

Bank Financing of the Income Tax on an Executive Bonus

For: James Freeman



"Success isn't about what you accomplish in your life, it's about what you inspire others to accomplish."

Anonymous

Presented By:

[Licensed user's name appears here]

Bank Financing of the Income Tax on an Executive Bonus

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

Insured: James Freeman

Borrower and Policy Owner: James Freeman, MD

Preface

The primary benefits of financing the income tax on an Executive Bonus Plan are: 1) provide a significant amount of life insurance coverage for an important executive at little or no out-of-pocket cost and 2) allow the employer to provide the benefit without having to gross-up the bonus in order to eliminate the executive's out-of-pocket cost.

The loan structure, loan interest, fees, collateral requirements, and personal guarantees associated with this technique will be determined by the lender.

A secondary benefit is the opportunity for interest rate arbitrage because the loan interest associated with income tax financing may be lower than the policy's non-guaranteed internal rate of return.

There are several risks associated with income tax financing, some of which are outlined below:

Lender Risk

- Is the loan a term loan that is due in fewer years than illustrated? If so, the borrower will likely be subject to new loan conditions.
- If the loan is not a term loan, can the lender demand full payment of the loan at any time? An unlimited right for full repayment provides very little borrower security.

Collateral Risk

- The lender may limit the form of acceptable collateral requiring only liquid assets be provided.

- Additional collateral may be required based on a change in the loan requirements of the lender.
- The policy cash values shown on pages that follow are not guaranteed and may be higher or lower than illustrated. Additional collateral may be required if the actual cash values are lower than illustrated.
- A personal guarantee may be required.

Interest-Rate Risk

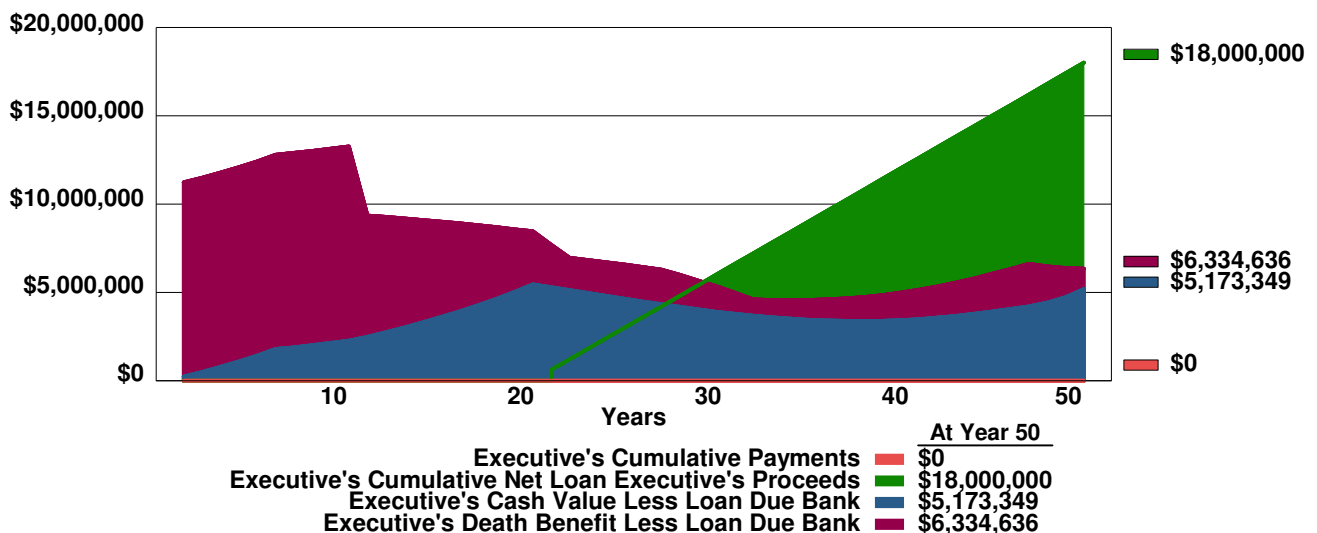
- In some premium financing transactions, the loan interest is a variable rate which resets annually.
- If loan interest is fixed, for how long is it fixed?

