Leveraged Deferred Compensation

For Robert Huntington

Presented By:

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Preface

Background

Leveraged Deferred Compensation is a financial technique used by executives who want either to reduce current taxable compensation or forego scheduled increases in compensation in exchange for tax free income in the future. The arrangement involves the purchase of a cash value life insurance policy, the owner of which is usually the insured executive.

Funding

Using the funds resulting from the executive's compensation adjustment, the employer makes loans to the executive, who purchases a policy insuring the life of the executive or the executive and his or her spouse. Frequently, the employer will add matching or partially matching dollars to the funding pool. The arrangement is designed to be in compliance with the Final Split Dollar Regulations issued in September 2003 (68 FR 54336).

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

Loan Interest: he interest rate for the life of each loan is set at least to the long-term rate in effect at the beginning of the loan under IRC Sections 7872(f)(2)(A) and 1274(d) (often referred to as the "Applicable Federal Rate" or "AFR").

As an additional benefit in some arrangements, the employer may choose to offset the executive's loan interest payments by way of a bonus.

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

So long as the loan interest rate is equal to or exceeds the Applicable Federal Rate, no further interest is imputed by the IRS on the transaction. For illustrative purposes, the entire series of premium loans illustrated in the accompanying material reflect a constant 3.37% interest rate, the long-term AFR in effect for the month in which this report is written (May 2014). The loan interest rate for each new loan will likely be different, and each future loan must bear interest equal to or greater than the AFR in effect during the month the new loan is executed. Each new loan should be evidenced by its own promissory note as well.

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

1. If a bonus is paid to the executive to offset the loan interest, accept the risk: Changing interest rates may increase or decrease the amount of the bonus; however, the loan interest paid to the employer by the executive should provide a full or partial offset, as the case may be.
2. If the loan interest rate increases, the executive could be allowed to accrue the additional loan interest. Alternatively, the executive may be able to withdraw funds from the policy to make up the difference in the loan interest due.
3. Renegotiate the loans: Wait until a time when the AFR dips and recast the series of promissory notes into a new note at the reduced rate. For a detailed analysis of this strategy, see the report entitled "Renegotiating the Applicable Federal Rate".
4. Consolidate all loans at the inception of the arrangement: In this case, the loaned funds in excess of those needed to pay the policy's initial premium should be reserved by the executive to pay the remaining stream of premiums as they fall due. The employer may wish to consider requiring some form of custodianship for the reserved funds to be certain they are used for the intended purpose.

Preface (continued)

Repayment of Loans from the Employer

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

☐ 1. The executive uses personal funds to repay the loans from the employer. This produces favorable results for the employer as it is repaid loans that were originally established due to the executive's compensation adjustments. In this case, the executive's benefits occur solely from the life insurance policy values.

☑ 2. The executive borrows against the policy or surrenders a portion of policy values to repay the loans from the employer. This also produces favorable results for the employer as it is repaid loans that were originally established due to the executive's compensation adjustments. In this case, the executive's benefits occur solely from the life insurance policy values.

☐ 3. The employer may decide to forgive the loan as a bonus. When this occurs, the executive typically borrows against the policy or surrenders a portion of policy values to offset the income tax on the bonus resulting from the forgiveness of the loan. This strategy should be viewed equitably by the executive since, in addition to the remaining life insurance values, the bonus repays the cumulative amount of previous compensation adjustments.

☐ 4. The employer may decide to forgive the loan and bonuses an additional amount to offset some or all of the resulting income tax. This strategy should be viewed very equitably by the executive since, in addition to the remaining policy values, he/she is paid a bonus equal to the cumulative amount of previous compensation adjustments plus the income tax on the bonus.

Living Benefits for the Executive

The executive may, if the parties agree, have direct access to policy cash values in excess of the amount required to collateralize the loans from the employer. Such policy cash values are usually accessed via policy loans, withdrawals, or a combination of each. If the loans from the employer are repaid, the executive has unencumbered access to all the policy cash values.

Death Benefits for the Executive's Beneficiaries

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

Notes

Policy loans reduce cash values and death benefits, and the lapse of a policy with such loans could result in negative tax consequences. Be sure to consult with your own legal and tax advisers if you have any questions about this issue. You should also consult with these advisers before entering into this or any other arrangement involving tax, legal, and economic considerations.

Care must be exercised if a hospital and a doctor employed by that hospital use Leveraged Deferred Compensation due to the Medicare-Medicaid Anti-Kickback Rule and the Stark II Rules. A plan should be able to be designed that complies with these rules; however, be certain to consult with your own legal and tax advisers on these issues.

Supplemental Report: Duration of Loans

The accompanying illustrations reflect loans that may remain in effect for many years. Most loans illustrated are assumed to be long-term loans (over 9 years) bearing a loan interest rate equal to or greater than the Applicable Federal Rate of 3.37% for May 2014. Other Applicable Federal Rates in effect for May 2014 are:

Mid-term loans (over 3 years but not over 9): 1.93%;

Short-term loans (3 years or less): 0.33%;

Demand loans: 0.33%.

