Leveraged Executive Bonus

For Robert Huntington

Presented By:

[Licensed user's name appears here]

Preface

Background

Leveraged Executive Bonus is a financial technique used to reward key executives. The arrangement involves the purchase of a cash value life insurance policy insuring the life of the executive (or the executive and his or her spouse). The owner of the policy is the insured executive.

Funding

The employer 1) pays the premium on the policy as a bonus to the executive and 2) loans the executive a sum equal to the income tax on the bonus. The loans associated with the arrangement are designed to be in compliance with the Final Split Dollar Regulations issued in September 2003 (68 FR 54336).

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

Loan Interest: The interest rate for the life of each loan is set at least to the long-term rate in effect at the beginning of the loan under IRC Sections 7872(f)(2)(A) and 1274(d) (often referred to as the "Applicable Federal Rate" or "AFR"). As an additional benefit in some arrangements, the employer may choose to offset the executive's loan interest payments by way of a second 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. Accrue additional loan interest: If the loan interest rate increases, the executive could be allowed to accrue the additional loan interest. Alternatively, the executive may be able to withdraw funds from the policy to make up the difference in the loan interest due.
3. Renegotiate the loans: Wait until a time when the AFR dips and recast the series of promissory notes into a new note at the reduced rate.
4. Consolidate all loans at the inception of the 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.

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

Preface (continued)

death benefit; otherwise, loan repayment is handled in one of the ways listed below.

1. The executive uses personal funds to repay the loans from the employer.
2. The executive borrows against the policy or surrenders a portion of policy values to repay the loans from the employer.
3. The employer decides 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 resulting from the forgiveness of the loan.
4. The employer may decide to forgive the loan as a bonus and bonuses an additional amount to offset some or all of the resulting income tax.

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.

Supplemental Report: Duration of Loans

The accompanying illustrations reflect loans that may remain in effect for many years. 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 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	335,000	1,758,738	1,758,738	2,156,875
22	66	0	135,000	1,763,289	1,763,289	2,154,324
23	67	0	135,000	1,767,334	1,767,334	2,167,457
24	68	0	135,000	1,770,771	1,770,771	2,178,224
25	69	0	135,000	1,773,478	1,773,478	2,186,302
26	70	0	135,000	1,775,338	1,775,338	2,191,364
27	71	0	135,000	1,777,008	1,777,008	2,164,170
28	72	0	135,000	1,778,713	1,778,713	2,130,168
29	73	0	135,000	1,780,790	1,780,790	2,089,058
30	74	0	135,000	1,783,718	1,783,717	2,040,610
		500,000	1,550,000			

30 Year Summary

Cum. Policy Premiums	500,000
Cum. Pre-Tax Policy Cash Flow	1,550,000
Cash Value	1,783,717
Death Benefit	2,040,610