Exit Strategies

With long-live insureds, repayment of loans associated with premium financing must be considered, and careful planning should be contemplated in advance to ensure a source of funds for this purpose. In some cases, the policy cash value and/or death benefit may be sufficient. Alternatively, the client could use other sources of cash to repay the loans. Finally, the least predictable option includes the life settlement market where some policies can be sold in future years once the client's age exceeds 75 and/or the client develops a medical condition that substantially reduces life expectancy. However, the specific amount of any such sale is unknowable when the policy is first placed in force.

Below is a graphic of the executive's costs and benefits as shown in the accompanying presentation.

James Freeman 50 Year Analysis



Bank Financing of the Income Tax on an Executive Bonus

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

Insured: James Freeman

Borrower and Policy Owner: James Freeman, MD

Preface (continued)

Conclusion

Based on creditworthiness of the borrower, the terms of the lender, and the life insurance company involved, the actual terms of a premium financing arrangement will be different. It is important that the right combination of these three issues be carefully evaluated.

Important Note

In all cases, be sure to consult with your own legal and tax advisers before entering into this or any other arrangement involving tax, legal, and economic considerations. The approval of these advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Illustration of Policy Values Funding the Plan

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

| | | Executive's Income Tax Bracket 40.00% | Indexed UL Interest Rate 7.00% | Initial Premium 500,000 | Initial Policy Death Benefit 11,000,000 | |
|------|-------------|---|---------------------------------------|-----------------------------------|---|-------------------------------------|
| Year | Male Age | (1) Policy Premium | (2) Net Policy Loan Proceeds | (3) Cash Value* Increase | (4) Year End Cash Value* | (5) Year End Death Benefit |
| 1 | 45 | 500,000 | 0 | 437,539 | 437,539 | 11,437,539 |
| 2 | 46 | 500,000 | 0 | 468,092 | 905,631 | 11,905,631 |
| 3 | 47 | 500,000 | 0 | 500,980 | 1,406,611 | 12,406,611 |
| 4 | 48 | 500,000 | 0 | 536,644 | 1,943,255 | 12,943,255 |
| 5 | 49 | 500,000 | 0 | 575,224 | 2,518,479 | 13,518,479 |
| 6 | 50 | 500,000 | 0 | 616,454 | 3,134,933 | 14,134,933 |
| 7 | 51 | 0 | 0 | 157,735 | 3,292,668 | 14,292,668 |
| 8 | 52 | 0 | 0 | 169,908 | 3,462,576 | 14,462,576 |
| 9 | 53 | 0 | 0 | 183,014 | 3,645,590 | 14,645,590 |
| 10 | 54 | 0 | 0 | 196,778 | 3,842,368 | 14,842,368 |
| 11 | 55 | 0 | 0 | 299,554 | 4,141,922 | 11,000,000 |
| 12 | 56 | 0 | 0 | 322,810 | 4,464,732 | 11,000,000 |
| 13 | 57 | 0 | 0 | 347,968 | 4,812,700 | 11,000,000 |
| 14 | 58 | 0 | 0 | 375,268 | 5,187,968 | 11,000,000 |
| 15 | 59 | 0 | 0 | 404,883 | 5,592,851 | 11,000,000 |
| 16 | 60 | 0 | 2,000,455 | -1,687,936 | 3,904,915 | 8,899,522 |
| 17 | 61 | 0 | 0 | 338,937 | 4,243,852 | 8,794,498 |
| 18 | 62 | 0 | 0 | 367,522 | 4,611,374 | 8,684,223 |
| 19 | 63 | 0 | 0 | 398,814 | 5,010,188 | 8,568,434 |
| 20 | 64 | 0 | 0 | 433,102 | 5,443,290 | 8,446,856 |
| 21 | 65 | 0 | 600,000 | -166,513 | 5,276,777 | 7,689,199 |
| 22 | 66 | 0 | 600,000 | -164,772 | 5,112,005 | 6,955,675 |
| 23 | 67 | 0 | 600,000 | -161,316 | 4,950,689 | 6,830,235 |
| 24 | 68 | 0 | 600,000 | -160,479 | 4,790,210 | 6,699,822 |
| 25 | 69 | 0 | 600,000 | -159,245 | 4,630,965 | 6,563,974 |
| 26 | 70 | 0 | 600,000 | -157,338 | 4,473,627 | 6,422,473 |
| 27 | 71 | 0 | 600,000 | -154,559 | 4,319,068 | 6,275,228 |
| 28 | 72 | 0 | 600,000 | -149,237 | 4,169,831 | 5,984,361 |
| 29 | 73 | 0 | 600,000 | -141,969 | 4,027,862 | 5,670,752 |
| 30 | 74 | 0 | 600,000 | -132,352 | 3,895,510 | 5,333,565 |
| | | 3,000,000 | 8,000,455 | | | |