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

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

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

Employer: Bay Area Medical Center

Illustration of Policy Values Funding The Plan

Male Age	Indexed UL Interest Rate	Initial Premium	Initial Death Benefit
45	8.50%	100,000	2,500,000

Year	Age	(1) Policy Premium	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
1	45	100,000	0	102,198	67,198	2,500,000
2	46	100,000	0	213,869	143,869	2,500,000
3	47	100,000	0	335,427	260,927	2,500,000
4	48	100,000	0	467,797	393,297	2,500,000
5	49	100,000	0	612,010	537,510	2,500,000
6	50	0	0	659,828	589,053	2,500,000
7	51	0	0	711,459	645,154	2,500,000
8	52	0	0	767,257	706,167	2,500,000
9	53	0	0	827,578	772,448	2,500,000
10	54	0	0	892,823	844,398	2,500,000
11	55	0	0	963,473	922,498	2,500,000
12	56	0	0	1,040,048	1,007,268	2,500,000
13	57	0	0	1,123,108	1,099,268	2,500,000
14	58	0	0	1,213,329	1,199,174	2,500,000
15	59	0	0	1,311,468	1,311,468	2,500,000
16	60	0	0	1,418,351	1,418,351	2,500,000
17	61	0	0	1,534,977	1,534,977	2,500,000
18	62	0	0	1,662,474	1,662,474	2,500,000
19	63	0	0	1,802,130	1,802,130	2,500,000
20	64	0	0	1,955,453	1,955,453	2,500,000
21	65	0	600,000	1,469,727	1,469,727	1,893,975
22	66	0	100,000	1,487,558	1,487,558	1,811,683
23	67	0	100,000	1,506,245	1,506,245	1,838,112
24	68	0	100,000	1,525,818	1,525,817	1,864,037
25	69	0	100,000	1,546,297	1,546,297	1,889,310
26	70	0	100,000	1,567,721	1,567,721	1,913,787
27	71	0	100,000	1,590,784	1,590,784	1,913,253
28	72	0	100,000	1,615,833	1,615,833	1,908,979
29	73	0	100,000	1,643,327	1,643,327	1,900,853
30	74	0	100,000	1,673,858	1,673,857	1,888,829
		500,000	1,500,000			

30 Year Summary

Cum. Policy Premiums	500,000
Cum. Pre-Tax Policy Cash Flow	1,500,000
Cash Value	1,673,857
Death Benefit	1,888,829

*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.

Employer: Bay Area Medical Center

Illustration of Policy Values Funding The Plan

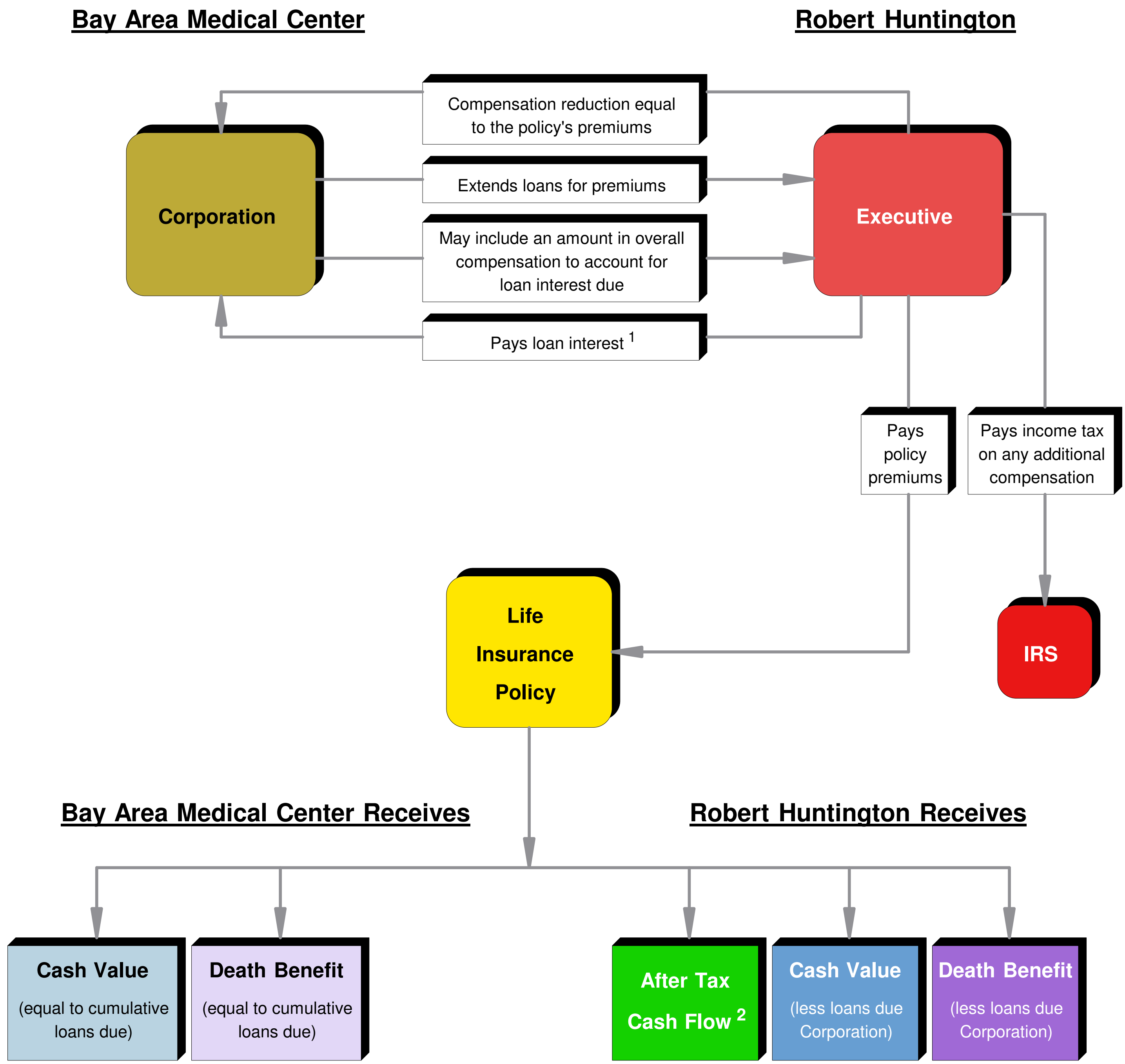
Male Age	Indexed UL Interest Rate	Initial Premium	Initial Death Benefit
45	8.50%	100,000	2,500,000

