   | 50,000                                   | 0  | 1,699,917              | 1,699,917             | 1,699,917                           | 0  | 3,500,000                           |  |
| 30   | 50,000                                   | 0  | 1,588,098              | 1,588,098             | 1,588,098                           | 0  | 3,500,000                           |  |
|      |  |  |                        |                       |                                     |  | 0                                   |  |
|      |  | 460,046                                    | 1,039,954              |                       |                                     |  |                                     |  |

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\*\*See Plan Recipient's Net Payment Analysis.

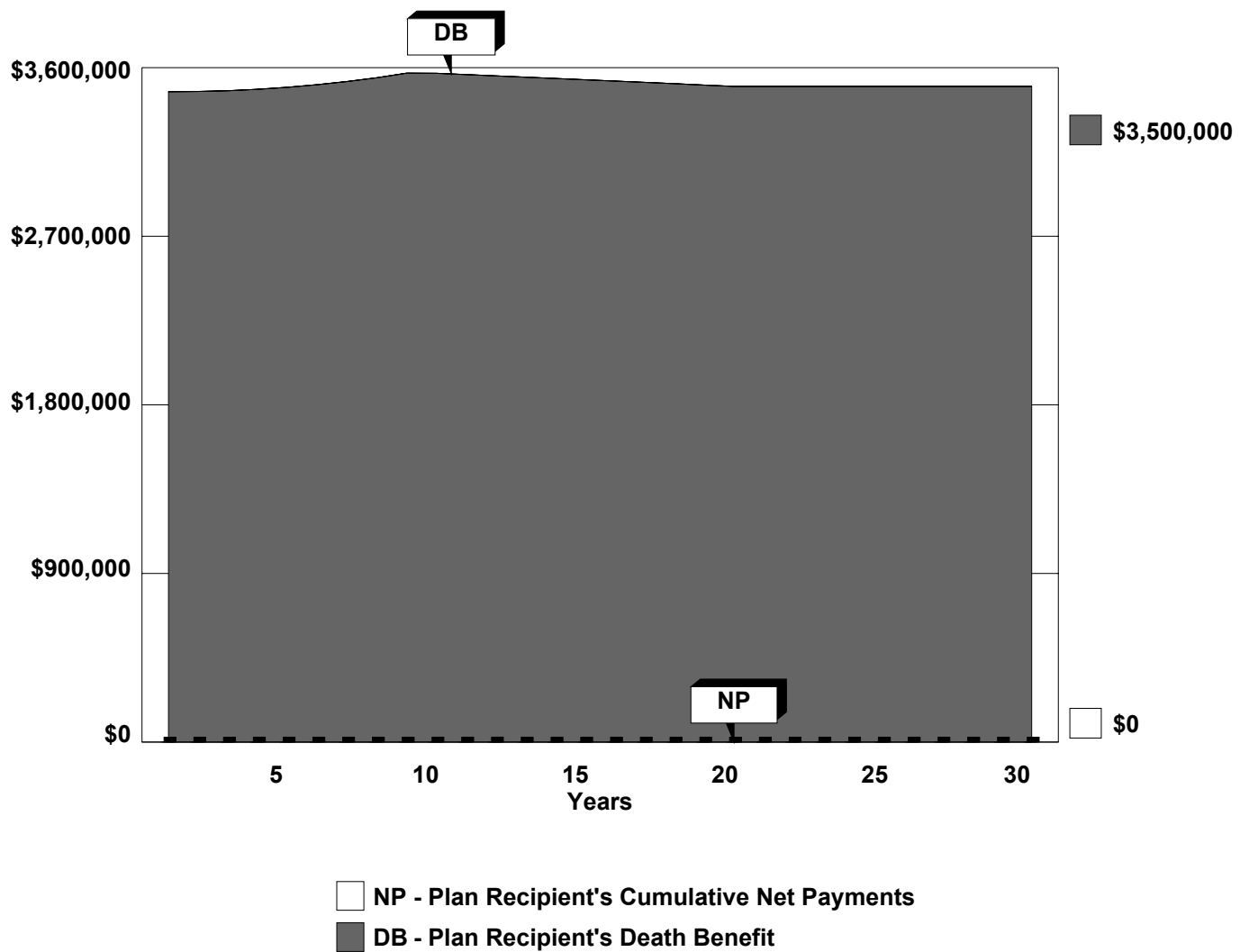
Split dollar arrangement presumed terminated in year 30.

# A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

## Plan Recipient's 30 Year Graphic Analysis



## Plan Sponsor's Payment Analysis

### A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Plan Sponsor's Page: 1

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

M/F                      UL  
Age                      Interest Rate  
65/60                      6.00%

| Year | Plan Sponsor's Gifts                 |  | Plan Sponsor's Costs                       |   |
|------|--------------------------------------|--|--|---|
|      | (1)<br>Gifts to<br>Plan<br>Recipient | (2)<br>Cumulative<br>Gifts to<br>Plan<br>Recipient | (3)<br>Split<br>Dollar<br>Premium<br>Share | (4)<br>Cum. Split<br>Dollar<br>Premium<br>Share |
| 1    | 276                                  | 276  | 49,724                                     | 49,724  |
| 2    | 342                                  | 618  | 49,658                                     | 99,382  |
| 3    | 431                                  | 1,049  | 49,569                                     | 148,951   |
| 4    | 549                                  | 1,598  | 49,451                                     | 198,402   |
| 5    | 697                                  | 2,295  | 49,303                                     | 247,705   |
| 6    | 883                                  | 3,178  | 49,117                                     | 296,822   |
| 7    | 1,109                                | 4,287  | 48,891                                     | 345,713   |
| 8    | 1,385                                | 5,672  | 48,615                                     | 394,328   |
| 9    | 1,707                                | 7,379  | 48,293                                     | 442,621   |
| 10   | 2,065                                | 9,444  | 47,935                                     | 490,556   |
| 11   | 2,489                                | 11,933   | 47,511                                     | 538,067   |
| 12   | 3,008                                | 14,941   | 46,992                                     | 585,059   |
| 13   | 3,663                                | 18,604   | 46,337                                     | 631,396   |
| 14   | 4,437                                | 23,041   | 45,563                                     | 676,959   |
| 15   | 5,383                                | 28,424   | 44,617                                     | 721,576   |
| 16   | 6,521                                | 34,945   | 43,479                                     | 765,055   |
| 17   | 7,934                                | 42,879   | 42,066                                     | 807,121   |
| 18   | 9,656                                | 52,535   | 40,344                                     | 847,465   |
| 19   | 11,644                               | 64,179   | 38,356                                     | 885,821   |
| 20   | 14,191                               | 78,370   | 35,809                                     | 921,630   |
|      | 78,370                               |  | 921,630                                    |   |

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Split dollar arrangement presumed terminated in year 30.