*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

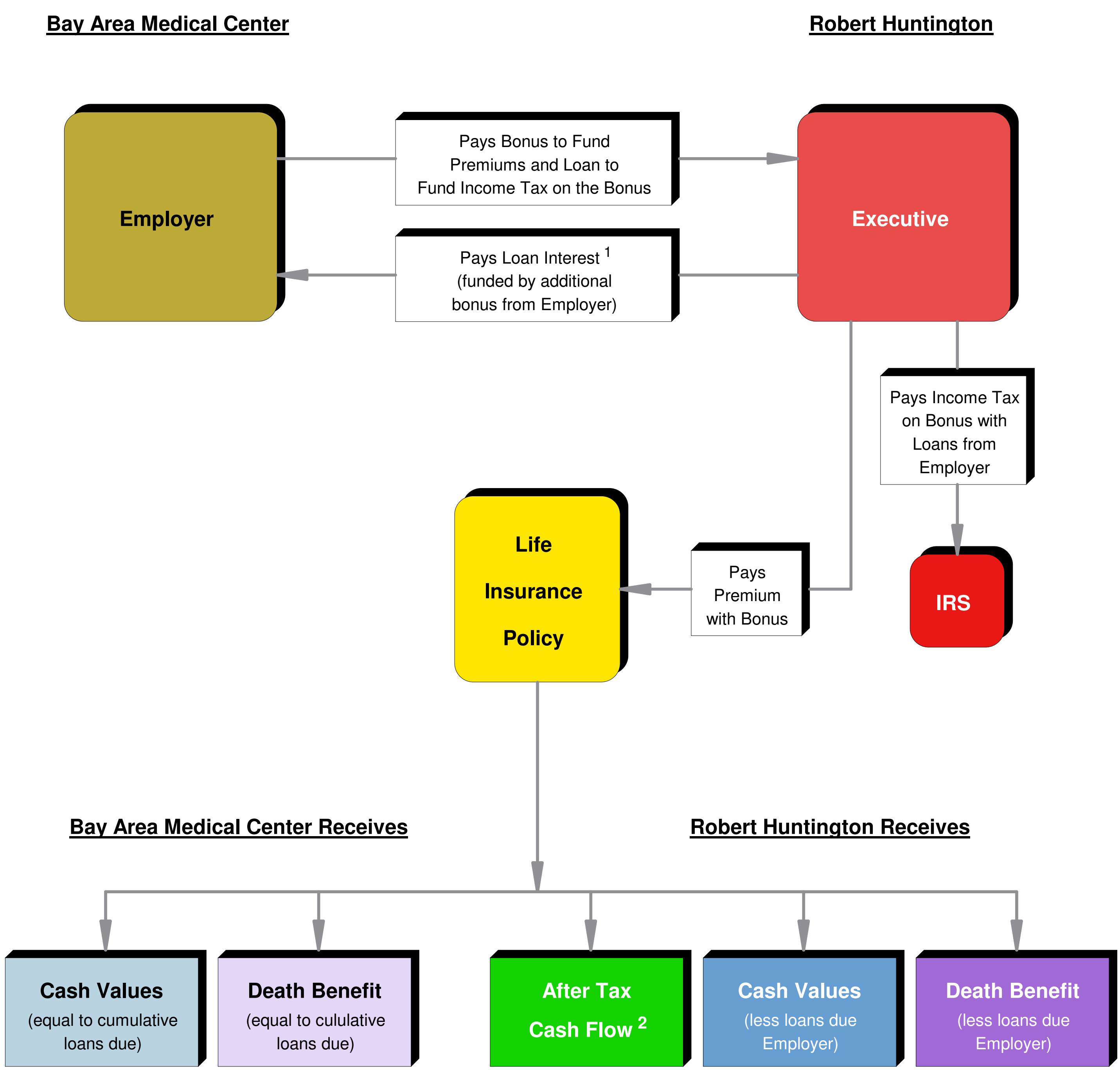
Year	Age	(1) Policy Premium	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
31	75	0	135,000	1,788,161	1,788,161	1,984,691
32	76	0	135,000	1,791,548	1,791,548	2,001,830
33	77	0	135,000	1,793,567	1,793,567	2,018,347
34	78	0	135,000	1,793,842	1,793,842	2,033,897
35	79	0	135,000	1,791,930	1,791,930	2,048,066
36	80	0	135,000	1,787,303	1,787,303	2,060,355
37	81	0	135,000	1,779,329	1,779,329	2,070,159
38	82	0	135,000	1,767,268	1,767,268	2,076,762
39	83	0	135,000	1,750,240	1,750,240	2,079,305
40	84	0	135,000	1,727,211	1,727,211	2,076,773
		500,000	2,900,000			

*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	2,900,000
Cash Value	1,727,211
Death Benefit	2,076,773

Employer: Bay Area Medical Center

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), no additional loan interest is imputed to the Executive.

[2] For loan repayment and retirement income.