Year	Age	(1) Policy Premium	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
31	75	0	100,000	1,708,196	1,708,196	1,872,955
32	76	0	100,000	1,744,417	1,744,417	1,921,048
33	77	0	100,000	1,782,503	1,782,503	1,971,703
34	78	0	100,000	1,822,406	1,822,406	2,024,907
35	79	0	100,000	1,864,042	1,864,042	2,080,607
36	80	0	100,000	1,907,281	1,907,280	2,138,709
37	81	0	100,000	1,951,927	1,951,927	2,199,052
38	82	0	100,000	1,997,724	1,997,724	2,261,411
39	83	0	100,000	2,044,325	2,044,325	2,325,470
40	84	0	100,000	2,091,285	2,091,285	2,390,812
		500,000	2,500,000			

*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.

40 Year Summary	
Cum. Policy Premiums	500,000
Cum. Pre-Tax Policy Cash Flow	2,500,000
Cash Value	2,091,285
Death Benefit	2,390,812

Who Pays What - Who Receives What Flow Chart



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

[2] For loan repayment and retirement income.

Employer: Bay Area Medical Center

Summary

Male Age	Employer's Tax Bracket	Executive's Tax Bracket	Indexed UL Interest Rate	Initial Death Benefit	Assumed Long-Term AFR for All Years Illustrated	Promissory Note Interest Rate
45	0.00%	40.00%	8.50%	2,500,000	3.37%	3.37%

		Bay Area Medical Center				Robert Huntington				
								Loan Collateral		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Year	Age	Net Payment*	Annual Loan to Executive	Cumulative Loan to Executive	Employer's Cumulative Charge to Earnings**	Net Payment*	After Tax Policy Cash Flow**** Available for Retirement Income	Accum Value***	Cash Value***	Death Benefit
1	45	2,247	100,000	100,000	-97,753	60,000	0	102,198	67,198	2,500,000
2	46	4,493	100,000	200,000	-193,260	60,000	0	213,869	143,869	2,500,000
3	47	6,740	100,000	300,000	-286,520	60,000	0	335,427	260,927	2,500,000
4	48	8,987	100,000	400,000	-377,533	60,000	0	467,797	393,297	2,500,000
5	49	11,233	100,000	500,000	-466,300	60,000	0	612,010	537,510	2,500,000
6	50	11,233	0	500,000	-455,067	0	0	659,828	589,053	2,500,000
7	51	11,233	0	500,000	-443,833	0	0	711,459	645,154	2,500,000
8	52	11,233	0	500,000	-432,600	0	0	767,257	706,167	2,500,000
9	53	11,233	0	500,000	-421,367	0	0	827,578	772,448	2,500,000
10	54	11,233	0	500,000	-410,133	0	0	892,823	844,398	2,500,000
11	55	11,233	0	500,000	-398,900	0	0	963,473	922,498	2,500,000
12	56	11,233	0	500,000	-387,667	0	0	1,040,048	1,007,268	2,500,000
13	57	11,233	0	500,000	-376,433	0	0	1,123,108	1,099,268	2,500,000
14	58	11,233	0	500,000	-365,200	0	0	1,213,329	1,199,174	2,500,000
15	59	11,233	0	500,000	-353,967	0	0	1,311,468	1,311,468	2,500,000
16	60	11,233	0	500,000	-342,733	0	0	1,418,351	1,418,351	2,500,000
17	61	11,233	0	500,000	-331,500	0	0	1,534,977	1,534,977	2,500,000
18	62	11,233	0	500,000	-320,267	0	0	1,662,474	1,662,474	2,500,000
19	63	11,233	0	500,000	-309,033	0	0	1,802,130	1,802,130	2,500,000
20	64	11,233	0	500,000	-297,800	0	0	1,955,453	1,955,453	2,500,000
21	65	-500,000	0	0	-297,800	0	100,000	1,469,727	1,469,727	1,893,975
22	66	0	0	0	-297,800	0	100,000	1,487,558	1,487,558	1,811,683
23	67	0	0	0	-297,800	0	100,000	1,506,245	1,506,245	1,838,112
24	68	0	0	0	-297,800	0	100,000	1,525,818	1,525,817	1,864,037
25	69	0	0	0	-297,800	0	100,000	1,546,297	1,546,297	1,889,310
26	70	0	0	0	-297,800	0	100,000	1,567,721	1,567,721	1,913,787
27	71	0	0	0	-297,800	0	100,000	1,590,784	1,590,784	1,913,253
28	72	0	0	0	-297,800	0	100,000	1,615,833	1,615,833	1,908,979
29	73	0	0	0	-297,800	0	100,000	1,643,327	1,643,327	1,900,853
30	74	0	0	0	-297,800	0	100,000	1,673,858	1,673,857	1,888,829
		-297,805	500,000			300,000	1,000,000			

Executive's 30 Year Summary

	Living Values †	Death Benefit
Indexed Universal Life:	1,673,857	1,888,829
Less Loan Due Employer:	0	0
Equals Executive's Net Value:	1,673,857	1,888,829
Plus Cum. After Tax Cash Flow:	1,000,000	1,000,000
Equals Executive's Net Value:	2,673,857	2,888,829

*See appropriate Net Payment Analysis for details.

