

Limited Collateral Assignment Split Dollar

For: Matthew Fox/Catherine Fox



Presented By: _____

[Licensed user's name appears here]

Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Fox and Fox Realty, Inc.

Preface

Of all the strategies used by employers to provide unique fringe benefits for a valuable executive who is also a controlling stockholder, this split dollar arrangement is one of the most effective.

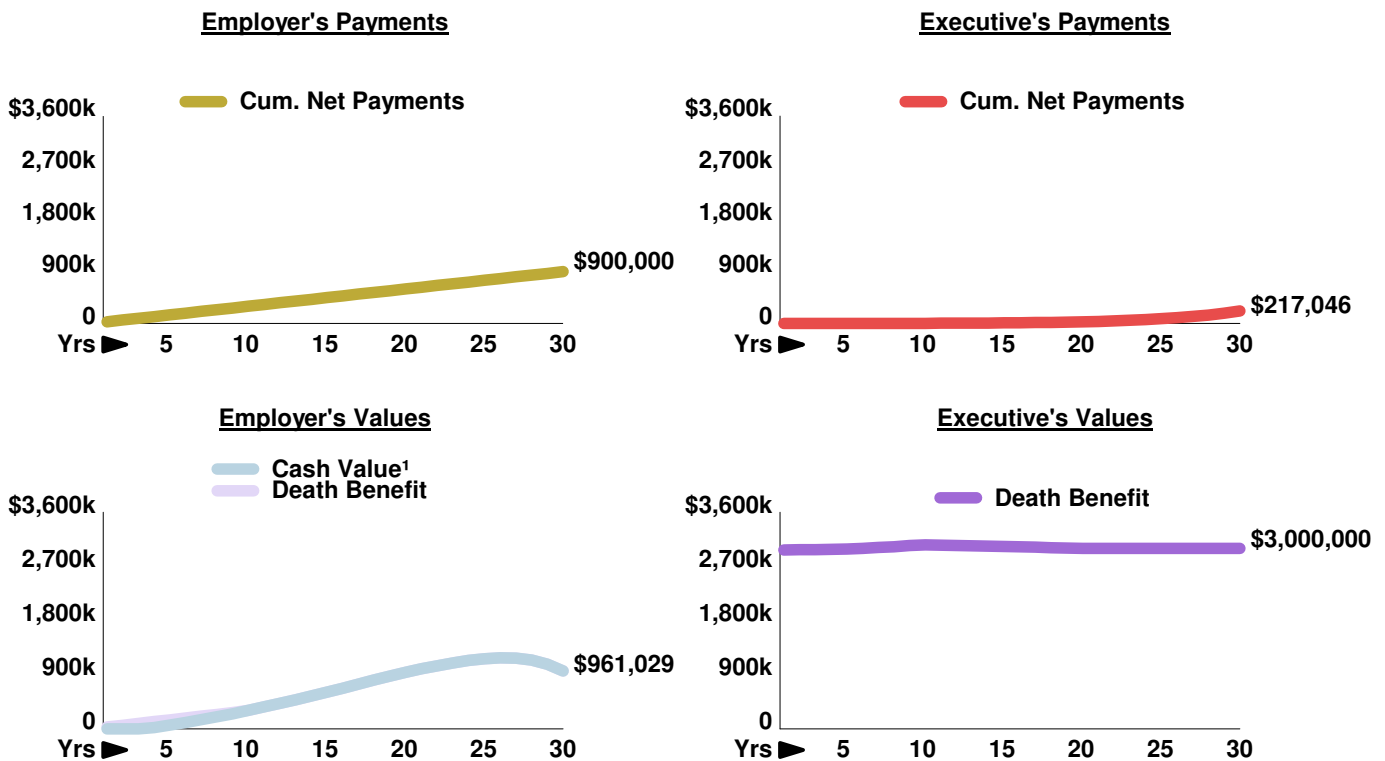
With this plan, the employer pays all (or substantially all) of the premiums due on a cash value life insurance policy on the life of the executive.

The policy is typically owned by an irrevocable trust formed by the executive but, in order to address issues raised by the Final Split Dollar Regulations (68 FR 54336) issued in September 2003, all policy cash values are collaterally assigned to the employer. Policy death benefits are shared, with the employer entitled to an amount equal to its cumulative premiums or the policy cash values, if greater. The balance of death proceeds are paid to the trust.

Split dollar plans have yearly income tax ramifications for the covered executive. Unless an

offsetting payment is made, an executive covered with this type of arrangement is in receipt of a taxable economic benefit to the extent relief is provided from paying premiums personally. Since any premium payment by the executive results in taxable income to the employer (Reg. Section 1.61-22(f)(2)(ii)), the accompanying illustration assumes that the executive pays no share of the premium. As a result, the executive will be in receipt of imputed income each year based on the attained age rates contained in Table 2001 (issued as part of IRS Notice 2001-10).

This income consequence is illustrated in the accompanying reports. Whether offset by a bonus or not, the imputed income of the plan constitutes a gift of future interest to the trust.



¹ Employer cash value equal to employer death benefit in year 10 and thereafter.

Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Fox and Fox Realty, Inc.

Preface (continued)

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

Note: In order to accommodate the executive's estate planning needs, the employer's loan, withdrawal, and policy cancellation rights are removed from the collateral assignment (hence the phrase "limited collateral assignment") in order to

comply with the dictates of Rev. Rul. 82-145 and the Controlling Stockholder regulations of IRC Section 2042.

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

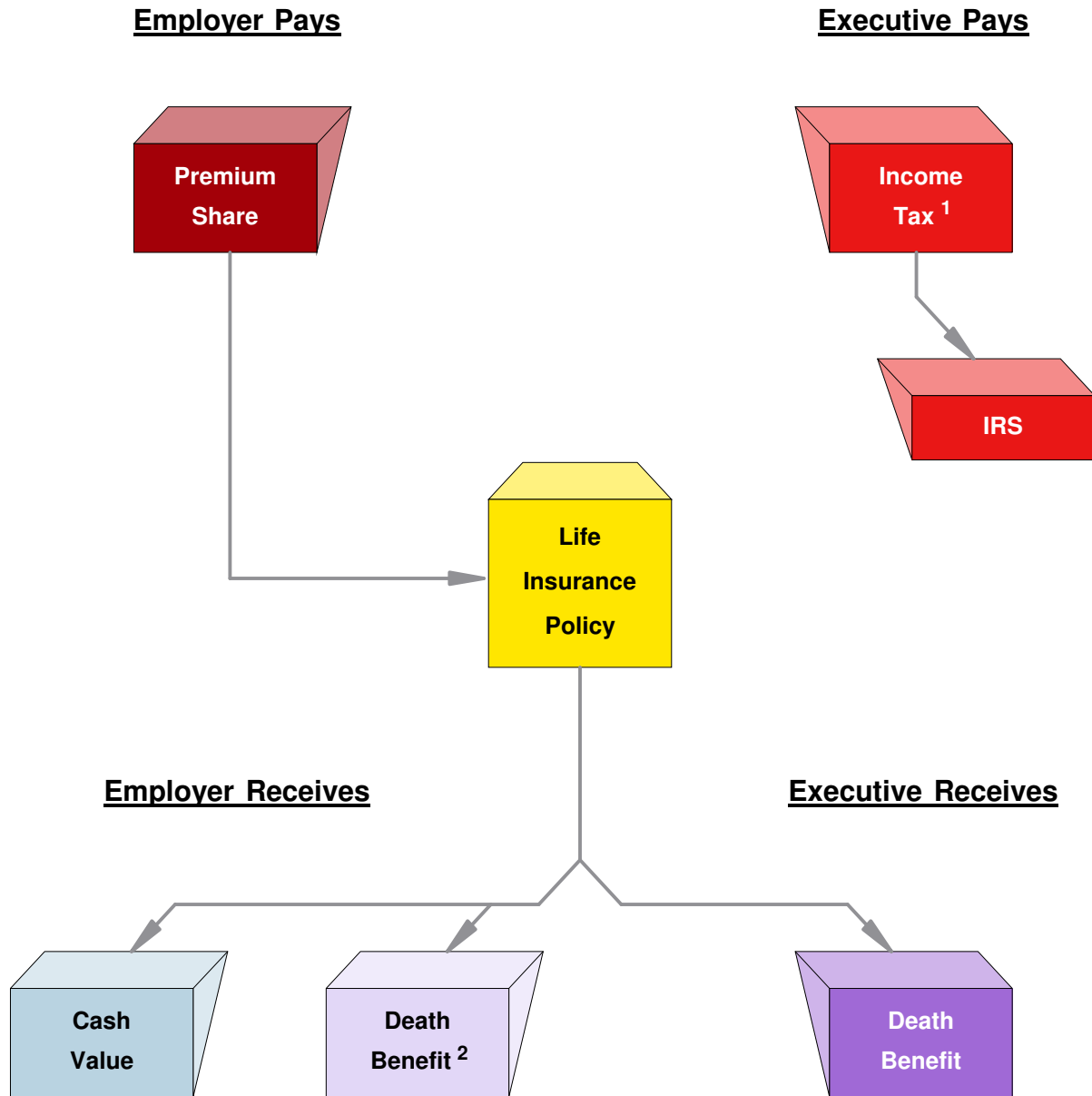
Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Fox and Fox Realty, Inc.

Who Pays What - Who Receives What



¹ For any economic benefit imputed on the plan.

² Equal to remaining balance after executive's portion is deducted.

Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Fox and Fox Realty, Inc.