Leveraged Executive Bonus Funded With Indexed Universal Life

Presented By: [Licensed User's name appears here] Insured: Robert Huntington

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) Net Payment*	(5) After Tax Policy Cash Flow Available for Retirement Income	(6) Accum Value**	(7) Cash Value**	(8) Death Benefit
1	45	140,000	40,000	40,000	539	0	102,198	67,198	2,500,000
2	46	140,000	40,000	80,000	1,078	0	213,869	143,869	2,500,000
3	47	140,000	40,000	120,000	1,618	0	335,427	260,927	2,500,000
4	48	140,000	40,000	160,000	2,157	0	467,797	393,297	2,500,000
5	49	140,000	40,000	200,000	2,696	0	612,010	537,510	2,500,000
6	50	0	0	200,000	2,696	0	659,828	589,053	2,500,000
7	51	0	0	200,000	2,696	0	711,459	645,154	2,500,000
8	52	0	0	200,000	2,696	0	767,257	706,167	2,500,000
9	53	0	0	200,000	2,696	0	827,578	772,448	2,500,000
10	54	0	0	200,000	2,696	0	892,823	844,398	2,500,000
11	55	0	0	200,000	2,696	0	963,473	922,498	2,500,000
12	56	0	0	200,000	2,696	0	1,040,048	1,007,268	2,500,000
13	57	0	0	200,000	2,696	0	1,123,108	1,099,268	2,500,000
14	58	0	0	200,000	2,696	0	1,213,329	1,199,174	2,500,000
15	59	0	0	200,000	2,696	0	1,311,468	1,311,468	2,500,000
16	60	0	0	200,000	2,696	0	1,418,351	1,418,351	2,500,000
17	61	0	0	200,000	2,696	0	1,534,977	1,534,977	2,500,000
18	62	0	0	200,000	2,696	0	1,662,474	1,662,474	2,500,000
19	63	0	0	200,000	2,696	0	1,802,130	1,802,130	2,500,000
20	64	0	0	200,000	2,696	0	1,955,453	1,955,453	2,500,000
21	65	-200,000	0	0	0	135,000	1,758,738	1,758,738	2,156,875
22	66	0	0	0	0	135,000	1,763,289	1,763,289	2,154,324
23	67	0	0	0	0	135,000	1,767,334	1,767,334	2,167,457
24	68	0	0	0	0	135,000	1,770,771	1,770,771	2,178,224
25	69	0	0	0	0	135,000	1,773,478	1,773,478	2,186,302
26	70	0	0	0	0	135,000	1,775,338	1,775,338	2,191,364
27	71	0	0	0	0	135,000	1,777,008	1,777,008	2,164,170
28	72	0	0	0	0	135,000	1,778,713	1,778,713	2,130,168
29	73	0	0	0	0	135,000	1,780,790	1,780,790	2,089,058
30	74	0	0	0	0	135,000	1,783,718	1,783,717	2,040,610
		500,000	200,000		48,528	1,350,000			

*See appropriate Net Payment Analysis for details.

Cash Flow in column (5) is a mix of partial withdrawals and policy loans.

**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.

Executive's 30 Year Summary

	Living Values †	Death Benefit
Indexed Universal Life:	1,783,717	2,040,610
Less Loan Due Employer:	0	0
Equals Executive's Net Value:	1,783,717	2,040,610
Plus Cum. After Tax Cash Flow:	1,350,000	1,350,000
Equals Executive's Net Value:	3,133,717	3,390,610

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

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) Net Payment*	(5) After Tax Policy Cash Flow Available for Retirement Income	(6) Accum Value**	(7) Cash Value**	(8) Death Benefit
31	75	0	0	0	0	135,000	1,788,161	1,788,161	1,984,691
32	76	0	0	0	0	135,000	1,791,548	1,791,548	2,001,830
33	77	0	0	0	0	135,000	1,793,567	1,793,567	2,018,347
34	78	0	0	0	0	135,000	1,793,842	1,793,842	2,033,897
35	79	0	0	0	0	135,000	1,791,930	1,791,930	2,048,066
36	80	0	0	0	0	135,000	1,787,303	1,787,303	2,060,355
37	81	0	0	0	0	135,000	1,779,329	1,779,329	2,070,159
38	82	0	0	0	0	135,000	1,767,268	1,767,268	2,076,762
39	83	0	0	0	0	135,000	1,750,240	1,750,240	2,079,305
40	84	0	0	0	0	135,000	1,727,211	1,727,211	2,076,773
		500,000	200,000		48,528	2,700,000			

Executive's 40 Year Summary

	Living Values †	Death Benefit
Indexed Universal Life:	1,727,211	2,076,773
Less Loan Due Employer:	0	0
Equals Executive's Net Value:	1,727,211	2,076,773
Plus Cum. After Tax Cash Flow:	2,700,000	2,700,000
Equals Executive's Net Value:	4,427,211	4,776,773

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

*See appropriate Net Payment Analysis for details.