## Plan Sponsor's Payment Analysis

### A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Plan Sponsor's Page: 2

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

M/F                      UL  
Age                      Interest Rate  
65/60                    6.00%

| Year | Plan Sponsor's Gifts                 |  | Plan Sponsor's Costs                       |   |
|------|--------------------------------------|--|--|---|
|      | (1)<br>Gifts to<br>Plan<br>Recipient | (2)<br>Cumulative<br>Gifts to<br>Plan<br>Recipient | (3)<br>Split<br>Dollar<br>Premium<br>Share | (4)<br>Cum. Split<br>Dollar<br>Premium<br>Share |
| 21   | 17,373                               | 95,743   | 32,627                                     | 954,257   |
| 22   | 21,526                               | 117,269  | 28,474                                     | 982,731   |
| 23   | 26,433                               | 143,702  | 23,567                                     | 1,006,298                                       |
| 24   | 31,942                               | 175,644  | 18,058                                     | 1,024,356                                       |
| 25   | 38,453                               | 214,097  | 11,547                                     | 1,035,903                                       |
| 26   | 45,949                               | 260,046  | 4,051                                      | 1,039,954                                       |
| 27   | 50,000                               | 310,046  | 0  | 1,039,954                                       |
| 28   | 50,000                               | 360,046  | 0  | 1,039,954                                       |
| 29   | 50,000                               | 410,046  | 0  | 1,039,954                                       |
| 30   | 50,000                               | 460,046  | 0  | 1,039,954                                       |
|      | 460,046                              |  | 1,039,954                                  |   |

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Split dollar arrangement presumed terminated in year 30.

## Plan Recipient's Net Payment Analysis

### A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Plan Recipient's Page: 1

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

M/F  
Age  
65/60

| Net Payment Analysis |  |                                     |   |   |
|----------------------|--|-------------------------------------|---|---|
| Year                 | (1)<br>Plan<br>Recipient's<br>Split Dollar<br>Premium<br>Share | (2)<br>Gift from<br>Plan<br>Sponsor | (3)<br>Plan<br>Recipient's<br>Split Dollar<br>Net<br>Payment<br>(1)-(2) | (4)<br>Plan's<br>Additional<br>Imputed<br>Gift<br>Valuation |
| 1                    | 276  | 276                                 | 0   | 0   |
| 2                    | 342  | 342                                 | 0   | 0   |
| 3                    | 431  | 431                                 | 0   | 0   |
| 4                    | 549  | 549                                 | 0   | 0   |
| 5                    | 697  | 697                                 | 0   | 0   |
| 6                    | 883  | 883                                 | 0   | 0   |
| 7                    | 1,109  | 1,109                               | 0   | 0   |
| 8                    | 1,385  | 1,385                               | 0   | 0   |
| 9                    | 1,707  | 1,707                               | 0   | 0   |
| 10                   | 2,065  | 2,065                               | 0   | 0   |
| 11                   | 2,489  | 2,489                               | 0   | 0   |
| 12                   | 3,008  | 3,008                               | 0   | 0   |
| 13                   | 3,663  | 3,663                               | 0   | 0   |
| 14                   | 4,437  | 4,437                               | 0   | 0   |
| 15                   | 5,383  | 5,383                               | 0   | 0   |
| 16                   | 6,521  | 6,521                               | 0   | 0   |
| 17                   | 7,934  | 7,934                               | 0   | 0   |
| 18                   | 9,656  | 9,656                               | 0   | 0   |
| 19                   | 11,644   | 11,644                              | 0   | 0   |
| 20                   | 14,191   | 14,191                              | 0   | 0   |
|                      | 78,370   | 78,370                              | 0   | 0   |

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Assuming column (1) offsets the economic benefit for gift valuation, column (4) is this plan's additional imputed gift. (U.S. 38 rate calculation (Table 2001 based).)

## Plan Recipient's Net Payment Analysis

### A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Plan Recipient's Page: 2

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

M/F  
Age  
65/60

| Net Payment Analysis |  |                                     |   |   |
|----------------------|--|-------------------------------------|---|---|
| Year                 | (1)<br>Plan<br>Recipient's<br>Split Dollar<br>Premium<br>Share | (2)<br>Gift from<br>Plan<br>Sponsor | (3)<br>Plan<br>Recipient's<br>Split Dollar<br>Net<br>Payment<br>(1)-(2) | (4)<br>Plan's<br>Additional<br>Imputed<br>Gift<br>Valuation |
| 21                   | 17,373   | 17,373                              | 0   | 0   |
| 22                   | 21,526   | 21,526                              | 0   | 0   |
| 23                   | 26,433   | 26,433                              | 0   | 0   |
| 24                   | 31,942   | 31,942                              | 0   | 0   |
| 25                   | 38,453   | 38,453                              | 0   | 0   |
| 26                   | 45,949   | 45,949                              | 0   | 0   |
| 27                   | 50,000   | 50,000                              | 0   | 5,424   |
| 28                   | 50,000   | 50,000                              | 0   | 16,835  |
| 29                   | 50,000   | 50,000                              | 0   | 31,500  |
| 30                   | 50,000   | 50,000                              | 0   | 48,921  |
|                      | 460,046  | 460,046                             | 0   | 102,680   |

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Assuming column (1) offsets the economic benefit for gift valuation, column (4) is this plan's additional imputed gift. (U.S. 38 rate calculation (Table 2001 based).)

This page and the next are a repeat of the previous two pages showing the effect in Column (4) of the death of Richard and the resulting major increase in split dollar economic benefit that represents a gift of future interest to the trust. (Future interest gifts are not subject to available annual gift exclusions and are applied to the lifetime gift exemption after which they are taxable.)

## Plan Recipient's Net Payment Analysis

### A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Plan Recipient's Page: 1

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

M/F  
Age  
65/60

| Net Payment Analysis |  |                                     |   |   |
|----------------------|--|-------------------------------------|---|---|
| Year                 | (1)<br>Plan<br>Recipient's<br>Split Dollar<br>Premium<br>Share | (2)<br>Gift from<br>Plan<br>Sponsor | (3)<br>Plan<br>Recipient's<br>Split Dollar<br>Net<br>Payment<br>(1)-(2) | (4)<br>Plan's<br>Additional<br>Imputed<br>Gift<br>Valuation |
| 1                    | 276  | 276                                 | 0   | 0   |
| 2                    | 342  | 342                                 | 0   | 0   |
| 3                    | 431  | 431                                 | 0   | 0   |
| 4                    | 549  | 549                                 | 0   | 0   |
| 5                    | 697  | 697                                 | 0   | 0   |
| 6                    | 883  | 883                                 | 0   | 0   |
| 7                    | 1,109  | 1,109                               | 0   | 0   |
| 8                    | 1,385  | 1,385                               | 0   | 0   |
| 9                    | 1,707  | 1,707                               | 0   | 0   |
| 10                   | 2,065  | 2,065                               | 0   | 0   |
| 11                   | 2,489  | 2,489                               | 0   | 0   |
| 12                   | 3,008  | 3,008                               | 0   | 0   |
| 13                   | 3,663  | 3,663                               | 0   | 0   |
| 14                   | 4,437  | 4,437                               | 0   | 0   |
| 15                   | 5,383  | 5,383                               | 0   | 0 (Richard's death assumed during year 15)                  |
| 16                   | 50,000   | 50,000                              | 0   | 142,484   |
| 17                   | 50,000   | 50,000                              | 0   | 163,053   |
| 18                   | 50,000   | 50,000                              | 0   | 184,522   |
| 19                   | 50,000   | 50,000                              | 0   | 206,255   |
| 20                   | 50,000   | 50,000                              | 0   | 231,225   |
|                      | 278,424  | 278,424                             | 0   | 927,539   |