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Illustration of Policy Values Funding the Plan

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

| | | Executive's Income Tax Bracket 40.00% | Indexed UL Interest Rate 7.00% | Initial Premium 500,000 | Initial Policy Death Benefit 11,000,000 | |
|------|-------------|---|---------------------------------------|-----------------------------------|---|-------------------------------------|
| Year | Male Age | (1) Policy Premium | (2) Net Policy Loan Proceeds | (3) Cash Value* Increase | (4) Year End Cash Value* | (5) Year End Death Benefit |
| 31 | 75 | 0 | 600,000 | -119,858 | 3,775,652 | 4,972,139 |
| 32 | 76 | 0 | 600,000 | -103,949 | 3,671,703 | 4,585,932 |
| 33 | 77 | 0 | 600,000 | -91,509 | 3,580,194 | 4,557,880 |
| 34 | 78 | 0 | 600,000 | -77,438 | 3,502,756 | 4,548,003 |
| 35 | 79 | 0 | 600,000 | -61,648 | 3,441,108 | 4,558,278 |
| 36 | 80 | 0 | 600,000 | -44,011 | 3,397,097 | 4,590,823 |
| 37 | 81 | 0 | 600,000 | -24,534 | 3,372,563 | 4,647,755 |
| 38 | 82 | 0 | 600,000 | -5,105 | 3,367,458 | 4,729,224 |
| 39 | 83 | 0 | 600,000 | 15,414 | 3,382,872 | 4,836,577 |
| 40 | 84 | 0 | 600,000 | 36,786 | 3,419,658 | 4,970,931 |
| 41 | 85 | 0 | 600,000 | 58,184 | 3,477,842 | 5,132,539 |
| 42 | 86 | 0 | 600,000 | 78,135 | 3,555,977 | 5,320,121 |
| 43 | 87 | 0 | 600,000 | 98,908 | 3,654,885 | 5,534,791 |
| 44 | 88 | 0 | 600,000 | 117,703 | 3,772,588 | 5,774,738 |
| 45 | 89 | 0 | 600,000 | 133,042 | 3,905,630 | 6,036,608 |
| 46 | 90 | 0 | 600,000 | 143,964 | 4,049,594 | 6,316,055 |
| 47 | 91 | 0 | 600,000 | 148,257 | 4,197,851 | 6,606,424 |
| 48 | 92 | 0 | 600,000 | 217,018 | 4,414,869 | 6,463,555 |
| 49 | 93 | 0 | 600,000 | 312,928 | 4,727,797 | 6,362,803 |
| 50 | 94 | 0 | 600,000 | 445,552 | 5,173,349 | 6,334,636 |
| | | 3,000,000 | 20,000,455 | | | |