Cash Flow in column (5) is a mix of partial withdrawals and policy loans.

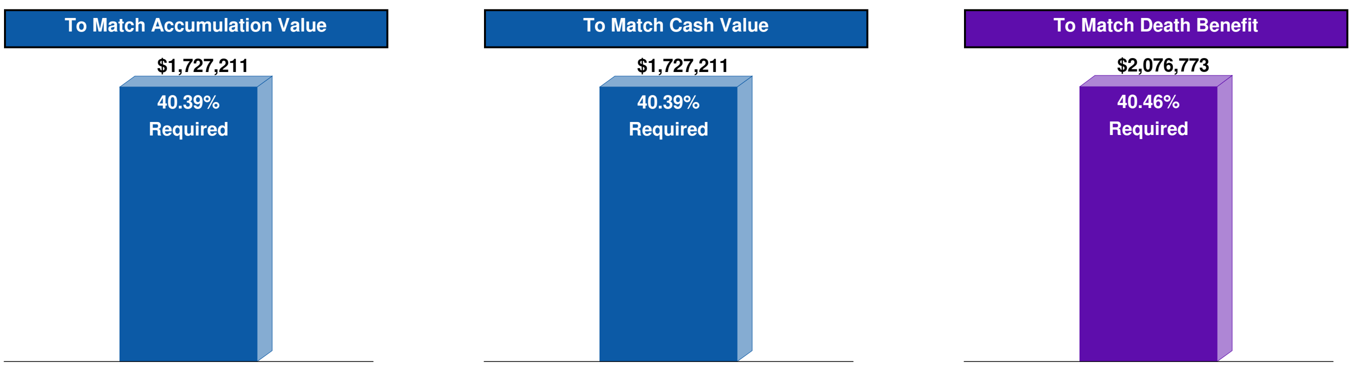
**This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

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:	$1,727,211	40.39%
To match Cash Value of:	$1,727,211	40.39%
To match Death Benefit of:	$2,076,773	40.46%



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%

Year	Age	(1) Bonus to Executive for Premium Payment	(2) After Tax Cost of Bonus for Premium Payment	(3) Loan to Executive for Income Tax on Bonus	(4) Loan Repayment from Executive	(5) Loan Interest Received from Executive	(6) Additional Bonus Paid to Executive	(7) Employer's Net Payment**
1	45	100,000	100,000	40,000	0	1,348	1,348	140,000
2	46	100,000	100,000	40,000	0	2,696	2,696	140,000
3	47	100,000	100,000	40,000	0	4,044	4,044	140,000
4	48	100,000	100,000	40,000	0	5,392	5,392	140,000
5	49	100,000	100,000	40,000	0	6,740	6,740	140,000
6	50	0	0	0	0	6,740	6,740	0
7	51	0	0	0	0	6,740	6,740	0
8	52	0	0	0	0	6,740	6,740	0
9	53	0	0	0	0	6,740	6,740	0
10	54	0	0	0	0	6,740	6,740	0
11	55	0	0	0	0	6,740	6,740	0
12	56	0	0	0	0	6,740	6,740	0
13	57	0	0	0	0	6,740	6,740	0
14	58	0	0	0	0	6,740	6,740	0
15	59	0	0	0	0	6,740	6,740	0
16	60	0	0	0	0	6,740	6,740	0
17	61	0	0	0	0	6,740	6,740	0
18	62	0	0	0	0	6,740	6,740	0
19	63	0	0	0	0	6,740	6,740	0
20	64	0	0	0	0	6,740	6,740	0
21	65	0	0	0	200,000	0	0	-200,000
22	66	0	0	0	0	0	0	0
23	67	0	0	0	0	0	0	0
24	68	0	0	0	0	0	0	0
25	69	0	0	0	0	0	0	0
26	70	0	0	0	0	0	0	0
27	71	0	0	0	0	0	0	0
28	72	0	0	0	0	0	0	0
29	73	0	0	0	0	0	0	0
30	74	0	0	0	0	0	0	0
		500,000	500,000	200,000	200,000	121,320	121,320	500,000