Summary of Costs and Benefits

		Form of Transaction (Ltd. Coll. Ass.)	Employer's Tax Bracket 34.00%	Executive's Tax Bracket 45.00%	CVI Interest Rate 8.00%		
		Employer				Executive	
Year	M/F Ages	(1) Net Payment	(2) Policy Accum Value*	(3) Policy Cash Value*	(4) Share of Policy Death Benefit	(5) Net Payment	(6) Share of Policy Death Benefit
1	65/60	30,000	5,346	0	30,000	106	2,975,346
2	66/61	30,000	35,524	0	60,000	132	2,975,524
3	67/62	30,000	68,171	0	90,000	166	2,978,172
4	68/63	30,000	103,332	23,532	120,000	212	2,983,332
5	69/64	30,000	141,030	61,230	150,000	269	2,991,030
6	70/65	30,000	181,221	105,411	180,000	340	3,001,221
7	71/66	30,000	223,140	151,320	210,000	427	3,013,140
8	72/67	30,000	268,285	200,455	240,000	532	3,028,285
9	73/68	30,000	316,067	252,227	270,000	655	3,046,067
10	74/69	30,000	366,486	306,636	306,636	797	3,059,850
11	75/70	30,000	418,754	364,889	364,889	960	3,053,865
12	76/71	30,000	473,103	425,223	425,223	1,161	3,047,880
13	77/72	30,000	528,061	486,166	486,166	1,413	3,041,895
14	78/73	30,000	583,304	547,394	547,394	1,711	3,035,911
15	79/74	30,000	640,658	610,733	610,733	2,076	3,029,925
16	80/75	30,000	700,302	676,362	676,362	2,515	3,023,940
17	81/76	30,000	761,681	743,726	743,726	3,060	3,017,956
18	82/77	30,000	823,295	811,325	811,325	3,725	3,011,970
19	83/78	30,000	883,589	877,604	877,604	4,491	3,005,985
20	84/79	30,000	941,703	941,703	941,703	5,474	3,000,000
21	85/80	30,000	997,115	997,115	997,115	6,701	3,000,000
22	86/81	30,000	1,049,034	1,049,034	1,049,034	8,303	3,000,000
23	87/82	30,000	1,096,114	1,096,114	1,096,114	10,196	3,000,000
24	88/83	30,000	1,136,559	1,136,559	1,136,559	12,321	3,000,000
25	89/84	30,000	1,167,032	1,167,032	1,167,032	14,832	3,000,000
26	90/85	30,000	1,182,265	1,182,265	1,182,265	17,723	3,000,000
27	91/86	30,000	1,176,388	1,176,388	1,176,388	21,378	3,000,001
28	92/87	30,000	1,143,110	1,143,110	1,143,110	25,779	3,000,000
29	93/88	30,000	1,075,146	1,075,146	1,075,146	31,436	3,000,000
30	94/89	30,000	961,029	961,029	961,029	38,155	3,000,000
		900,000				217,046	

*This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

Split dollar arrangement presumed terminated in year 30.

Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

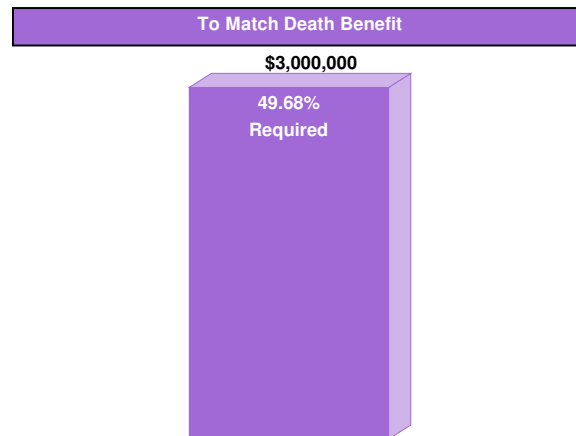
Executive's Personal Report

Fox and Fox Realty, Inc.

M/F Age 65/60	Form of Transaction (Ltd. Coll. Ass.)	Executive's Tax Bracket 45.00%	CVI Interest Rate 8.00%
---------------------	---	--------------------------------------	-------------------------------

Gross Interest Rate Required on a Hypothetical Taxable Investment to Match the Executive's Share of Cash Value Insurance (CVI) Policy Values over 30 Years

	Hypothetical Taxable Alternative
To match Death Benefit of: \$3,000,000	49.68%



Income Tax Considerations

1. Hypothetical Taxable Investment: Interest is taxed as earned.
2. Cash Value Insurance (CVI):
 - 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 example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