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Policy Loan Analysis

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

Executive's
Income Tax Bracket
40.00%

| Year | Male Age | (1) Total Net Loan Policy Proceeds | (2) Net Loan Policy Proceeds Used to Reduce Loan | (3) Net Loan Policy Proceeds Available for Retirement Income | (4) Year End Policy Cash Value* | (5) Year End Policy Death Benefit |
|------|----------|---------------------------------------|---|---|------------------------------------|--------------------------------------|
| 1 | 45 | 0 | 0 | 0 | 437,539 | 11,437,539 |
| 2 | 46 | 0 | 0 | 0 | 905,631 | 11,905,631 |
| 3 | 47 | 0 | 0 | 0 | 1,406,611 | 12,406,611 |
| 4 | 48 | 0 | 0 | 0 | 1,943,255 | 12,943,255 |
| 5 | 49 | 0 | 0 | 0 | 2,518,479 | 13,518,479 |
| 6 | 50 | 0 | 0 | 0 | 3,134,933 | 14,134,933 |
| 7 | 51 | 0 | 0 | 0 | 3,292,668 | 14,292,668 |
| 8 | 52 | 0 | 0 | 0 | 3,462,576 | 14,462,576 |
| 9 | 53 | 0 | 0 | 0 | 3,645,590 | 14,645,590 |
| 10 | 54 | 0 | 0 | 0 | 3,842,368 | 14,842,368 |
| 11 | 55 | 0 | 0 | 0 | 4,141,922 | 11,000,000 |
| 12 | 56 | 0 | 0 | 0 | 4,464,732 | 11,000,000 |
| 13 | 57 | 0 | 0 | 0 | 4,812,700 | 11,000,000 |
| 14 | 58 | 0 | 0 | 0 | 5,187,968 | 11,000,000 |
| 15 | 59 | 0 | 0 | 0 | 5,592,851 | 11,000,000 |
| 16 | 60 | 2,000,455 | 2,000,455 | 0 | 3,904,915 | 8,899,522 |
| 17 | 61 | 0 | 0 | 0 | 4,243,852 | 8,794,498 |
| 18 | 62 | 0 | 0 | 0 | 4,611,374 | 8,684,223 |
| 19 | 63 | 0 | 0 | 0 | 5,010,188 | 8,568,434 |
| 20 | 64 | 0 | 0 | 0 | 5,443,290 | 8,446,856 |
| 21 | 65 | 600,000 | 0 | 600,000 | 5,276,777 | 7,689,199 |
| 22 | 66 | 600,000 | 0 | 600,000 | 5,112,005 | 6,955,675 |
| 23 | 67 | 600,000 | 0 | 600,000 | 4,950,689 | 6,830,235 |
| 24 | 68 | 600,000 | 0 | 600,000 | 4,790,210 | 6,699,822 |
| 25 | 69 | 600,000 | 0 | 600,000 | 4,630,965 | 6,563,974 |
| 26 | 70 | 600,000 | 0 | 600,000 | 4,473,627 | 6,422,473 |
| 27 | 71 | 600,000 | 0 | 600,000 | 4,319,068 | 6,275,228 |
| 28 | 72 | 600,000 | 0 | 600,000 | 4,169,831 | 5,984,361 |
| 29 | 73 | 600,000 | 0 | 600,000 | 4,027,862 | 5,670,752 |
| 30 | 74 | 600,000 | 0 | 600,000 | 3,895,510 | 5,333,565 |
| | | 8,000,455 | 2,000,455 | 6,000,000 | | |