\*This is an example of an InsMark "supplemental" illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

Assuming column (1) offsets the economic benefit for gift valuation, column (4) is this plan's additional imputed gift. **(U.S. 38 rate calculation (Table 2001 based) for 15 yrs, thereafter single life Table 2001 rates utilized.)**

## Plan Recipient's Net Payment Analysis

### A Private Limited Collateral Assignment Split Dollar Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2001  
Plan Recipient's Page: 2

Plan Sponsor: Richard and Melissa Hunt  
Plan Recipient and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

M/F  
Age  
65/60

| Net Payment Analysis |  |                                     |   |   |
|----------------------|--|-------------------------------------|---|---|
| Year                 | (1)<br>Plan<br>Recipient's<br>Split Dollar<br>Premium<br>Share | (2)<br>Gift from<br>Plan<br>Sponsor | (3)<br>Plan<br>Recipient's<br>Split Dollar<br>Net<br>Payment<br>(1)-(2) | (4)<br>Plan's<br>Additional<br>Imputed<br>Gift<br>Valuation |
| 21                   | 50,000   | 50,000                              | 0   | <b>260,660</b>  |
| 22                   | 50,000   | 50,000                              | 0   | <b>297,060</b>  |
| 23                   | 50,000   | 50,000                              | 0   | <b>336,400</b>  |
| 24                   | 50,000   | 50,000                              | 0   | <b>376,475</b>  |
| 25                   | 50,000   | 50,000                              | 0   | <b>416,900</b>  |
| 26                   | 50,000   | 50,000                              | 0   | <b>455,050</b>  |
| 27                   | 50,000   | 50,000                              | 0   | <b>495,300</b>  |
| 28                   | 50,000   | 50,000                              | 0   | <b>540,625</b>  |
| 29                   | 50,000   | 50,000                              | 0   | <b>602,540</b>  |
| 30                   | 50,000   | 50,000                              | 0   | <b>673,450</b>  |
|                      | 778,424  | 778,424                             | 0   | <b>5,381,999</b>  |

\*This is an example of an InsMark "supplemental" illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

Assuming column (1) offsets the economic benefit for gift valuation, column (4) is this plan's additional imputed gift.  
**(U.S. 38 rate calculation (Table 2001 based) for 15 yrs, thereafter single life Table 2001 rates utilized.)**

# A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872)

## Highlights of the Plan

This plan involves a series of promissory notes between a Lender -- usually a parent or grandparent -- and an irrevocable trust formed on behalf of children or grandchildren. The plan is designed to operate within the IRC Section 7872 safe harbor of IRS Notice 2002-8.

**The Promissory Notes:** The transaction involves successive term loans in which the Lender lends funds to the trust which uses the borrowed funds to purchase a life insurance policy usually on the life of the Lender and/or spouse. The policy is assigned to the Lender as security for the loans, and each loan is due within a specific term of years. If the Lender dies before the loans are repaid, the promissory notes call for the immediate repayment of the loans. None of the loans should require use of the Lender's annual gift exclusion and/or lifetime gift exemption, thus this portion of the transaction should have no restrictive funding limitations.

**Loan Interest:** Interest on each loan can be paid in cash or accrued, i.e., added to the loan. The interest rate for the life of each loan is set to the long-term rate in effect at the beginning of the loan under IRC Section 7872. Under this code section, 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 trust. 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). The long-term rate in effect for the month in which this report is written (February 2003) is 4.85%.

The accompanying material illustrates a constant 4.85% interest rate on the entire series of loans illustrated; however, the loan interest rate for each new loan will likely be different. Each future loan should bear at least the appropriate Sec. 7872 loan interest rate in effect during the month the new loan is executed, and each new loan should be evidenced by its own promissory note, as well.

There are four ways to deal with unknown future Sec. 7872 loan interest rates:

1. Accept the risk: If the loan interest is paid in cash, gifts to the trust for its loan interest are immediately returned in the form of non-taxable interest, so it makes little difference in most cases if the loan interest varies.
2. Accrue additional loan interest: If the loan interest rate increases, do not increase the gifts to the trust that provide it with funds to pay the loan interest. The trust could accrue the additional loan interest or withdraw funds from the policy to make up the difference in the loan interest due.
3. Renegotiate the loans: Wait until a time when the Sec. 7872 rate 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. Change the plan design: Consolidate all loans at the inception of the plan. In this case, the loaned funds in excess of those needed to pay the policy's initial premium should be reserved by the trustee and used to pay the remaining stream of premiums as they fall due.

The accompanying calculations assume the trust is a so-called "intentionally defective" grantor trust, and additional gifts to the trust are usually scheduled to offset any loan interest due by the trust. The Lender is assumed to be the grantor of the trust and, due to grantor trust rules, there is no income tax due by the Lender on such loan interest received, i.e., the Lender and the trust are a single income tax entity. (IRC Section 671 and 675, IRS Reg. 1.671-2(c) and Rev. Rul. 85-13.) Thus, if gifts for loan interest are made, they are returned at once as non-taxable loan interest.

**The Plan's Leverage:** There are two possible sources of leverage: 1) The potential spread in value between the policy's values and the loans and 2) Since the loaned funds should not apply against the Lender's (and his/her spouse's) lifetime gift exemption or annual gift exclusions, significantly greater amounts than usual can be allocated to the trust without incurring gift or estate taxes.

**Taxation At Death:** The life insurance payable to the trust should be free of all estate transfer taxes as the presence of the loans to the trust should not contaminate the estate tax free nature of the life insurance death benefit (PLR 9809032). The promissory notes are repayable by the trust at the end of the term of years specified in each promissory note or at the death of the Lender, whichever occurs first, and repayment proceeds triggered by the death of the Lender will be subject to estate settlement costs in the estate of the Lender. If there is any accrued loan interest included in the repayment proceeds, there should be no income tax consequences to the Lender's estate on the loan interest component since, as indicated above, the Lender and the trust are a single income tax entity.