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

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

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%

Year	Age	(1) Bonus to Executive for Premium Payment	(2) After Tax Cost of Bonus for Premium Payment	(3) Loan to Executive for Income Tax on Bonus	(4) Loan Repayment from Executive	(5) Loan Interest Received from Executive	(6) Additional Bonus Paid to Executive	(7) Employer's Net Payment**
31	75	0	0	0	0	0	0	0
32	76	0	0	0	0	0	0	0
33	77	0	0	0	0	0	0	0
34	78	0	0	0	0	0	0	0
35	79	0	0	0	0	0	0	0
36	80	0	0	0	0	0	0	0
37	81	0	0	0	0	0	0	0
38	82	0	0	0	0	0	0	0
39	83	0	0	0	0	0	0	0
40	84	0	0	0	0	0	0	0
		500,000	500,000	200,000	200,000	121,320	121,320	500,000

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

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

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) Policy Premium Due by Executive	−	(2) Bonus from Employer for Premium Payment	+	(3) Income Tax on Bonus for Premium Payment	−	(4) Beginning of Year Loan from Employer	+	(5) Loan Interest Paid to Employer from Non-Policy Values	−	(6) Additional Bonus Received from Employer	+	(7) Income Tax on Additional Bonus	=	(8) Executive's Net Payment**
1	45	100,000		100,000		40,000		40,000		1,348		1,348		539		539
2	46	100,000		100,000		40,000		40,000		2,696		2,696		1,078		1,078
3	47	100,000		100,000		40,000		40,000		4,044		4,044		1,618		1,618
4	48	100,000		100,000		40,000		40,000		5,392		5,392		2,157		2,157
5	49	100,000		100,000		40,000		40,000		6,740		6,740		2,696		2,696
6	50	0		0		0		0		6,740		6,740		2,696		2,696
7	51	0		0		0		0		6,740		6,740		2,696		2,696
8	52	0		0		0		0		6,740		6,740		2,696		2,696
9	53	0		0		0		0		6,740		6,740		2,696		2,696
10	54	0		0		0		0		6,740		6,740		2,696		2,696
11	55	0		0		0		0		6,740		6,740		2,696		2,696
12	56	0		0		0		0		6,740		6,740		2,696		2,696
13	57	0		0		0		0		6,740		6,740		2,696		2,696
14	58	0		0		0		0		6,740		6,740		2,696		2,696
15	59	0		0		0		0		6,740		6,740		2,696		2,696
16	60	0		0		0		0		6,740		6,740		2,696		2,696
17	61	0		0		0		0		6,740		6,740		2,696		2,696
18	62	0		0		0		0		6,740		6,740		2,696		2,696
19	63	0		0		0		0		6,740		6,740		2,696		2,696
20	64	0		0		0		0		6,740		6,740		2,696		2,696
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		500,000		200,000		200,000		121,320		121,320		48,528		48,528

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

**Column (8) = (1) - (2) + (3) - (4) + (5) - (6) + (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) Policy Premium Due by Executive	−	(2) Bonus from Employer for Premium Payment	+	(3) Income Tax on Bonus for Premium Payment	−	(4) Beginning of Year Loan from Employer	+	(5) Loan Interest Paid to Employer from Non-Policy Values	−	(6) Additional Bonus Received from Employer	+	(7) Income Tax on Additional Bonus	=	(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		500,000		200,000		200,000		121,320		121,320		48,528		48,528