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Policy Loan Analysis

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

Executive's
Income Tax Bracket
40.00%

| Year | Male Age | (1) Total Net Loan Policy Proceeds | = | (2) Net Loan Policy Proceeds Used to Reduce Loan | + | (3) Net Loan Policy Proceeds Available for Retirement Income | (4) Year End Policy Cash Value* | (5) Year End Policy Death Benefit |
|------|----------|--|---|--|---|--|---|---|
| 31 | 75 | 600,000 | | 0 | | 600,000 | 3,775,652 | 4,972,139 |
| 32 | 76 | 600,000 | | 0 | | 600,000 | 3,671,703 | 4,585,932 |
| 33 | 77 | 600,000 | | 0 | | 600,000 | 3,580,194 | 4,557,880 |
| 34 | 78 | 600,000 | | 0 | | 600,000 | 3,502,756 | 4,548,003 |
| 35 | 79 | 600,000 | | 0 | | 600,000 | 3,441,108 | 4,558,278 |
| 36 | 80 | 600,000 | | 0 | | 600,000 | 3,397,097 | 4,590,823 |
| 37 | 81 | 600,000 | | 0 | | 600,000 | 3,372,563 | 4,647,755 |
| 38 | 82 | 600,000 | | 0 | | 600,000 | 3,367,458 | 4,729,224 |
| 39 | 83 | 600,000 | | 0 | | 600,000 | 3,382,872 | 4,836,577 |
| 40 | 84 | 600,000 | | 0 | | 600,000 | 3,419,658 | 4,970,931 |
| 41 | 85 | 600,000 | | 0 | | 600,000 | 3,477,842 | 5,132,539 |
| 42 | 86 | 600,000 | | 0 | | 600,000 | 3,555,977 | 5,320,121 |
| 43 | 87 | 600,000 | | 0 | | 600,000 | 3,654,885 | 5,534,791 |
| 44 | 88 | 600,000 | | 0 | | 600,000 | 3,772,588 | 5,774,738 |
| 45 | 89 | 600,000 | | 0 | | 600,000 | 3,905,630 | 6,036,608 |
| 46 | 90 | 600,000 | | 0 | | 600,000 | 4,049,594 | 6,316,055 |
| 47 | 91 | 600,000 | | 0 | | 600,000 | 4,197,851 | 6,606,424 |
| 48 | 92 | 600,000 | | 0 | | 600,000 | 4,414,869 | 6,463,555 |
| 49 | 93 | 600,000 | | 0 | | 600,000 | 4,727,797 | 6,362,803 |
| 50 | 94 | 600,000 | | 0 | | 600,000 | 5,173,349 | 6,334,636 |
| | | <u>20,000,455</u> | | <u>2,000,455</u> | | <u>18,000,000</u> | | |

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Analysis of the Executive Bonus

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

Employer's
Tax Bracket
34.00%

Executive's
Income Tax Bracket
40.00%

| Year | Male Age | Employer | | Executive | | | |
|------|----------|---------------------------|---|-----------------------|-------------------------------------|---------------------------------|--|
| | | (1) Bonus to Executive | (2) Employer's After Tax Cost of Bonus | (3) Policy Premium | (4) Bonus Received from Employer | (5) Income Tax on Column (4) | (6) Executive's Net Payment (Funded by Bank Loan) |
| 1 | 45 | 500,000 | 330,000 | 500,000 | 500,000 | 200,000 | 200,000 |
| 2 | 46 | 500,000 | 330,000 | 500,000 | 500,000 | 200,000 | 200,000 |
| 3 | 47 | 500,000 | 330,000 | 500,000 | 500,000 | 200,000 | 200,000 |
| 4 | 48 | 500,000 | 330,000 | 500,000 | 500,000 | 200,000 | 200,000 |
| 5 | 49 | 500,000 | 330,000 | 500,000 | 500,000 | 200,000 | 200,000 |
| 6 | 50 | 500,000 | 330,000 | 500,000 | 500,000 | 200,000 | 200,000 |
| 7 | 51 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | 52 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | 53 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | 54 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 | 55 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | 56 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 | 57 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 | 58 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 | 59 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | 60 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | 61 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 | 62 | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 | 63 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 | 64 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 | 65 | 0 | 0 | 0 | 0 | 0 | 0 |
| 22 | 66 | 0 | 0 | 0 | 0 | 0 | 0 |
| 23 | 67 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 | 68 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 | 69 | 0 | 0 | 0 | 0 | 0 | 0 |
| 26 | 70 | 0 | 0 | 0 | 0 | 0 | 0 |
| 27 | 71 | 0 | 0 | 0 | 0 | 0 | 0 |
| 28 | 72 | 0 | 0 | 0 | 0 | 0 | 0 |
| 29 | 73 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 | 74 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 3,000,000 | 1,980,000 | 3,000,000 | 3,000,000 | 1,200,000 | 1,200,000 |

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Analysis of the Executive Bonus