**Policy Loans:** The trustee of the trust can borrow policy cash values in excess of those that collateralize the promissory notes and any accrued interest and, if deemed appropriate by the trustee, these policy loans can be used to provide cash flow to trust beneficiaries. The trustee can also use policy loans for promissory note repayments or loan interest payments.

Note: Policy loans reduce cash values and death benefits, and the lapse of a loaned policy could result in severe tax ramifications to the policy owner. Be sure to consult your professional tax adviser if you have any questions about this issue.

### **Important Note**

This report and the accompanying material are not a substitute for advice from legal and tax advisers of all participants, and the accompanying plan, or any variation thereof, should not be utilized without their specific review and approval.

This report was written February 20, 2003.

# **A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872)**

## **Supplemental Report: Duration of Loans**

The accompanying illustrations reflect loans that may remain in effect for at least 28 years. Consequently, the 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 established under IRC Section 7872 of 4.85% for February 2003. Other Applicable Federal Rates in effect for February 2003 are:

Mid-term loans (over 3 years but not over 9): 3.27%;

Short-term loans (3 years or less): 1.65%;

Demand loans: 1.65%.

The demand loan rate changes monthly for the duration of a demand loan -- a dangerous 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; however, this rate is available only for loans in effect for the entire calendar year. The 2004 blended rate for demand loans will not be announced until late June 2004.

Stability of loan interest is an important component of any plan involving loans, and the demand, short-term, and mid-term rates, while attractive, are stable only for the duration of the loan. A spike 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 at least 28 years, long-term loans produce 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".

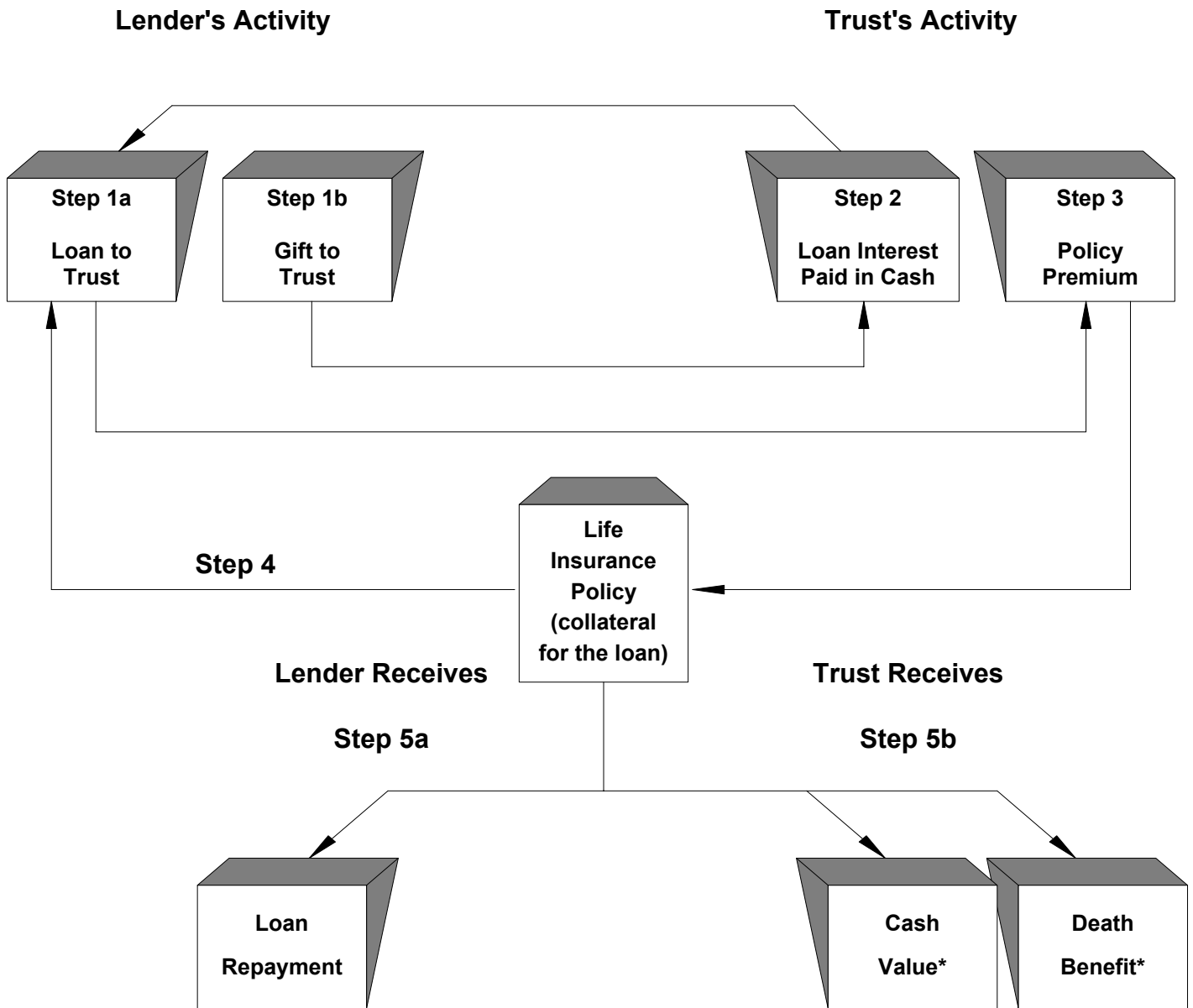
Due to the stability of the long-term Applicable Federal Rate coupled with the ability to renegotiate it downward, it is strongly recommended that you establish your plan using long-term loans only. While you may choose to establish your plan using other than long-term loans, be certain your own legal and tax advisers concur in your decision to do so. (Specimen documents are available for loans of all durations.)

# A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872) Funded With Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

## Flow Chart Analysis



\*Net of loan repayment.