**A negative value indicates a credit to earnings.

***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.

†Cash value less employer's loans plus cum. after tax cash flow.

****Cash Flow is a mix of partial withdrawals and policy loans.

Employer: Bay Area Medical Center

Summary

Male Age	Employer's Tax Bracket	Executive's Tax Bracket	Indexed UL Interest Rate	Initial Death Benefit	Assumed Long-Term AFR for All Years Illustrated	Promissory Note Interest Rate
45	0.00%	40.00%	8.50%	2,500,000	3.37%	3.37%

		Bay Area Medical Center				Robert Huntington				
								Loan Collateral		
Year	Age	(1) Net Payment*	(2) Annual Loan to Executive	(3) Cumulative Loan to Executive	(4) Employer's Cumulative Charge to Earnings**	(5) Net Payment*	(6) After Tax Policy Cash Flow**** Available for Retirement Income	(7) Accum Value***	(8) Cash Value***	(9) Death Benefit
31	75	0	0	0	-297,800	0	100,000	1,708,196	1,708,196	1,872,955
32	76	0	0	0	-297,800	0	100,000	1,744,417	1,744,417	1,921,048
33	77	0	0	0	-297,800	0	100,000	1,782,503	1,782,503	1,971,703
34	78	0	0	0	-297,800	0	100,000	1,822,406	1,822,406	2,024,907
35	79	0	0	0	-297,800	0	100,000	1,864,042	1,864,042	2,080,607
36	80	0	0	0	-297,800	0	100,000	1,907,281	1,907,280	2,138,709
37	81	0	0	0	-297,800	0	100,000	1,951,927	1,951,927	2,199,052
38	82	0	0	0	-297,800	0	100,000	1,997,724	1,997,724	2,261,411
39	83	0	0	0	-297,800	0	100,000	2,044,325	2,044,325	2,325,470
40	84	0	0	0	-297,800	0	100,000	2,091,285	2,091,285	2,390,812
		-297,805	500,000			300,000	2,000,000			

Executive's 40 Year Summary

	Living Values †	Death Benefit
Indexed Universal Life:	2,091,285	2,390,812
Less Loan Due Employer:	0	0
Equals Executive's Net Value:	2,091,285	2,390,812
Plus Cum. After Tax Cash Flow:	2,000,000	2,000,000
Equals Executive's Net Value:	4,091,285	4,390,812

*See appropriate Net Payment Analysis for details.

**A negative value indicates a credit to earnings.

***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.

†Cash value less employer's loans plus cum. after tax cash flow.

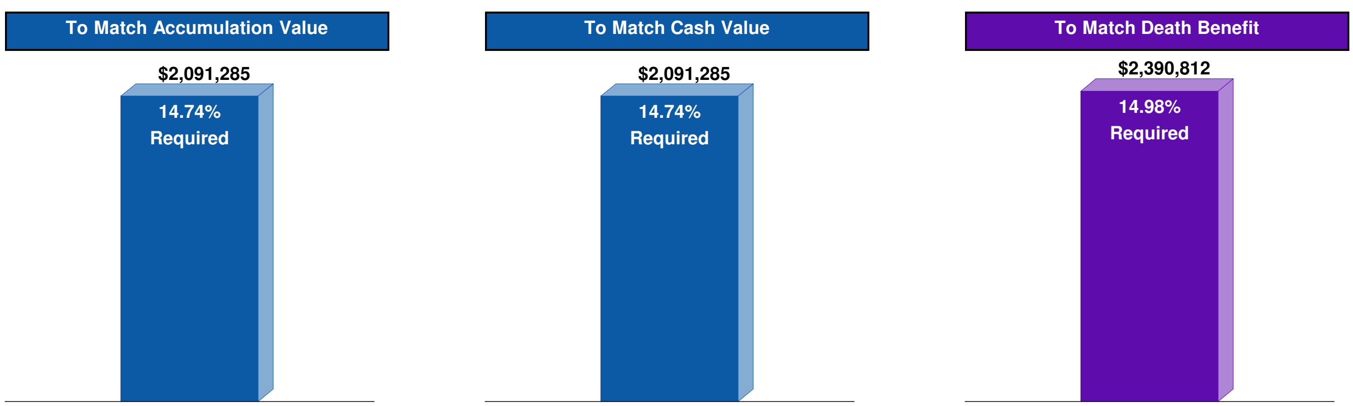
****Cash Flow is a mix of partial withdrawals and policy loans.

Matching Interest Rate

Male Age	Executive's Tax Bracket	Indexed UL Interest Rate
45	40.00%	8.50%

Gross Interest Rate Required on a Hypothetical Taxable Investment to Match Indexed Universal Life Policy Values Over 40 Years (Executive's After Tax Cost of the Plan Used as The Hypothetical Investment)

		Hypothetical Taxable Alternative
To match Accumulation Value of:	$2,091,285	14.74%
To match Cash Value of:	$2,091,285	14.74%
To match Death Benefit of:	$2,390,812	14.98%



Income Tax Considerations

1. Hypothetical Taxable Investment: Interest is taxed as earned.

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

This is an 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.