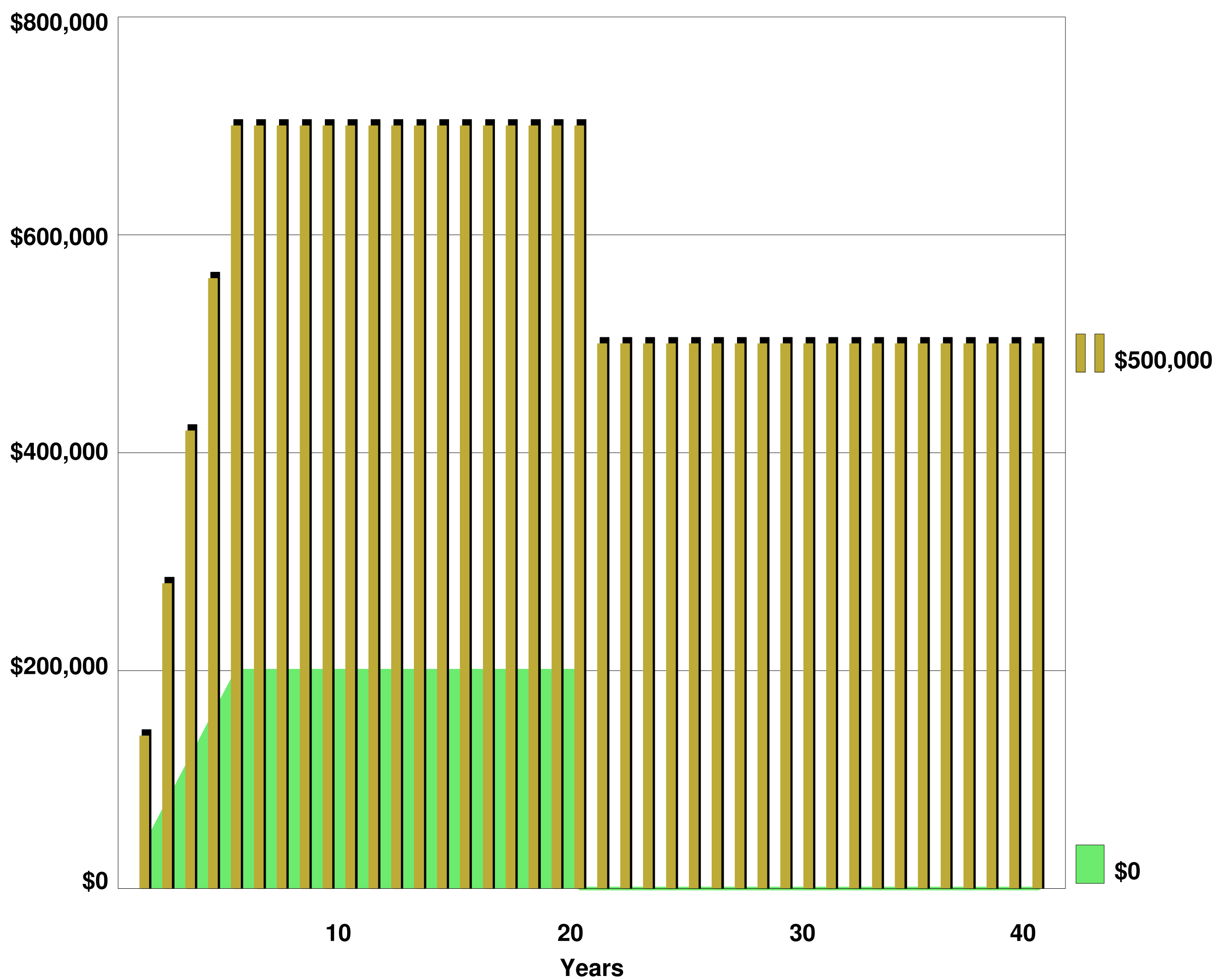
*As of the date of this illustration. (See accompanying "Leveraged Executive Bonus (Preface)" for remarks regarding loan interest rates used in this illustration.)