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

| Year | Male Age | Employer | | Executive | | | |
|------|----------|---------------------------|---|-----------------------|-------------------------------------|---------------------------------|--|
| | | (1) Bonus to Executive | (2) Employer's After Tax Cost of Bonus | (3) Policy Premium | (4) Bonus Received from Employer | (5) Income Tax on Column (4) | (6) Executive's Net Payment (Funded by Bank Loan) |
| 31 | 75 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 | 76 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33 | 77 | 0 | 0 | 0 | 0 | 0 | 0 |
| 34 | 78 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 | 79 | 0 | 0 | 0 | 0 | 0 | 0 |
| 36 | 80 | 0 | 0 | 0 | 0 | 0 | 0 |
| 37 | 81 | 0 | 0 | 0 | 0 | 0 | 0 |
| 38 | 82 | 0 | 0 | 0 | 0 | 0 | 0 |
| 39 | 83 | 0 | 0 | 0 | 0 | 0 | 0 |
| 40 | 84 | 0 | 0 | 0 | 0 | 0 | 0 |
| 41 | 85 | 0 | 0 | 0 | 0 | 0 | 0 |
| 42 | 86 | 0 | 0 | 0 | 0 | 0 | 0 |
| 43 | 87 | 0 | 0 | 0 | 0 | 0 | 0 |
| 44 | 88 | 0 | 0 | 0 | 0 | 0 | 0 |
| 45 | 89 | 0 | 0 | 0 | 0 | 0 | 0 |
| 46 | 90 | 0 | 0 | 0 | 0 | 0 | 0 |
| 47 | 91 | 0 | 0 | 0 | 0 | 0 | 0 |
| 48 | 92 | 0 | 0 | 0 | 0 | 0 | 0 |
| 49 | 93 | 0 | 0 | 0 | 0 | 0 | 0 |
| 50 | 94 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 3,000,000 | 1,980,000 | 3,000,000 | 3,000,000 | 1,200,000 | 1,200,000 |