Employer: Bay Area Medical Center

Employer's Net Payment Analysis

Male Age	Employer's Tax Bracket	Assumed Long-Term AFR for All Years Illustrated	Promissory Note Interest Rate
45	0.00%	3.37%*	3.37%

Yr	Age	(1) Comp. Adjustment by Executive	(2) Employer's Gain from Comp. Adjustment	(3) Loan to Executive	(4) Loan Repayment from Executive	(5) Loan Interest Received from Executive	(6) Bonus Paid to Executive	(7) Employer's Net Payment**	(8) Employer's Annual Charge to Earnings*** (6) - (5) - (2)	(9) Employer's Cumulative Charge to Earnings***
1	45	100,000	100,000	100,000	0	3,370	5,617	2,247	-97,753	-97,753
2	46	100,000	100,000	100,000	0	6,740	11,233	4,493	-95,507	-193,260
3	47	100,000	100,000	100,000	0	10,110	16,850	6,740	-93,260	-286,520
4	48	100,000	100,000	100,000	0	13,480	22,467	8,987	-91,013	-377,533
5	49	100,000	100,000	100,000	0	16,850	28,083	11,233	-88,767	-466,300
6	50	0	0	0	0	16,850	28,083	11,233	11,233	-455,067
7	51	0	0	0	0	16,850	28,083	11,233	11,233	-443,833
8	52	0	0	0	0	16,850	28,083	11,233	11,233	-432,600
9	53	0	0	0	0	16,850	28,083	11,233	11,233	-421,367
10	54	0	0	0	0	16,850	28,083	11,233	11,233	-410,133
11	55	0	0	0	0	16,850	28,083	11,233	11,233	-398,900
12	56	0	0	0	0	16,850	28,083	11,233	11,233	-387,667
13	57	0	0	0	0	16,850	28,083	11,233	11,233	-376,433
14	58	0	0	0	0	16,850	28,083	11,233	11,233	-365,200
15	59	0	0	0	0	16,850	28,083	11,233	11,233	-353,967
16	60	0	0	0	0	16,850	28,083	11,233	11,233	-342,733
17	61	0	0	0	0	16,850	28,083	11,233	11,233	-331,500
18	62	0	0	0	0	16,850	28,083	11,233	11,233	-320,267
19	63	0	0	0	0	16,850	28,083	11,233	11,233	-309,033
20	64	0	0	0	0	16,850	28,083	11,233	11,233	-297,800
21	65	0	0	0	500,000	0	0	-500,000	0	-297,800
22	66	0	0	0	0	0	0	0	0	-297,800
23	67	0	0	0	0	0	0	0	0	-297,800
24	68	0	0	0	0	0	0	0	0	-297,800
25	69	0	0	0	0	0	0	0	0	-297,800
26	70	0	0	0	0	0	0	0	0	-297,800
27	71	0	0	0	0	0	0	0	0	-297,800
28	72	0	0	0	0	0	0	0	0	-297,800
29	73	0	0	0	0	0	0	0	0	-297,800
30	74	0	0	0	0	0	0	0	0	-297,800
		500,000	500,000	500,000	500,000	303,300	505,495	-297,805	-297,805	

*As of the date of this illustration. (See accompanying "Leveraged Deferred Compensation (Preface)" for remarks regarding loan interest rates used in this illustration.)

**Column (7) = (3) - (2) - (4) - (5) + (6)

***A negative value indicates a credit to earnings.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Bay Area Medical Center

Employer's Net Payment Analysis

Male Age	Employer's Tax Bracket	Assumed Long-Term AFR for All Years Illustrated	Promissory Note Interest Rate
45	0.00%	3.37%*	3.37%

Yr	Age	(1) Comp. Adjustment by Executive	(2) Employer's Gain from Comp. Adjustment	(3) Loan to Executive	(4) Loan Repayment from Executive	(5) Loan Interest Received from Executive	(6) Bonus Paid to Executive	(7) Employer's Net Payment**	(8) Employer's Annual Charge to Earnings*** (6) - (5) - (2)	(9) Employer's Cumulative Charge to Earnings***
31	75	0	0	0	0	0	0	0	0	-297,800
32	76	0	0	0	0	0	0	0	0	-297,800
33	77	0	0	0	0	0	0	0	0	-297,800
34	78	0	0	0	0	0	0	0	0	-297,800
35	79	0	0	0	0	0	0	0	0	-297,800
36	80	0	0	0	0	0	0	0	0	-297,800
37	81	0	0	0	0	0	0	0	0	-297,800
38	82	0	0	0	0	0	0	0	0	-297,800
39	83	0	0	0	0	0	0	0	0	-297,800
40	84	0	0	0	0	0	0	0	0	-297,800
		500,000	500,000	500,000	500,000	303,300	505,495	-297,805	-297,805	

*As of the date of this illustration. (See accompanying "Leveraged Deferred Compensation (Preface)" for remarks regarding loan interest rates used in this illustration.)

**Column (7) = (3) - (2) - (4) - (5) + (6)

***A negative value indicates a credit to earnings.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Bay Area Medical Center

Executive's Net Payment Analysis

Male Age	Executive's Tax Bracket	Assumed Long-Term AFR for All Years Illustrated	Promissory Note Interest Rate
45	40.00%	3.37%*	3.37%