## Illustration of Values

### A Private Leveraged Benefit Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003  
Values Page: 1

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

|      |       | M/F<br>Age<br>67/62 | UL<br>Interest Rate<br>6.00%   | Initial<br>Payment<br>50,000 | Initial Policy<br>Death Benefit<br>3,500,000 |                  |  |  |
|------|-------|---------------------|--------------------------------|------------------------------|--|------------------|--|--|
|      |       | (1)                 | (2)                            | (3)                          | (4)  | (5)              |  |  |
| Year | Ages  | Policy<br>Premium   | Pre-Tax<br>Policy<br>Cash Flow | Year End<br>Accum<br>Value*  | Year End<br>Cash<br>Value*                   | Death<br>Benefit |  |  |
| 1    | 67/62 | 50,000              | 0                              | 125,543                      | 32,443                                       | 3,625,543        |  |  |
| 2    | 68/63 | 50,000              | 0                              | 182,509                      | 89,409                                       | 3,682,509        |  |  |
| 3    | 69/64 | 50,000              | 0                              | 242,657                      | 149,557                                      | 3,742,657        |  |  |
| 4    | 70/65 | 50,000              | 0                              | 305,892                      | 217,447                                      | 3,805,892        |  |  |
| 5    | 71/66 | 50,000              | 0                              | 371,289                      | 287,499                                      | 3,871,289        |  |  |
| 6    | 72/67 | 50,000              | 0                              | 440,548                      | 361,412                                      | 3,940,548        |  |  |
| 7    | 73/68 | 50,000              | 0                              | 512,922                      | 438,442                                      | 4,012,922        |  |  |
| 8    | 74/69 | 50,000              | 0                              | 588,356                      | 518,531                                      | 4,088,357        |  |  |
| 9    | 75/70 | 50,000              | 0                              | 665,880                      | 603,038                                      | 4,165,880        |  |  |
| 10   | 76/71 | 50,000              | 0                              | 745,716                      | 689,856                                      | 4,245,717        |  |  |
| 11   | 77/72 | 50,000              | 0                              | 826,111                      | 777,233                                      | 4,326,111        |  |  |
| 12   | 78/73 | 50,000              | 0                              | 906,668                      | 864,773                                      | 4,406,668        |  |  |
| 13   | 79/74 | 50,000              | 0                              | 989,477                      | 954,564                                      | 4,489,477        |  |  |
| 14   | 80/75 | 50,000              | 0                              | 1,074,683                    | 1,046,753                                    | 4,574,684        |  |  |
| 15   | 81/76 | 50,000              | 0                              | 1,161,579                    | 1,140,632                                    | 4,661,580        |  |  |
| 16   | 82/77 | 50,000              | 0                              | 1,248,371                    | 1,234,406                                    | 4,748,371        |  |  |
| 17   | 83/78 | 50,000              | 0                              | 1,333,235                    | 1,326,253                                    | 4,833,235        |  |  |
| 18   | 84/79 | 50,000              | 0                              | 1,415,182                    | 1,415,182                                    | 4,915,182        |  |  |
| 19   | 85/80 | 50,000              | 0                              | 1,493,634                    | 1,493,634                                    | 4,993,635        |  |  |
| 20   | 86/81 | 50,000              | 0                              | 1,567,717                    | 1,567,717                                    | 5,067,717        |  |  |
|      |       | 1,000,000           | 0                              |                              |  |                  |  |  |

\*This is an example of an InsMark "supplemental" illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

## Illustration of Values

### A Private Leveraged Benefit Plan Using Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003  
Values Page: 2

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

|      |       | M/F<br>Age<br>67/62 | UL<br>Interest Rate<br>6.00%   | Initial<br>Payment<br>50,000 | Initial Policy<br>Death Benefit<br>3,500,000 |                  |  |  |  |
|------|-------|---------------------|--------------------------------|------------------------------|--|------------------|--|--|--|
|      |       | (1)                 | (2)                            | (3)                          | (4)  | (5)              |  |  |  |
| Year | Ages  | Policy<br>Premium   | Pre-Tax<br>Policy<br>Cash Flow | Year End<br>Accum<br>Value*  | Year End<br>Cash<br>Value*                   | Death<br>Benefit |  |  |  |
| 21   | 87/82 | 50,000              | 0                              | 1,635,935                    | 1,635,935                                    | 5,135,935        |  |  |  |
| 22   | 88/83 | 50,000              | 0                              | 1,696,308                    | 1,696,308                                    | 5,196,308        |  |  |  |
| 23   | 89/84 | 50,000              | 0                              | 1,745,126                    | 1,745,126                                    | 5,245,126        |  |  |  |
| 24   | 90/85 | 50,000              | 0                              | 1,776,535                    | 1,776,535                                    | 5,276,535        |  |  |  |
| 25   | 91/86 | 50,000              | 0                              | 1,784,124                    | 1,784,124                                    | 5,284,124        |  |  |  |
| 26   | 92/87 | 50,000              | 0                              | 1,761,153                    | 1,761,152                                    | 5,261,153        |  |  |  |
| 27   | 93/88 | 50,000              | 0                              | 1,699,917                    | 1,699,917                                    | 5,199,917        |  |  |  |
| 28   | 94/89 | 50,000              | 0                              | 1,588,098                    | 1,588,098                                    | 5,088,098        |  |  |  |
|      |       | 1,400,000           | 0                              |                              |  |                  |  |  |  |

\*This is an example of an InsMark "supplemental" illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

## Summary of the Plan

### A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872) Funded With Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003  
Summary Page: 1

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

M/F                      UL  
Age                      Interest Rate  
67/62                    6.00%  
Initial Policy  
Death Benefit  
3,500,000

|      |       | Gift and Loan Summary                  |  |                                       | Analysis of the Collateral         |                                   |                                     |
|------|-------|--|--|---------------------------------------|------------------------------------|-----------------------------------|-------------------------------------|
| Year | Ages  | (1)<br>Gift to<br>Trust for<br>Premium | (2)<br>Loan to<br>Trust for<br>Premium** | (3)<br>Year End<br>Balance of<br>Loan | (4)<br>Year End<br>Accum<br>Value* | (5)<br>Year End<br>Cash<br>Value* | (6)<br>Year End<br>Death<br>Benefit |
|      |       |  |  |                                       | Universal Life (UL)                |                                   |                                     |
| 1    | 67/62 | 0                                      | 149,382                                  | 149,382                               | 125,543                            | 32,443                            | 3,625,543                           |
| 2    | 68/63 | 0                                      | 50,000                                   | 199,382                               | 182,509                            | 89,409                            | 3,682,509                           |
| 3    | 69/64 | 0                                      | 50,000                                   | 249,382                               | 242,657                            | 149,557                           | 3,742,657                           |
| 4    | 70/65 | 0                                      | 50,000                                   | 299,382                               | 305,892                            | 217,447                           | 3,805,892                           |
| 5    | 71/66 | 0                                      | 50,000                                   | 349,382                               | 371,289                            | 287,499                           | 3,871,289                           |
| 6    | 72/67 | 0                                      | 50,000                                   | 399,382                               | 440,548                            | 361,412                           | 3,940,548                           |
| 7    | 73/68 | 0                                      | 50,000                                   | 449,382                               | 512,922                            | 438,442                           | 4,012,922                           |
| 8    | 74/69 | 0                                      | 50,000                                   | 499,382                               | 588,356                            | 518,531                           | 4,088,357                           |
| 9    | 75/70 | 0                                      | 50,000                                   | 549,382                               | 665,880                            | 603,038                           | 4,165,880                           |
| 10   | 76/71 | 0                                      | 50,000                                   | 599,382                               | 745,716                            | 689,856                           | 4,245,717                           |
| 11   | 77/72 | 0                                      | 50,000                                   | 649,382                               | 826,111                            | 777,233                           | 4,326,111                           |
| 12   | 78/73 | 0                                      | 50,000                                   | 699,382                               | 906,668                            | 864,773                           | 4,406,668                           |
| 13   | 79/74 | 0                                      | 50,000                                   | 749,382                               | 989,477                            | 954,564                           | 4,489,477                           |
| 14   | 80/75 | 0                                      | 50,000                                   | 799,382                               | 1,074,683                          | 1,046,753                         | 4,574,684                           |
| 15   | 81/76 | 0                                      | 50,000                                   | 849,382                               | 1,161,579                          | 1,140,632                         | 4,661,580                           |
| 16   | 82/77 | 0                                      | 50,000                                   | 899,382                               | 1,248,371                          | 1,234,406                         | 4,748,371                           |
| 17   | 83/78 | 0                                      | 50,000                                   | 949,382                               | 1,333,235                          | 1,326,253                         | 4,833,235                           |
| 18   | 84/79 | 0                                      | 50,000                                   | 999,382                               | 1,415,182                          | 1,415,182                         | 4,915,182                           |
| 19   | 85/80 | 0                                      | 50,000                                   | 1,049,382                             | 1,493,634                          | 1,493,634                         | 4,993,635                           |
| 20   | 86/81 | 0                                      | 50,000                                   | 1,099,382                             | 1,567,717                          | 1,567,717                         | 5,067,717                           |
|      |       | 0                                      | 1,099,382                                |                                       |                                    |                                   |                                     |