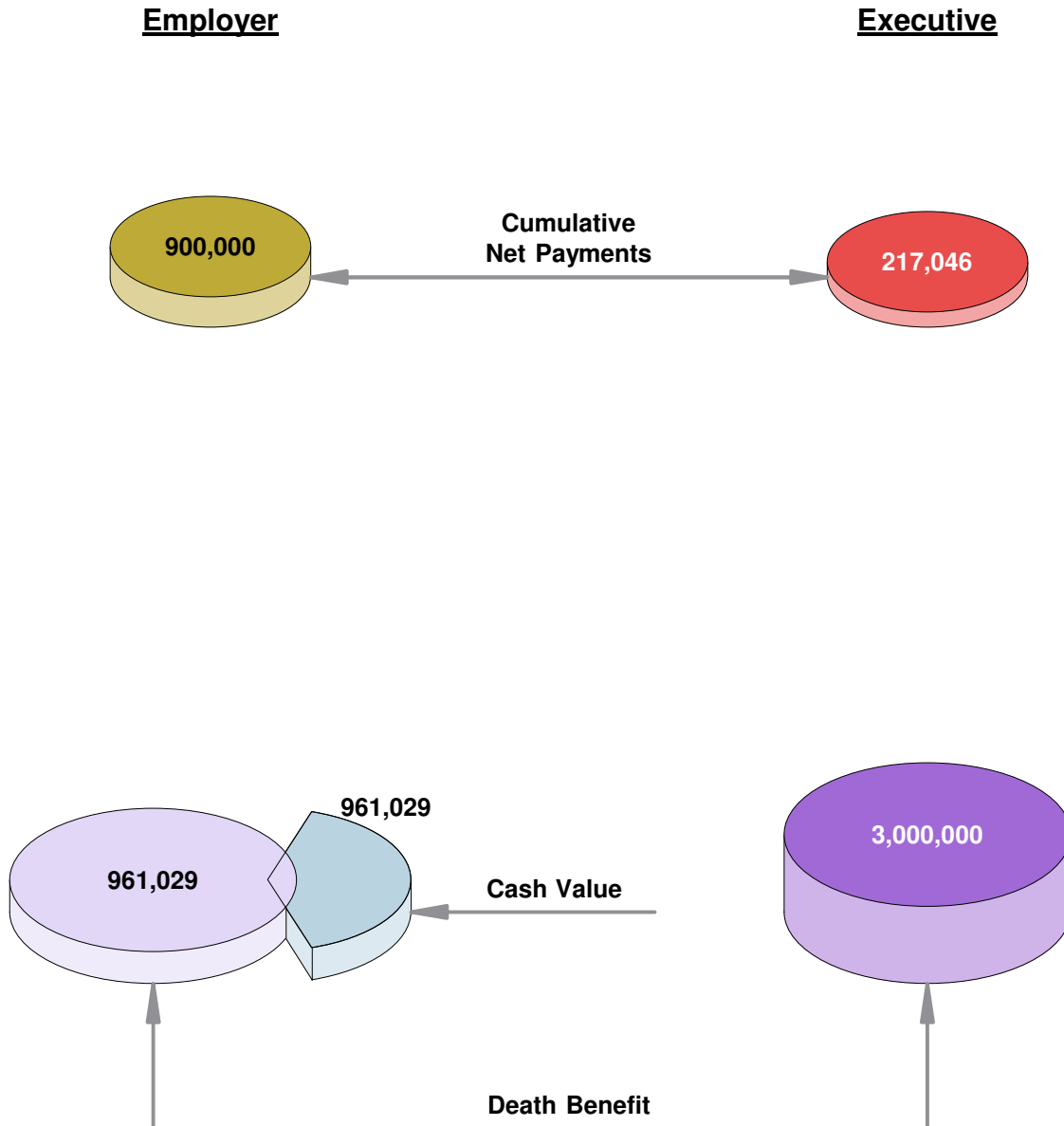
Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Fox and Fox Realty, Inc.

A Look at Year 30



Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

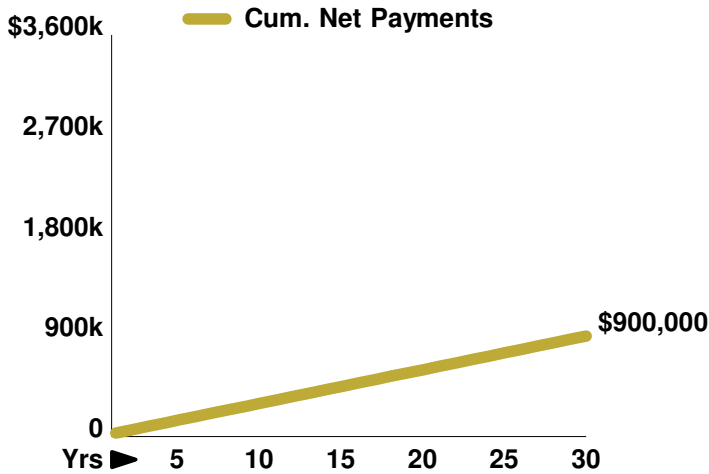
Presented By: [Licensed user's name appears here]

Insured: Matthew Fox/Catherine Fox

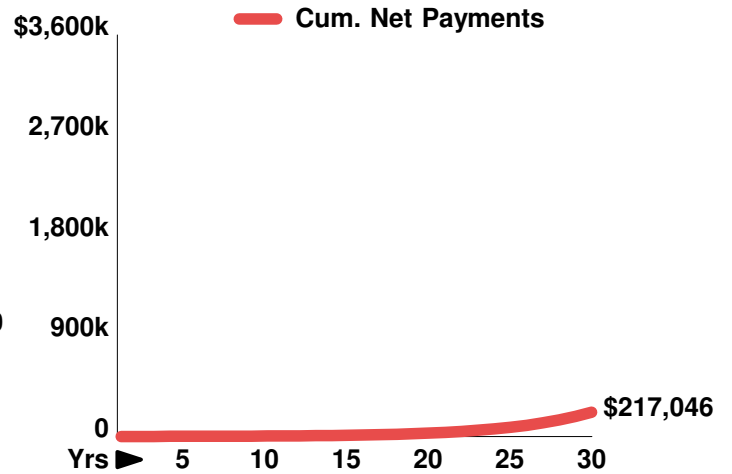
Fox and Fox Realty, Inc.