**Column (8) = (1) - (2) + (3) - (4) + (5) - (6) + (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

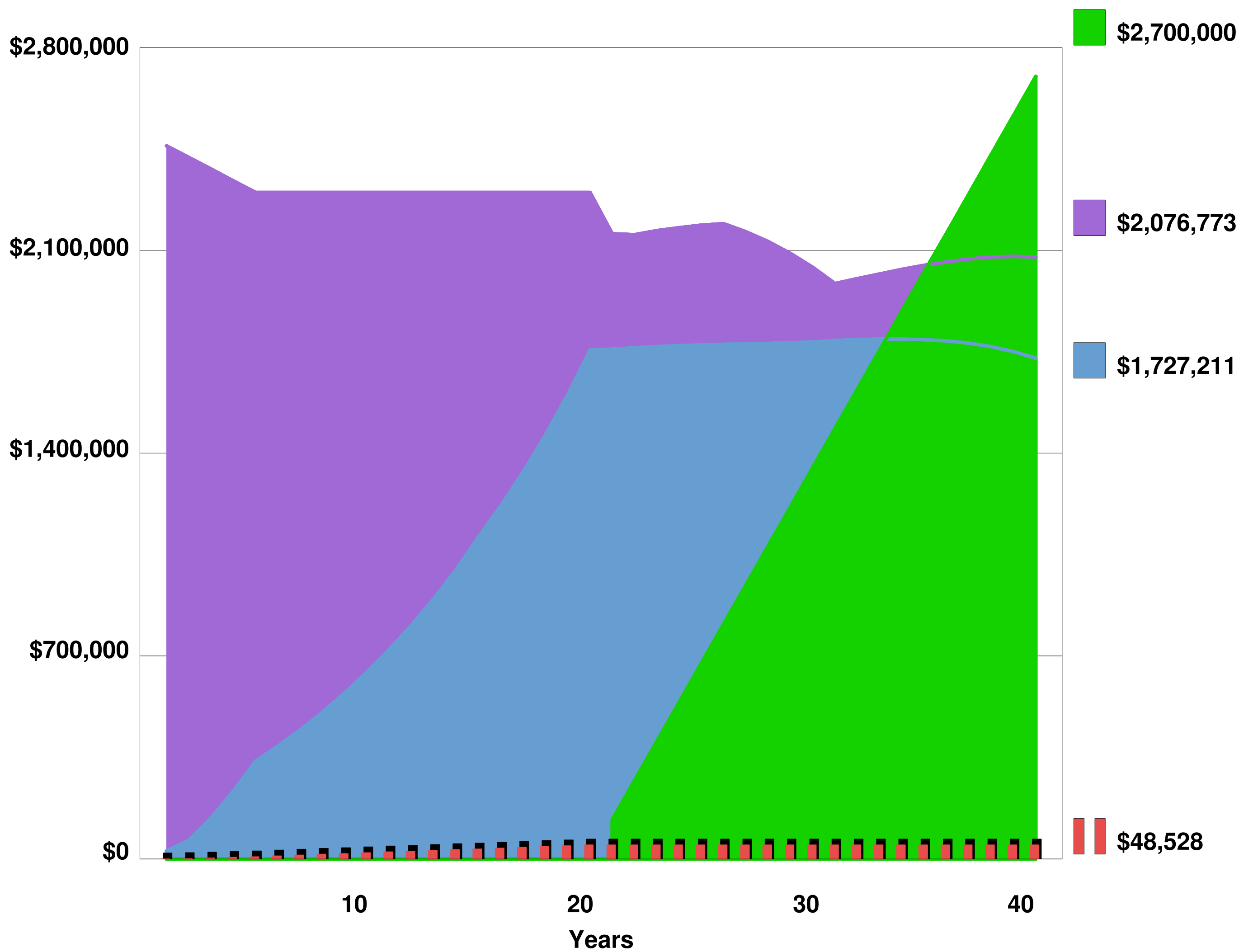
Bay Area Medical Center 40 Year Analysis



	At Year 40
Employer's Cumulative Net Payments	$500,000
Loans Due Employer from Executive	$0

Employer: Bay Area Medical Center

Robert Huntington 40 Year Analysis



		At Year 40
Executive's Cumulative Net Payments		$48,528
Executive's Cumulative After Tax Cash Flow[1]		$2,700,000
Executive's Cash Value Less Cum. Loan Due Employer		$1,727,211
Executive's Death Benefit Less Cum. Loan Due Employer		$2,076,773

[1] For retirement income.