**\*\*\$99,382 of the \$149,382 value in year 1 represents the prior amounts due the lender under the Private Split Dollar arrangement being converted to this plan.**

\*This is an example of an InsMark "supplemental" illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

|                        | Living Values | Death Benefit |
|------------------------|---------------|---------------|
| UL:                    | 1,567,717     | 5,067,717     |
| Loan Repayment Due:    | 1,099,382     | 1,099,382     |
| Value to Policy Owner: | 468,335       | 3,968,335     |

## Summary of the Plan

### A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872) Funded With Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003  
Summary Page: 2

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

|                     |                              |  |
|---------------------|------------------------------|--|
| M/F<br>Age<br>67/62 | UL<br>Interest Rate<br>6.00% | Initial Policy<br>Death Benefit<br>3,500,000 |
|---------------------|------------------------------|--|

|      |       | Gift and Loan Summary           |                                 |                                | Analysis of the Collateral  |                            |                              |
|------|-------|---------------------------------|---------------------------------|--------------------------------|-----------------------------|----------------------------|------------------------------|
|      |       | (1)                             | (2)                             | (3)                            | (4)                         | (5)<br>Universal Life (UL) | (6)                          |
| Year | Ages  | Gift to<br>Trust for<br>Premium | Loan to<br>Trust for<br>Premium | Year End<br>Balance of<br>Loan | Year End<br>Accum<br>Value* | Year End<br>Cash<br>Value* | Year End<br>Death<br>Benefit |
| 21   | 87/82 | 0                               | 50,000                          | 1,149,382                      | 1,635,935                   | 1,635,935                  | 5,135,935                    |
| 22   | 88/83 | 0                               | 50,000                          | 1,199,382                      | 1,696,308                   | 1,696,308                  | 5,196,308                    |
| 23   | 89/84 | 0                               | 50,000                          | 1,249,382                      | 1,745,126                   | 1,745,126                  | 5,245,126                    |
| 24   | 90/85 | 0                               | 50,000                          | 1,299,382                      | 1,776,535                   | 1,776,535                  | 5,276,535                    |
| 25   | 91/86 | 0                               | 50,000                          | 1,349,382                      | 1,784,124                   | 1,784,124                  | 5,284,124                    |
| 26   | 92/87 | 0                               | 50,000                          | 1,399,382                      | 1,761,153                   | 1,761,152                  | 5,261,153                    |
| 27   | 93/88 | 0                               | 50,000                          | 1,449,382                      | 1,699,917                   | 1,699,917                  | 5,199,917                    |
| 28   | 94/89 | 0                               | 50,000                          | 1,499,382                      | 1,588,098                   | 1,588,098                  | 5,088,098                    |

|   |           |
|---|-----------|
| 0 | 1,499,382 |
|---|-----------|

#### 28 Year Analysis

|                        | Living Values | Death Benefit |
|------------------------|---------------|---------------|
| UL:                    | 1,588,098     | 5,088,098     |
| Loan Repayment Due:    | 1,499,382     | 1,499,382     |
| Value to Policy Owner: | 88,716        | 3,588,716     |

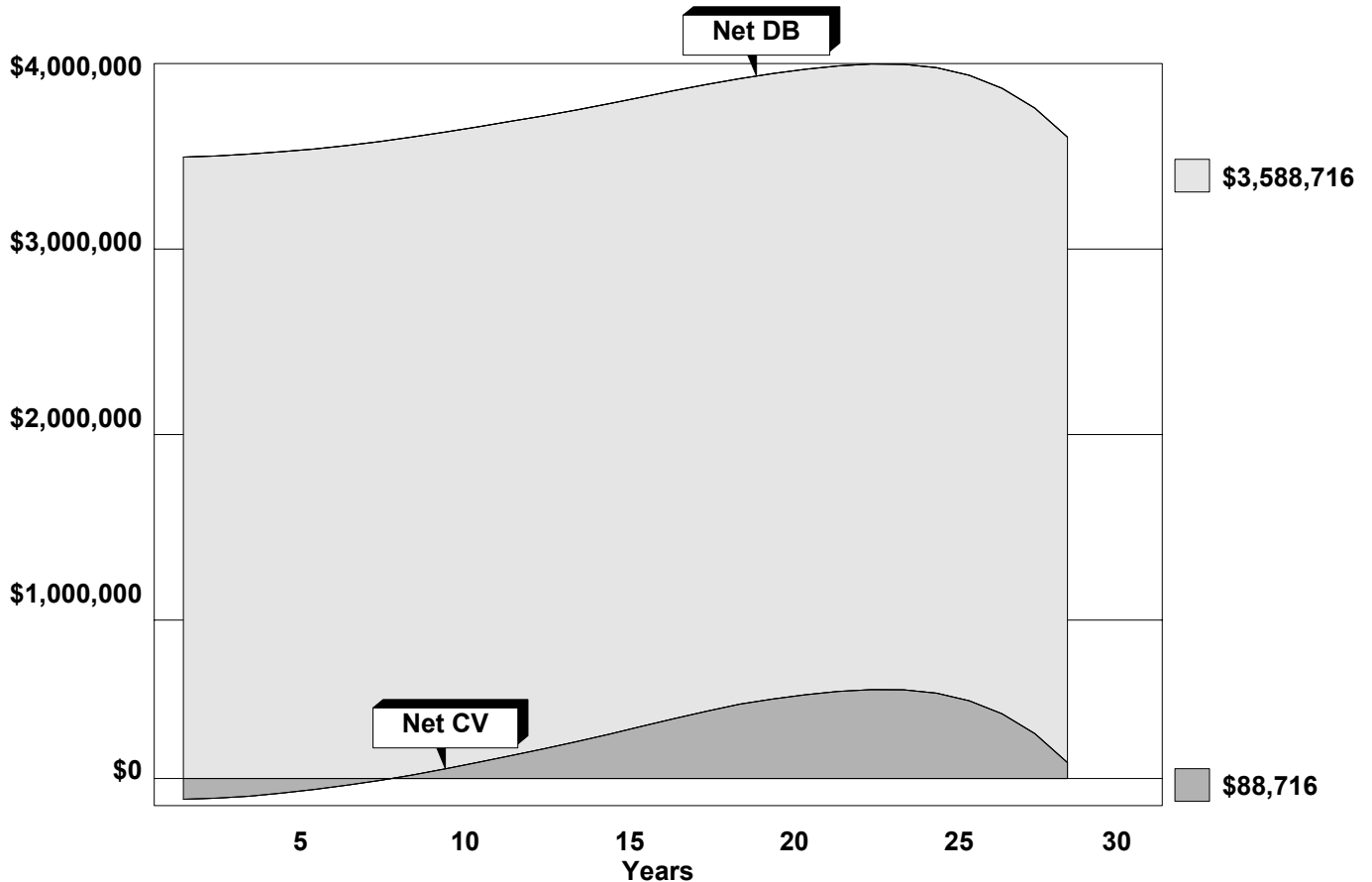
\*This is an example of an InsMark "supplemental" illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