30 Year Analysis

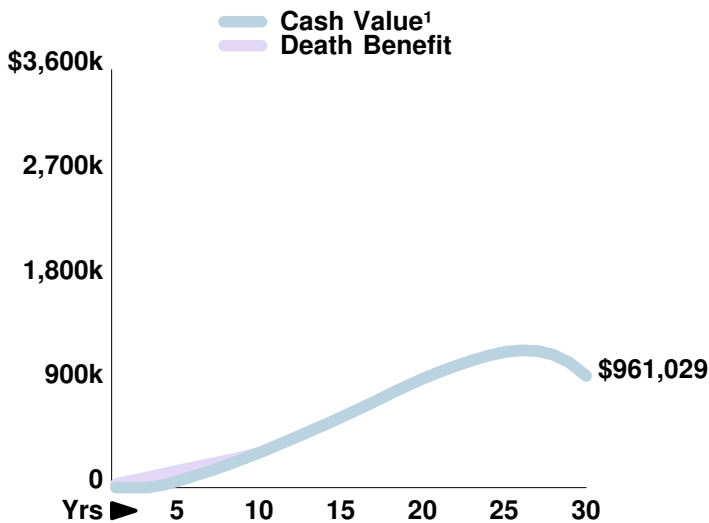
Employer's Payments



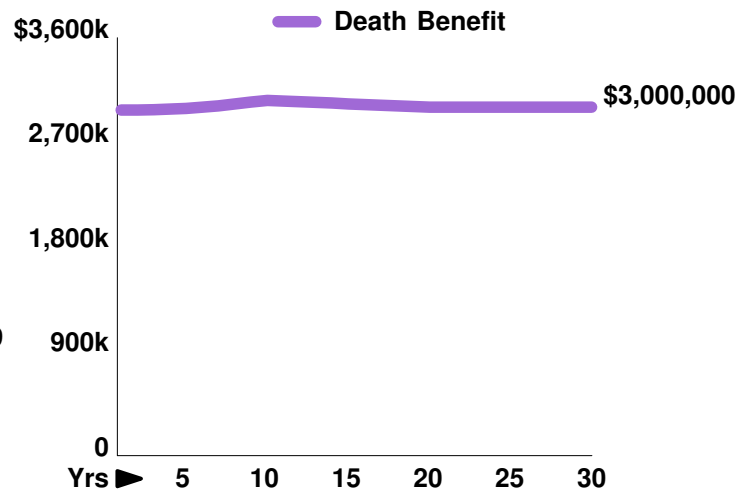
Executive's Payments



Employer's Values



Executive's Values



¹ Employer cash value equal to employer death benefit in year 10 and thereafter.

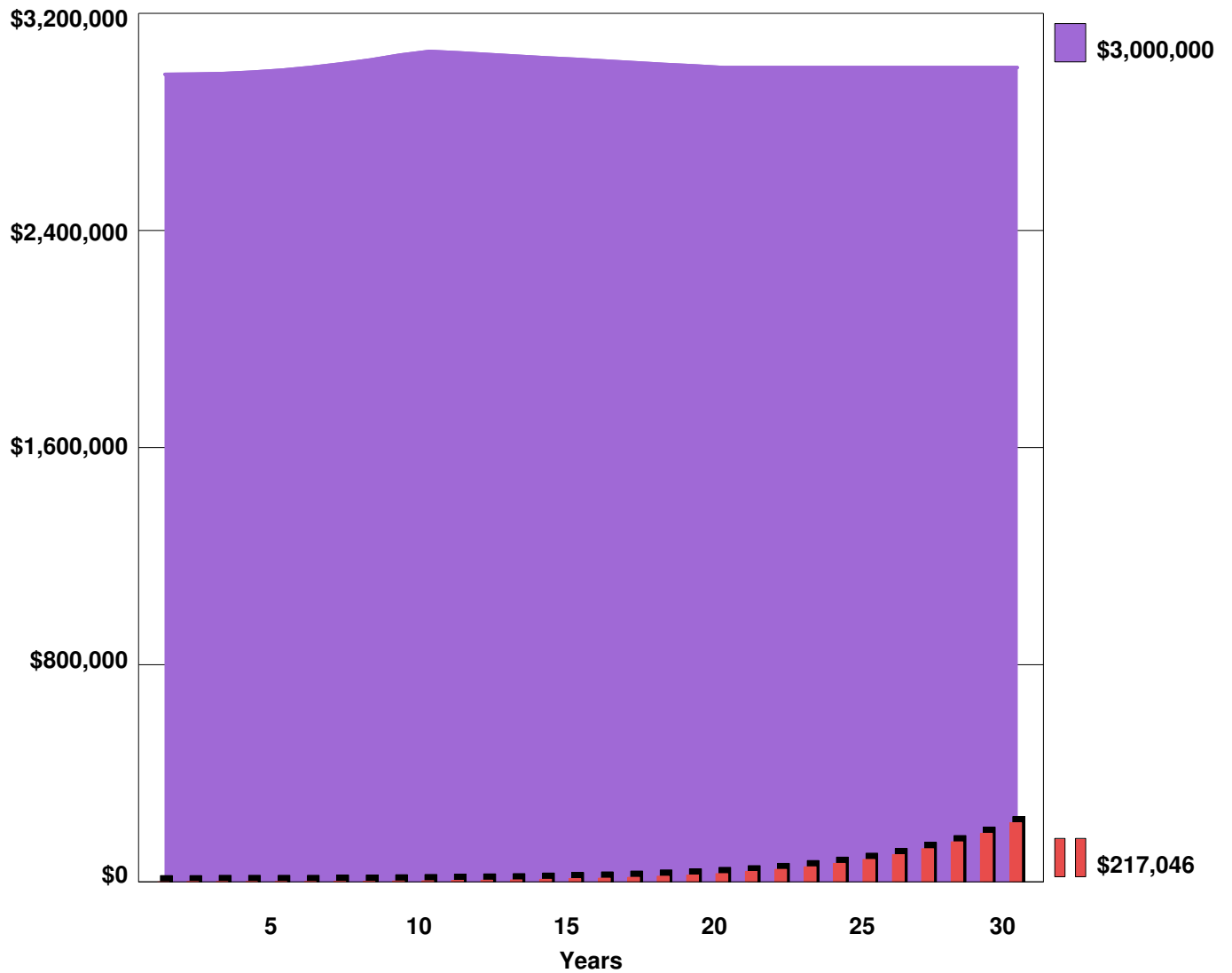
Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Executive's 30 Year Analysis