Year	Age	(1) Compensation Adjustment by Executive	(2) Executive's After Tax Cost of Compensation Adjustment	(3) Policy Premium Due by Executive	(4) Beginning of Year Loan from Employer	(5) Loan Interest Paid to Employer from Non-Policy Values	(6) Bonus Received from Employer	(7) After Tax Bonus Received from Employer	(8) Executive's Net Payment**
1	45	100,000	60,000	100,000	100,000	3,370	5,617	3,370	60,000
2	46	100,000	60,000	100,000	100,000	6,740	11,233	6,740	60,000
3	47	100,000	60,000	100,000	100,000	10,110	16,850	10,110	60,000
4	48	100,000	60,000	100,000	100,000	13,480	22,467	13,480	60,000
5	49	100,000	60,000	100,000	100,000	16,850	28,083	16,850	60,000
6	50	0	0	0	0	16,850	28,083	16,850	0
7	51	0	0	0	0	16,850	28,083	16,850	0
8	52	0	0	0	0	16,850	28,083	16,850	0
9	53	0	0	0	0	16,850	28,083	16,850	0
10	54	0	0	0	0	16,850	28,083	16,850	0
11	55	0	0	0	0	16,850	28,083	16,850	0
12	56	0	0	0	0	16,850	28,083	16,850	0
13	57	0	0	0	0	16,850	28,083	16,850	0
14	58	0	0	0	0	16,850	28,083	16,850	0
15	59	0	0	0	0	16,850	28,083	16,850	0
16	60	0	0	0	0	16,850	28,083	16,850	0
17	61	0	0	0	0	16,850	28,083	16,850	0
18	62	0	0	0	0	16,850	28,083	16,850	0
19	63	0	0	0	0	16,850	28,083	16,850	0
20	64	0	0	0	0	16,850	28,083	16,850	0
21	65	0	0	0	0	0	0	0	0
22	66	0	0	0	0	0	0	0	0
23	67	0	0	0	0	0	0	0	0
24	68	0	0	0	0	0	0	0	0
25	69	0	0	0	0	0	0	0	0
26	70	0	0	0	0	0	0	0	0
27	71	0	0	0	0	0	0	0	0
28	72	0	0	0	0	0	0	0	0
29	73	0	0	0	0	0	0	0	0
30	74	0	0	0	0	0	0	0	0
		500,000	300,000	500,000	500,000	303,300	505,495	303,300	300,000

*As of the date of this illustration. (See accompanying "Leveraged Deferred Compensation (Preface)" for remarks regarding loan interest rates used in this illustration.)

**Column (8) = (2) + (3) - (4) + (5) - (7)

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Bay Area Medical Center

Executive's Net Payment Analysis

Male Age	Executive's Tax Bracket	Assumed Long-Term AFR for All Years Illustrated	Promissory Note Interest Rate
45	40.00%	3.37%*	3.37%

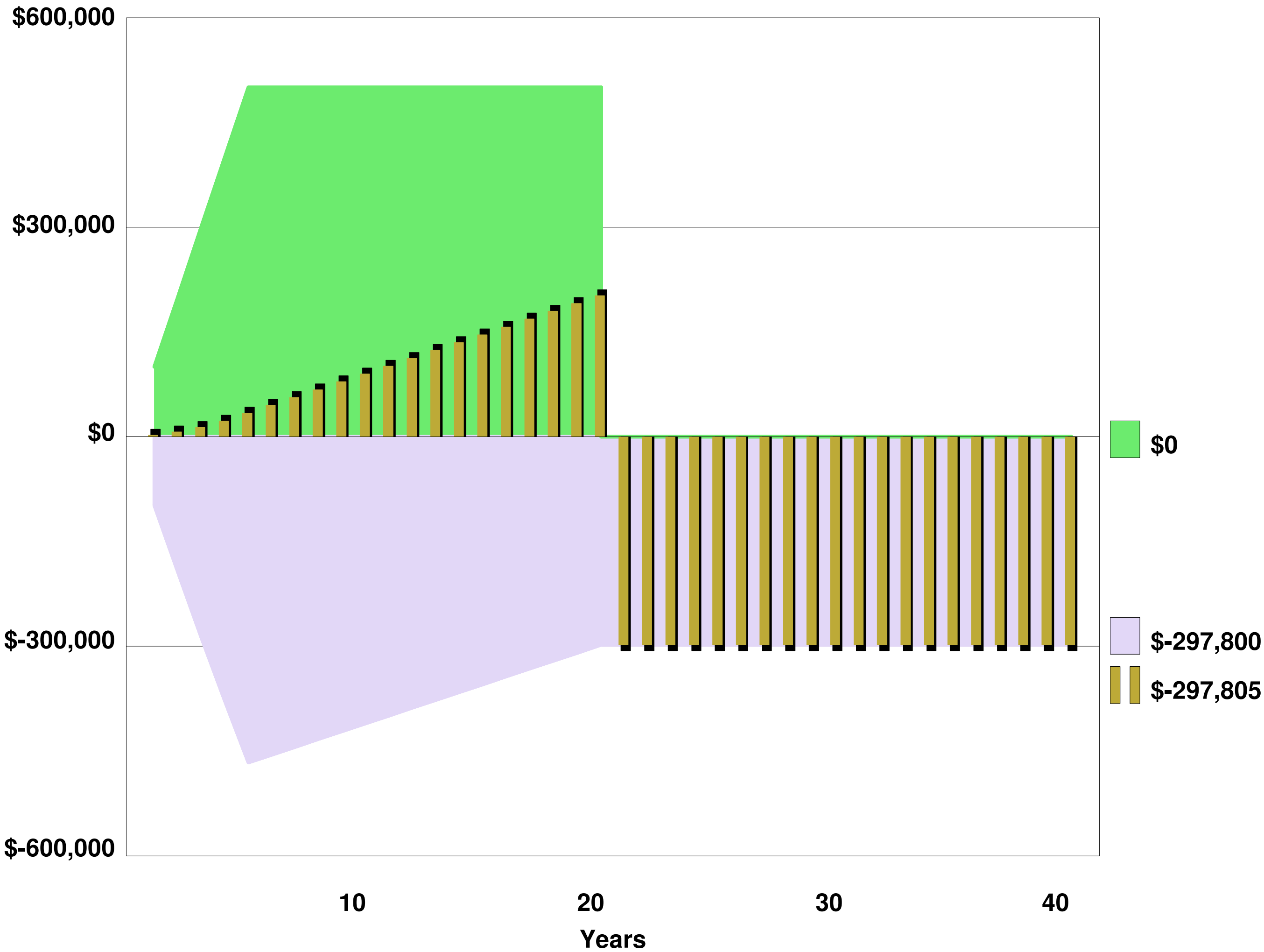
Year	Age	(1) Compensation Adjustment by Executive	(2) Executive's After Tax Cost of Compensation Adjustment	(3) Policy Premium Due by Executive	(4) Beginning of Year Loan from Employer	(5) Loan Interest Paid to Employer from Non-Policy Values	(6) Bonus Received from Employer	(7) After Tax Bonus Received from Employer	(8) Executive's Net Payment**
31	75	0	0	0	0	0	0	0	0
32	76	0	0	0	0	0	0	0	0
33	77	0	0	0	0	0	0	0	0
34	78	0	0	0	0	0	0	0	0
35	79	0	0	0	0	0	0	0	0
36	80	0	0	0	0	0	0	0	0
37	81	0	0	0	0	0	0	0	0
38	82	0	0	0	0	0	0	0	0
39	83	0	0	0	0	0	0	0	0
40	84	0	0	0	0	0	0	0	0
		500,000	300,000	500,000	500,000	303,300	505,495	303,300	300,000