# A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872) Funded With Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

## Trust's 28 Year Graphic Analysis



- Net CV - Trust's Cash Value Less Cum. Loan Due Lender
- Net DB - Trust's Estate Tax Free Death Benefit Less Cum. Loan Due Lender

## Promissory Note Analysis

### A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872) Funded With Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003  
Promissory Note Analysis Page: 1

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

|      |       | M/F<br>Age                       | IRC Sec. 7872<br>Long Term Rate | Promissory Note<br>Interest Rate         |                                |  |
|------|-------|----------------------------------|---------------------------------|--|--------------------------------|--|
|      |       | 67/62                            | 4.85%                           | 4.85%                                    |                                |  |
|      |       | (1)                              | (2)                             | (3)                                      | (4)                            |  |
| Year | Ages  | Loan to<br>Trust for<br>Premium* | Loan<br>Interest<br>Due         | Gift to<br>Trust<br>for Loan<br>Interest | Year End<br>Balance of<br>Loan |  |
| 1    | 67/62 | 149,382                          | 7,245                           | 7,245                                    | 149,382                        |  |
| 2    | 68/63 | 50,000                           | 9,670                           | 9,670                                    | 199,382                        |  |
| 3    | 69/64 | 50,000                           | 12,095                          | 12,095                                   | 249,382                        |  |
| 4    | 70/65 | 50,000                           | 14,520                          | 14,520                                   | 299,382                        |  |
| 5    | 71/66 | 50,000                           | 16,945                          | 16,945                                   | 349,382                        |  |
| 6    | 72/67 | 50,000                           | 19,370                          | 19,370                                   | 399,382                        |  |
| 7    | 73/68 | 50,000                           | 21,795                          | 21,795                                   | 449,382                        |  |
| 8    | 74/69 | 50,000                           | 24,220                          | 24,220                                   | 499,382                        |  |
| 9    | 75/70 | 50,000                           | 26,645                          | 26,645                                   | 549,382                        |  |
| 10   | 76/71 | 50,000                           | 29,070                          | 29,070                                   | 599,382                        |  |
| 11   | 77/72 | 50,000                           | 31,495                          | 31,495                                   | 649,382                        |  |
| 12   | 78/73 | 50,000                           | 33,920                          | 33,920                                   | 699,382                        |  |
| 13   | 79/74 | 50,000                           | 36,345                          | 36,345                                   | 749,382                        |  |
| 14   | 80/75 | 50,000                           | 38,770                          | 38,770                                   | 799,382                        |  |
| 15   | 81/76 | 50,000                           | 41,195                          | 41,195                                   | 849,382                        |  |
| 16   | 82/77 | 50,000                           | 43,620                          | 43,620                                   | 899,382                        |  |
| 17   | 83/78 | 50,000                           | 46,045                          | 46,045                                   | 949,382                        |  |
| 18   | 84/79 | 50,000                           | 48,470                          | 48,470                                   | 999,382                        |  |
| 19   | 85/80 | 50,000                           | 50,895                          | 50,895                                   | 1,049,382                      |  |
| 20   | 86/81 | 50,000                           | 53,320                          | 53,320                                   | 1,099,382                      |  |
|      |       | 1,099,382                        | 605,650                         | 605,650                                  |                                |  |

\*\$99,382 of the \$149,382 value in year 1 represents the prior amounts due the lender under the Private Split Dollar arrangement being converted to this plan.

See accompanying Private Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rate.

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

The promissory note associated with this plan is due in 28 years or at the prior death of the insureds.

## Promissory Note Analysis

### A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872) Funded With Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003  
Promissory Note Analysis Page: 2

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

|      | M/F<br>Age | IRC Sec. 7872<br>Long Term Rate | Promissory Note<br>Interest Rate |  |                                |
|------|------------|---------------------------------|----------------------------------|--|--------------------------------|
|      | 67/62      | 4.85%                           | 4.85%                            |  |                                |
|      |            | (1)                             | (2)                              | (3)                                      | (4)                            |
| Year | Ages       | Loan to<br>Trust for<br>Premium | Loan<br>Interest<br>Due          | Gift to<br>Trust<br>for Loan<br>Interest | Year End<br>Balance of<br>Loan |
| 21   | 87/82      | 50,000                          | 55,745                           | 55,745                                   | 1,149,382                      |
| 22   | 88/83      | 50,000                          | 58,170                           | 58,170                                   | 1,199,382                      |
| 23   | 89/84      | 50,000                          | 60,595                           | 60,595                                   | 1,249,382                      |
| 24   | 90/85      | 50,000                          | 63,020                           | 63,020                                   | 1,299,382                      |
| 25   | 91/86      | 50,000                          | 65,445                           | 65,445                                   | 1,349,382                      |
| 26   | 92/87      | 50,000                          | 67,870                           | 67,870                                   | 1,399,382                      |
| 27   | 93/88      | 50,000                          | 70,295                           | 70,295                                   | 1,449,382                      |
| 28   | 94/89      | 50,000                          | 72,720                           | 72,720                                   | 1,499,382                      |
|      |            | 1,499,382                       | 1,119,510                        | 1,119,510                                |                                |

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

See accompanying Private Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rate.

The promissory note associated with this plan is due in 28 years or at the prior death of the insureds.