Fox and Fox Realty, Inc.



At Year 30

Executive's Cumulative Net Payments	\$217,046
Executive's Death Benefit	\$3,000,000

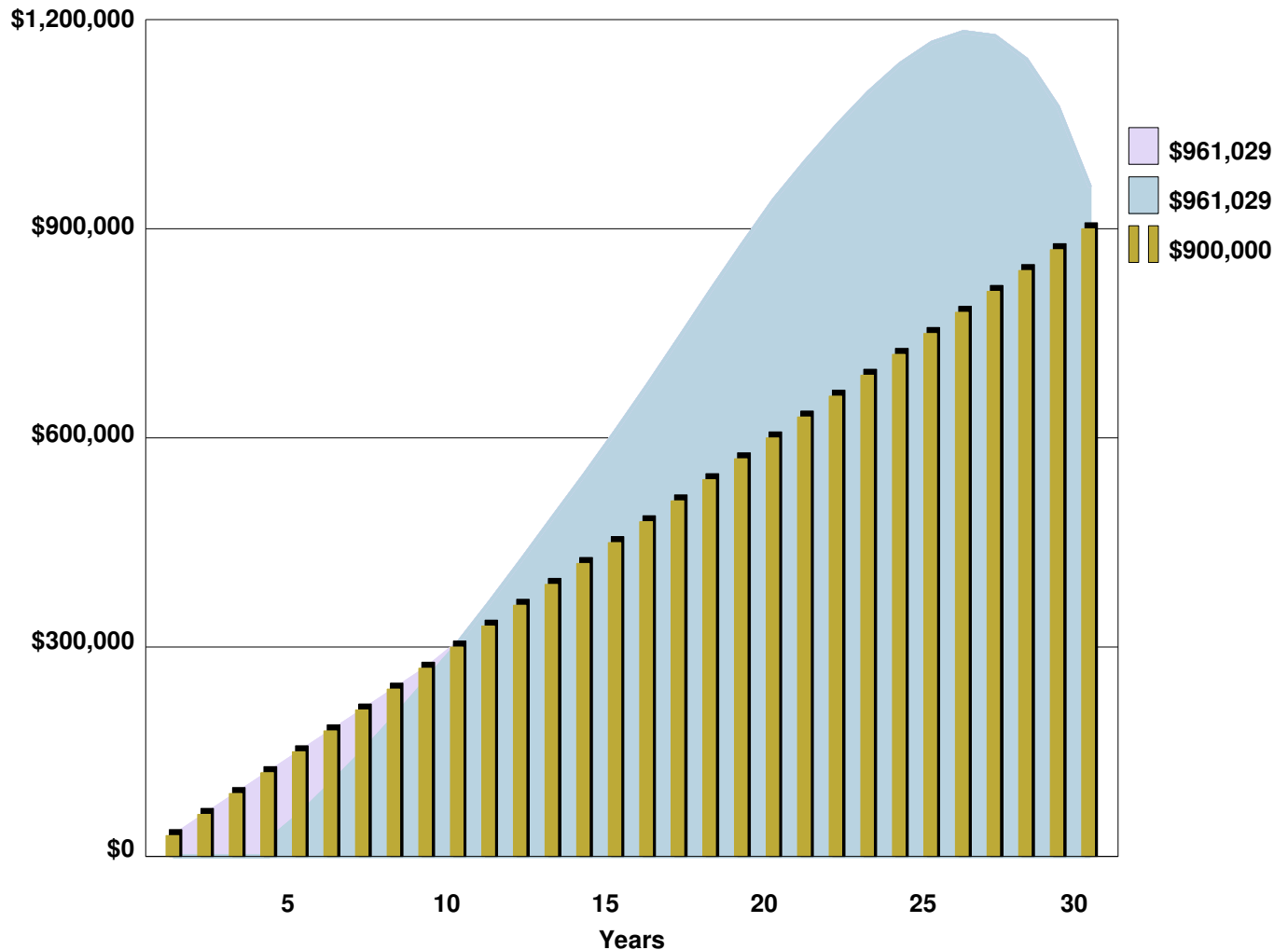
Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Fox and Fox Realty, Inc.