*As of the date of this illustration. (See accompanying "Leveraged Deferred Compensation (Preface)" for remarks regarding loan interest rates used in this illustration.)

**Column (8) = (2) + (3) - (4) + (5) - (7)

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Bay Area Medical Center 40 Year Analysis

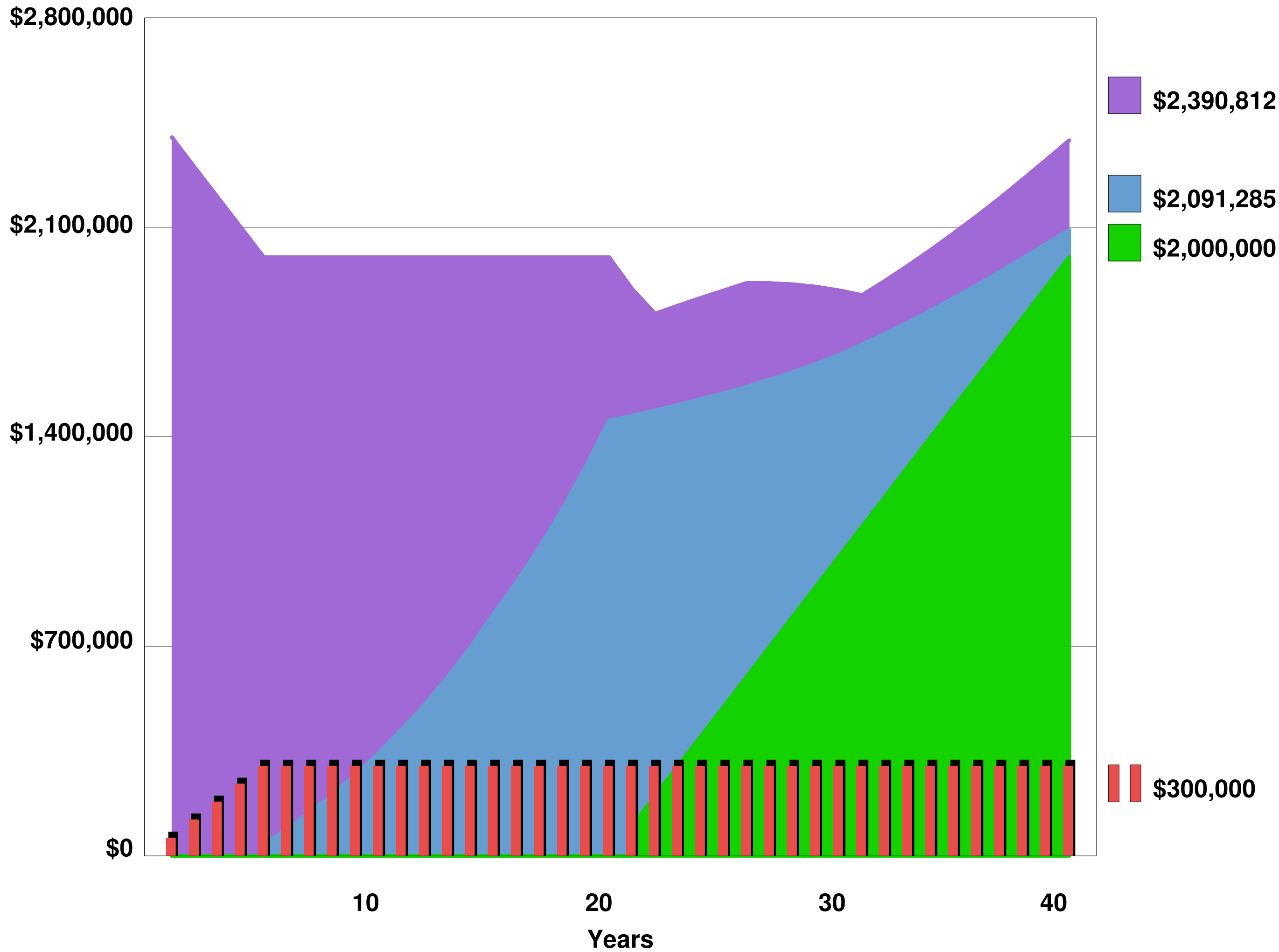


		At Year 40
Employer's Cumulative Net Payments		$-297,805
Cumulative Charge to Earnings*		$-297,800
Loans Due Employer from Executive		$0

*A negative value indicates a credit to earnings.