## Gift Analysis

### A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872) Funded With Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003  
Gift Analysis Page: 1

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

|      |       | M/F<br>Age<br>67/62                  | Annual Gift<br>Exclusions<br>4                           | Beginning Lifetime<br>Gift Exemption<br>2,000,000             |  |   |   |  |
|------|-------|--------------------------------------|--|---|--|---|---|--|
| Year | Ages  | (1)<br>Lifetime<br>Gift<br>Exemption | (2)<br>Annual<br>Gift<br>Exclusion<br>Indexed<br>@ 3.00% | (3)<br>Maximum<br>Tax Free<br>Gifts<br>Available<br>(1) + (2) | (4)<br>Gift to<br>Trust for<br>Premium | (5)<br>Gift to<br>Trust<br>for Loan<br>Interest | (6)<br>Total<br>Gift to<br>Trust<br>(4) + (5) | (7)<br>Remaining<br>Tax Free<br>Gifts<br>Available |
| 1    | 67/62 | 2,000,000                            | 44,000   | 2,044,000   | 0                                      | 7,245   | 7,245   | 2,036,755  |
| 2    | 68/63 | 2,000,000                            | 44,000   | 2,044,000   | 0                                      | 9,670   | 9,670   | 2,034,330  |
| 3    | 69/64 | 2,000,000                            | 48,000   | 2,048,000   | 0                                      | 12,095  | 12,095  | 2,035,905  |
| 4    | 70/65 | 2,000,000                            | 48,000   | 2,048,000   | 0                                      | 14,520  | 14,520  | 2,033,480  |
| 5    | 71/66 | 2,000,000                            | 48,000   | 2,048,000   | 0                                      | 16,945  | 16,945  | 2,031,055  |
| 6    | 72/67 | 2,000,000                            | 52,000   | 2,052,000   | 0                                      | 19,370  | 19,370  | 2,032,630  |
| 7    | 73/68 | 2,000,000                            | 52,000   | 2,052,000   | 0                                      | 21,795  | 21,795  | 2,030,205  |
| 8    | 74/69 | 2,000,000                            | 52,000   | 2,052,000   | 0                                      | 24,220  | 24,220  | 2,027,780  |
| 9    | 75/70 | 2,000,000                            | 56,000   | 2,056,000   | 0                                      | 26,645  | 26,645  | 2,029,355  |
| 10   | 76/71 | 2,000,000                            | 56,000   | 2,056,000   | 0                                      | 29,070  | 29,070  | 2,026,930  |
| 11   | 77/72 | 2,000,000                            | 60,000   | 2,060,000   | 0                                      | 31,495  | 31,495  | 2,028,505  |
| 12   | 78/73 | 2,000,000                            | 60,000   | 2,060,000   | 0                                      | 33,920  | 33,920  | 2,026,080  |
| 13   | 79/74 | 2,000,000                            | 64,000   | 2,064,000   | 0                                      | 36,345  | 36,345  | 2,027,655  |
| 14   | 80/75 | 2,000,000                            | 64,000   | 2,064,000   | 0                                      | 38,770  | 38,770  | 2,025,230  |
| 15   | 81/76 | 2,000,000                            | 68,000   | 2,068,000   | 0                                      | 41,195  | 41,195  | 2,026,805  |
| 16   | 82/77 | 2,000,000                            | 68,000   | 2,068,000   | 0                                      | 43,620  | 43,620  | 2,024,380  |
| 17   | 83/78 | 2,000,000                            | 72,000   | 2,072,000   | 0                                      | 46,045  | 46,045  | 2,025,955  |
| 18   | 84/79 | 2,000,000                            | 72,000   | 2,072,000   | 0                                      | 48,470  | 48,470  | 2,023,530  |
| 19   | 85/80 | 2,000,000                            | 76,000   | 2,076,000   | 0                                      | 50,895  | 50,895  | 2,025,105  |
| 20   | 86/81 | 2,000,000                            | 76,000   | 2,076,000   | 0                                      | 53,320  | 53,320  | 2,022,680  |
|      |       |                                      | 1,180,000  |   | 0                                      | 605,650   | 605,650                                       |  |

Column (1) is in accordance with the estate tax rules enacted in June 2001.

## Gift Analysis

### A Private Leveraged Benefit Plan (Using Guidelines from IRC Section 7872) Funded With Universal Life (UL)

Presented By: [Licensed user's name appears here]  
Date: 02/20/2003  
Gift Analysis Page: 2

Lender and Trust Grantor: Richard Hunt  
Borrower and Policy Owner: Hunt Family Trust  
Insureds: Richard Hunt/Melissa Hunt

|      |       | M/F<br>Age<br>67/62           | Annual Gift<br>Exclusions<br>4                    | Beginning Lifetime<br>Gift Exemption<br>2,000,000      |                                 |  |  |   |
|------|-------|-------------------------------|---|--|---------------------------------|--|--|---|
|      |       | (1)                           | (2)   | (3)  | (4)                             | (5)                                      | (6)                                    | (7)   |
| Year | Ages  | Lifetime<br>Gift<br>Exemption | Annual<br>Gift<br>Exclusion<br>Indexed<br>@ 3.00% | Maximum<br>Tax Free<br>Gifts<br>Available<br>(1) + (2) | Gift to<br>Trust for<br>Premium | Gift to<br>Trust<br>for Loan<br>Interest | Total<br>Gift to<br>Trust<br>(4) + (5) | Remaining<br>Tax Free<br>Gifts<br>Available |
| 21   | 87/82 | 2,000,000                     | 80,000  | 2,080,000  | 0                               | 55,745                                   | 55,745                                 | 2,024,255                                   |
| 22   | 88/83 | 2,000,000                     | 84,000  | 2,084,000  | 0                               | 58,170                                   | 58,170                                 | 2,025,830                                   |
| 23   | 89/84 | 2,000,000                     | 84,000  | 2,084,000  | 0                               | 60,595                                   | 60,595                                 | 2,023,405                                   |
| 24   | 90/85 | 2,000,000                     | 88,000  | 2,088,000  | 0                               | 63,020                                   | 63,020                                 | 2,024,980                                   |
| 25   | 91/86 | 2,000,000                     | 92,000  | 2,092,000  | 0                               | 65,445                                   | 65,445                                 | 2,026,555                                   |
| 26   | 92/87 | 2,000,000                     | 92,000  | 2,092,000  | 0                               | 67,870                                   | 67,870                                 | 2,024,130                                   |
| 27   | 93/88 | 2,000,000                     | 96,000  | 2,096,000  | 0                               | 70,295                                   | 70,295                                 | 2,025,705                                   |
| 28   | 94/89 | 2,000,000                     | 100,000   | 2,100,000  | 0                               | 72,720                                   | 72,720                                 | 2,027,280                                   |
|      |       | 1,896,000                     |   |  | 0                               | 1,119,510                                | 1,119,510                              |   |

Column (1) is in accordance with the estate tax rules enacted in June 2001.