Employer's 30 Year Analysis



	<u>At Year 30</u>
Employer's Cumulative Net Payments	\$900,000
Employer's Cash Value	\$961,029
Employer's Death Benefit	\$961,029

(DB equals CV in year 10 and thereafter.)

Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Employer's Analysis

Fox and Fox Realty, Inc.

Form of Transaction (Ltd. Coll. Ass.) Employer's Tax Bracket 34.00% CVI Interest Rate 8.00%

Year	M/F Ages	Employer's Costs		Employer's Values		
		(1) Split Dollar Premium Share	(2) Cum. Split Dollar Premium Share	(3) Accum Value*	(4) Cash Value*	(5) Employer's Share of Death Benefit
1	65/60	30,000	30,000	5,346	0	30,000
2	66/61	30,000	60,000	35,524	0	60,000
3	67/62	30,000	90,000	68,171	0	90,000
4	68/63	30,000	120,000	103,332	23,532	120,000
5	69/64	30,000	150,000	141,030	61,230	150,000
6	70/65	30,000	180,000	181,221	105,411	180,000
7	71/66	30,000	210,000	223,140	151,320	210,000
8	72/67	30,000	240,000	268,285	200,455	240,000
9	73/68	30,000	270,000	316,067	252,227	270,000
10	74/69	30,000	300,000	366,486	306,636	306,636
11	75/70	30,000	330,000	418,754	364,889	364,889
12	76/71	30,000	360,000	473,103	425,223	425,223
13	77/72	30,000	390,000	528,061	486,166	486,166
14	78/73	30,000	420,000	583,304	547,394	547,394
15	79/74	30,000	450,000	640,658	610,733	610,733
16	80/75	30,000	480,000	700,302	676,362	676,362
17	81/76	30,000	510,000	761,681	743,726	743,726
18	82/77	30,000	540,000	823,295	811,325	811,325
19	83/78	30,000	570,000	883,589	877,604	877,604
20	84/79	30,000	600,000	941,703	941,703	941,703
21	85/80	30,000	630,000	997,115	997,115	997,115
22	86/81	30,000	660,000	1,049,034	1,049,034	1,049,034
23	87/82	30,000	690,000	1,096,114	1,096,114	1,096,114
24	88/83	30,000	720,000	1,136,559	1,136,559	1,136,559
25	89/84	30,000	750,000	1,167,032	1,167,032	1,167,032
26	90/85	30,000	780,000	1,182,265	1,182,265	1,182,265
27	91/86	30,000	810,000	1,176,388	1,176,388	1,176,388
28	92/87	30,000	840,000	1,143,110	1,143,110	1,143,110
29	93/88	30,000	870,000	1,075,146	1,075,146	1,075,146
30	94/89	30,000	900,000	961,029	961,029	961,029

*This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

Split dollar arrangement presumed terminated in year 30.

Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Fox and Fox Realty, Inc.

Executive's Analysis

Form of Transaction (Ltd. Coll. Ass.) Executive's Tax Bracket 45.00% CVI Interest Rate 8.00%

		Executive's Costs					Executive's Values
Year	M/F Ages	(1) Split Dollar Premium Share	(2) Cum. Split Dollar Premium Share	(3) Additional Taxable Value of Benefit*	(4) Income Tax Due on Col (3)	(5) Net Payment (1) + (4)	(6) Executive's Share of Death Benefit
1	65/60	0	0	236	106	106	2,975,346
2	66/61	0	0	293	132	132	2,975,524
3	67/62	0	0	369	166	166	2,978,172
4	68/63	0	0	470	212	212	2,983,332
5	69/64	0	0	597	269	269	2,991,030
6	70/65	0	0	755	340	340	3,001,221
7	71/66	0	0	948	427	427	3,013,140
8	72/67	0	0	1,183	532	532	3,028,285
9	73/68	0	0	1,456	655	655	3,046,067
10	74/69	0	0	1,770	797	797	3,059,850
11	75/70	0	0	2,133	960	960	3,053,865
12	76/71	0	0	2,579	1,161	1,161	3,047,880
13	77/72	0	0	3,140	1,413	1,413	3,041,895
14	78/73	0	0	3,803	1,711	1,711	3,035,911
15	79/74	0	0	4,614	2,076	2,076	3,029,925
16	80/75	0	0	5,589	2,515	2,515	3,023,940
17	81/76	0	0	6,800	3,060	3,060	3,017,956
18	82/77	0	0	8,277	3,725	3,725	3,011,970
19	83/78	0	0	9,980	4,491	4,491	3,005,985
20	84/79	0	0	12,164	5,474	5,474	3,000,000
21	85/80	0	0	14,891	6,701	6,701	3,000,000
22	86/81	0	0	18,451	8,303	8,303	3,000,000
23	87/82	0	0	22,657	10,196	10,196	3,000,000
24	88/83	0	0	27,379	12,321	12,321	3,000,000
25	89/84	0	0	32,960	14,832	14,832	3,000,000
26	90/85	0	0	39,385	17,723	17,723	3,000,000
27	91/86	0	0	47,506	21,378	21,378	3,000,001
28	92/87	0	0	57,287	25,779	25,779	3,000,000
29	93/88	0	0	69,857	31,436	31,436	3,000,000
30	94/89	0	0	84,789	38,155	38,155	3,000,000
		0		482,318	217,046	217,046	