Employer: Bay Area Medical Center

Robert Huntington 40 Year Analysis



	At Year 40
Executive's Cumulative Net Payments	$300,000
Executive's Cumulative After Tax Cash Flow[1]	$2,000,000
Executive's Cash Value Less Cum. Loan Due Employer	$2,091,285
Executive's Death Benefit Less Cum. Loan Due Employer	$2,390,812

[1] For retirement income.

Promissory Note Analysis

Male Age	Assumed Long-Term AFR for All Years Illustrated	Promissory Note Interest Rate
45	3.37%**	3.37%

								Loan Collateral		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Year	Age	Loan to Executive	Annual Loan Interest Paid from Non-Policy Values	Annual Loan Interest Paid from Policy Values	Loan Repayments from Non-Policy Values	Loan Repayments from Policy Values	Cumulative Loan to Executive (Value of Promissory Note)	Policy Accum Value*	Policy Cash Value*	Policy Death Benefit*
1	45	100,000	3,370	0	0	0	100,000	102,198	67,198	2,500,000
2	46	100,000	6,740	0	0	0	200,000	213,869	143,869	2,500,000
3	47	100,000	10,110	0	0	0	300,000	335,427	260,927	2,500,000
4	48	100,000	13,480	0	0	0	400,000	467,797	393,297	2,500,000
5	49	100,000	16,850	0	0	0	500,000	612,010	537,510	2,500,000
6	50	0	16,850	0	0	0	500,000	659,828	589,053	2,500,000
7	51	0	16,850	0	0	0	500,000	711,459	645,154	2,500,000
8	52	0	16,850	0	0	0	500,000	767,257	706,167	2,500,000
9	53	0	16,850	0	0	0	500,000	827,578	772,448	2,500,000
10	54	0	16,850	0	0	0	500,000	892,823	844,398	2,500,000
11	55	0	16,850	0	0	0	500,000	963,473	922,498	2,500,000
12	56	0	16,850	0	0	0	500,000	1,040,048	1,007,268	2,500,000
13	57	0	16,850	0	0	0	500,000	1,123,108	1,099,268	2,500,000
14	58	0	16,850	0	0	0	500,000	1,213,329	1,199,174	2,500,000
15	59	0	16,850	0	0	0	500,000	1,311,468	1,311,468	2,500,000
16	60	0	16,850	0	0	0	500,000	1,418,351	1,418,351	2,500,000
17	61	0	16,850	0	0	0	500,000	1,534,977	1,534,977	2,500,000
18	62	0	16,850	0	0	0	500,000	1,662,474	1,662,474	2,500,000
19	63	0	16,850	0	0	0	500,000	1,802,130	1,802,130	2,500,000
20	64	0	16,850	0	0	0	500,000	1,955,453	1,955,453	2,500,000
21	65	0	0	0	0	500,000	0	1,469,727	1,469,727	1,893,975
22	66	0	0	0	0	0	0	1,487,558	1,487,558	1,811,683
23	67	0	0	0	0	0	0	1,506,245	1,506,245	1,838,112
24	68	0	0	0	0	0	0	1,525,818	1,525,817	1,864,037
25	69	0	0	0	0	0	0	1,546,297	1,546,297	1,889,310
26	70	0	0	0	0	0	0	1,567,721	1,567,721	1,913,787
27	71	0	0	0	0	0	0	1,590,784	1,590,784	1,913,253
28	72	0	0	0	0	0	0	1,615,833	1,615,833	1,908,979
29	73	0	0	0	0	0	0	1,643,327	1,643,327	1,900,853
30	74	0	0	0	0	0	0	1,673,858	1,673,857	1,888,829
		500,000	303,300	0	0	500,000				

**As of the date of this illustration. (See accompanying "Leveraged Deferred Compensation (Preface)" for remarks regarding loan interest rates used in this illustration.)

*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.

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Employer: Bay Area Medical Center

Promissory Note Analysis

Male Age	Assumed Long-Term AFR for All Years Illustrated	Promissory Note Interest Rate
45	3.37%**	3.37%

Year	Age	(1) Loan to Executive	(2) Annual Loan Interest Paid from Non-Policy Values	(3) Annual Loan Interest Paid from Policy Values	(4) Loan Repayments from Non-Policy Values	(5) Loan Repayments from Policy Values	(6) Cumulative Loan to Executive (Value of Promissory Note)	Loan Collateral: (7) Policy Accum Value*	Loan Collateral: (8) Policy Cash Value*	Loan Collateral: (9) Policy Death Benefit*
31	75	0	0	0	0	0	0	1,708,196	1,708,196	1,872,955
32	76	0	0	0	0	0	0	1,744,417	1,744,417	1,921,048
33	77	0	0	0	0	0	0	1,782,503	1,782,503	1,971,703
34	78	0	0	0	0	0	0	1,822,406	1,822,406	2,024,907
35	79	0	0	0	0	0	0	1,864,042	1,864,042	2,080,607
36	80	0	0	0	0	0	0	1,907,281	1,907,280	2,138,709
37	81	0	0	0	0	0	0	1,951,927	1,951,927	2,199,052
38	82	0	0	0	0	0	0	1,997,724	1,997,724	2,261,411
39	83	0	0	0	0	0	0	2,044,325	2,044,325	2,325,470
40	84	0	0	0	0	0	0	2,091,285	2,091,285	2,390,812
		500,000	303,300	0	0	500,000				

*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.

**As of the date of this illustration. (See accompanying "Leveraged Deferred Compensation (Preface)" for remarks regarding loan interest rates used in this illustration.)

Loan repayment presumed completed in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.