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%

								Loan Collateral		
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)	(7) Policy Accum Value*	(8) Policy Cash Value*	(9) Policy Death Benefit*
1	45	40,000	1,348	0	0	0	40,000	102,198	67,198	2,500,000
2	46	40,000	2,696	0	0	0	80,000	213,869	143,869	2,500,000
3	47	40,000	4,044	0	0	0	120,000	335,427	260,927	2,500,000
4	48	40,000	5,392	0	0	0	160,000	467,797	393,297	2,500,000
5	49	40,000	6,740	0	0	0	200,000	612,010	537,510	2,500,000
6	50	0	6,740	0	0	0	200,000	659,828	589,053	2,500,000
7	51	0	6,740	0	0	0	200,000	711,459	645,154	2,500,000
8	52	0	6,740	0	0	0	200,000	767,257	706,167	2,500,000
9	53	0	6,740	0	0	0	200,000	827,578	772,448	2,500,000
10	54	0	6,740	0	0	0	200,000	892,823	844,398	2,500,000
11	55	0	6,740	0	0	0	200,000	963,473	922,498	2,500,000
12	56	0	6,740	0	0	0	200,000	1,040,048	1,007,268	2,500,000
13	57	0	6,740	0	0	0	200,000	1,123,108	1,099,268	2,500,000
14	58	0	6,740	0	0	0	200,000	1,213,329	1,199,174	2,500,000
15	59	0	6,740	0	0	0	200,000	1,311,468	1,311,468	2,500,000
16	60	0	6,740	0	0	0	200,000	1,418,351	1,418,351	2,500,000
17	61	0	6,740	0	0	0	200,000	1,534,977	1,534,977	2,500,000
18	62	0	6,740	0	0	0	200,000	1,662,474	1,662,474	2,500,000
19	63	0	6,740	0	0	0	200,000	1,802,130	1,802,130	2,500,000
20	64	0	6,740	0	0	0	200,000	1,955,453	1,955,453	2,500,000
21	65	0	0	0	0	200,000	0	1,758,738	1,758,738	2,156,875
22	66	0	0	0	0	0	0	1,763,289	1,763,289	2,154,324
23	67	0	0	0	0	0	0	1,767,334	1,767,334	2,167,457
24	68	0	0	0	0	0	0	1,770,771	1,770,771	2,178,224
25	69	0	0	0	0	0	0	1,773,478	1,773,478	2,186,302
26	70	0	0	0	0	0	0	1,775,338	1,775,338	2,191,364
27	71	0	0	0	0	0	0	1,777,008	1,777,008	2,164,170
28	72	0	0	0	0	0	0	1,778,713	1,778,713	2,130,168
29	73	0	0	0	0	0	0	1,780,790	1,780,790	2,089,058
30	74	0	0	0	0	0	0	1,783,718	1,783,717	2,040,610
		200,000	121,320	0	0	200,000				

**As of the date of this illustration. (See accompanying "Leveraged Executive Bonus (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%

								Loan Collateral		
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)	(7) Policy Accum Value*	(8) Policy Cash Value*	(9) Policy Death Benefit*
31	75	0	0	0	0	0	0	1,788,161	1,788,161	1,984,691
32	76	0	0	0	0	0	0	1,791,548	1,791,548	2,001,830
33	77	0	0	0	0	0	0	1,793,567	1,793,567	2,018,347
34	78	0	0	0	0	0	0	1,793,842	1,793,842	2,033,897
35	79	0	0	0	0	0	0	1,791,930	1,791,930	2,048,066
36	80	0	0	0	0	0	0	1,787,303	1,787,303	2,060,355
37	81	0	0	0	0	0	0	1,779,329	1,779,329	2,070,159
38	82	0	0	0	0	0	0	1,767,268	1,767,268	2,076,762
39	83	0	0	0	0	0	0	1,750,240	1,750,240	2,079,305
40	84	0	0	0	0	0	0	1,727,211	1,727,211	2,076,773
		200,000	121,320	0	0	200,000				

*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 Executive Bonus (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.