*Assuming column (1) offsets the economic benefit.

This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

Column (3) is the imputed economic benefit in compliance with IRS Notice 2002-8. (U.S. 38 rate calculation (Table 2001 based).)

Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Executive's Personal Report

Fox and Fox Realty, Inc.

Form of Transaction (Ltd. Coll. Ass.) Executive's Tax Bracket 45.00% CVI Interest Rate 8.00%

Year	M/F Ages	Executive's Costs		Executive's Values	
		(1) Net Payment	(2) Executive's Share of Death Benefit		
1	65/60	106	2,975,346		
2	66/61	132	2,975,524		
3	67/62	166	2,978,172		
4	68/63	212	2,983,332		
5	69/64	269	2,991,030		
6	70/65	340	3,001,221		
7	71/66	427	3,013,140		
8	72/67	532	3,028,285		
9	73/68	655	3,046,067		
10	74/69	797	3,059,850		
11	75/70	960	3,053,865		
12	76/71	1,161	3,047,880		
13	77/72	1,413	3,041,895		
14	78/73	1,711	3,035,911		
15	79/74	2,076	3,029,925		
16	80/75	2,515	3,023,940		
17	81/76	3,060	3,017,956		
18	82/77	3,725	3,011,970		
19	83/78	4,491	3,005,985		
20	84/79	5,474	3,000,000		
21	85/80	6,701	3,000,000		
22	86/81	8,303	3,000,000		
23	87/82	10,196	3,000,000		
24	88/83	12,321	3,000,000		
25	89/84	14,832	3,000,000		
26	90/85	17,723	3,000,000		
27	91/86	21,378	3,000,001		
28	92/87	25,779	3,000,000		
29	93/88	31,436	3,000,000		
30	94/89	38,155	3,000,000		
		217,046			

This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

Limited Collateral Assignment Split Dollar Using Cash Value Insurance (CVI)

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

Insured: Matthew Fox/Catherine Fox

Fox and Fox Realty, Inc.

Illustration of Policy Values Funding The Plan

		CVI Interest Rate 8.00%	Initial Payment 30,000	Initial Death Benefit 3,000,000		
Year	M/F Ages	(1) Policy Premium	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
1	65/60	30,000	0	5,346	0	3,005,346
2	66/61	30,000	0	35,524	0	3,035,524
3	67/62	30,000	0	68,171	0	3,068,172
4	68/63	30,000	0	103,332	23,532	3,103,332
5	69/64	30,000	0	141,030	61,230	3,141,030
6	70/65	30,000	0	181,221	105,411	3,181,221
7	71/66	30,000	0	223,140	151,320	3,223,140
8	72/67	30,000	0	268,285	200,455	3,268,285
9	73/68	30,000	0	316,067	252,227	3,316,067
10	74/69	30,000	0	366,486	306,636	3,366,486
11	75/70	30,000	0	418,754	364,889	3,418,754
12	76/71	30,000	0	473,103	425,223	3,473,103
13	77/72	30,000	0	528,061	486,166	3,528,061
14	78/73	30,000	0	583,304	547,394	3,583,305
15	79/74	30,000	0	640,658	610,733	3,640,658
16	80/75	30,000	0	700,302	676,362	3,700,302
17	81/76	30,000	0	761,681	743,726	3,761,682
18	82/77	30,000	0	823,295	811,325	3,823,295
19	83/78	30,000	0	883,589	877,604	3,883,589
20	84/79	30,000	0	941,703	941,703	3,941,703
21	85/80	30,000	0	997,115	997,115	3,997,115
22	86/81	30,000	0	1,049,034	1,049,034	4,049,034
23	87/82	30,000	0	1,096,114	1,096,114	4,096,114
24	88/83	30,000	0	1,136,559	1,136,559	4,136,559
25	89/84	30,000	0	1,167,032	1,167,032	4,167,032
26	90/85	30,000	0	1,182,265	1,182,265	4,182,265
27	91/86	30,000	0	1,176,388	1,176,388	4,176,389
28	92/87	30,000	0	1,143,110	1,143,110	4,143,110
29	93/88	30,000	0	1,075,146	1,075,146	4,075,146
30	94/89	30,000	0	961,029	961,029	3,961,029
		900,000	0			

*This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.