Employer's Tax Bracket
34.00%

Executive's Income Tax Bracket
40.00%

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Summary

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

Executive's
Income Tax Bracket
40.00%

Indexed UL
Interest Rate
7.00%

Initial Policy
Death Benefit
11,000,000

| Income Tax and Loan Summary | | | | | | | Executive's Values | | | | |
|-----------------------------|----------|--|---|---------------------------------------|--|---|----------------------------------|---|-------------------------------------|--|--|
| Yr | Male Age | (1) Income Tax Due by Executive on Employer Bonus | (2) Loan from Bank to Executive for Income Tax | (3) Premium Due Borrowed from Bank | (4) Assumed Bank Loan Interest Rate | (5) Net Policy Loan Proceeds Used to Reduce Loan | (6) Cumulative Loan Due Bank* | (7) Net Loan Policy Proceeds Available for Retirement Income | (8) Year End Policy Cash Value** | (9) Year End Policy Cash Value** Net of Bank Loan | (10) Year End Policy Death Benefit Net of Bank Loan |
| 1 | 45 | 200,000 | 200,000 | 200,000 | 3.00% | 0 | 206,000 | 0 | 437,539 | 231,539 | 11,231,539 |
| 2 | 46 | 200,000 | 200,000 | 200,000 | 3.14% | 0 | 418,748 | 0 | 905,631 | 486,883 | 11,486,883 |
| 3 | 47 | 200,000 | 200,000 | 200,000 | 3.29% | 0 | 639,105 | 0 | 1,406,611 | 767,506 | 11,767,506 |
| 4 | 48 | 200,000 | 200,000 | 200,000 | 3.43% | 0 | 867,886 | 0 | 1,943,255 | 1,075,369 | 12,075,369 |
| 5 | 49 | 200,000 | 200,000 | 200,000 | 3.57% | 0 | 1,106,010 | 0 | 2,518,479 | 1,412,469 | 12,412,469 |
| 6 | 50 | 200,000 | 200,000 | 200,000 | 3.71% | 0 | 1,354,463 | 0 | 3,134,933 | 1,780,470 | 12,780,470 |
| 7 | 51 | 0 | 0 | 0 | 3.86% | 0 | 1,406,745 | 0 | 3,292,668 | 1,885,923 | 12,885,923 |
| 8 | 52 | 0 | 0 | 0 | 4.00% | 0 | 1,463,015 | 0 | 3,462,576 | 1,999,561 | 12,999,561 |
| 9 | 53 | 0 | 0 | 0 | 4.14% | 0 | 1,523,584 | 0 | 3,645,590 | 2,122,006 | 13,122,006 |
| 10 | 54 | 0 | 0 | 0 | 4.29% | 0 | 1,588,946 | 0 | 3,842,368 | 2,253,422 | 13,253,422 |
| 11 | 55 | 0 | 0 | 0 | 4.43% | 0 | 1,659,336 | 0 | 4,141,922 | 2,482,586 | 9,340,664 |
| 12 | 56 | 0 | 0 | 0 | 4.57% | 0 | 1,735,168 | 0 | 4,464,732 | 2,729,564 | 9,264,832 |
| 13 | 57 | 0 | 0 | 0 | 4.71% | 0 | 1,816,894 | 0 | 4,812,700 | 2,995,806 | 9,183,106 |
| 14 | 58 | 0 | 0 | 0 | 4.86% | 0 | 1,905,195 | 0 | 5,187,968 | 3,282,773 | 9,094,805 |
| 15 | 59 | 0 | 0 | 0 | 5.00% | 0 | 2,000,455 | 0 | 5,592,851 | 3,592,396 | 8,999,545 |
| 16 | 60 | 0 | 0 | 0 | | 2,000,455 | 0 | 0 | 3,904,915 | 3,904,915 | 8,899,522 |
| 17 | 61 | 0 | 0 | 0 | | 0 | 0 | 0 | 4,243,852 | 4,243,852 | 8,794,498 |
| 18 | 62 | 0 | 0 | 0 | | 0 | 0 | 0 | 4,611,374 | 4,611,374 | 8,684,223 |
| 19 | 63 | 0 | 0 | 0 | | 0 | 0 | 0 | 5,010,188 | 5,010,188 | 8,568,434 |
| 20 | 64 | 0 | 0 | 0 | | 0 | 0 | 0 | 5,443,290 | 5,443,290 | 8,446,856 |
| 21 | 65 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 5,276,777 | 5,276,777 | 7,689,199 |
| 22 | 66 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 5,112,005 | 5,112,005 | 6,955,675 |
| 23 | 67 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,950,689 | 4,950,689 | 6,830,235 |
| 24 | 68 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,790,210 | 4,790,210 | 6,699,822 |
| 25 | 69 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,630,965 | 4,630,965 | 6,563,974 |
| 26 | 70 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,473,627 | 4,473,627 | 6,422,473 |
| 27 | 71 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,319,068 | 4,319,068 | 6,275,228 |
| 28 | 72 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,169,831 | 4,169,831 | 5,984,361 |
| 29 | 73 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,027,862 | 4,027,862 | 5,670,752 |
| 30 | 74 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,895,510 | 3,895,510 | 5,333,565 |
| | | 1,200,000 | 1,200,000 | 1,200,000 | | 2,000,455 | | 6,000,000 | | | |

30 Year Analysis

*Includes accrued loan interest. See "Analysis of Bank Loan" for details.

**This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

| | Living Values | Death Benefit |
|------------------------------------|---------------|---------------|
| Indexed Universal Life | 3,895,510 | 5,333,565 |
| Less Loan Repayment Due: | 0 | 0 |
| Plus Cumulative Net Loan Proceeds: | 6,000,000 | 6,000,000 |
| Equals Value to Policy Owner: | 9,895,510 | 11,333,565 |

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Summary

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

| | | Executive's Income Tax Bracket 40.00% | Indexed UL Interest Rate 7.00% | Initial Policy Death Benefit 11,000,000 | | | | | | | |
|----|-------------|--|---|--|--|--|--|--|--|---|---|
| | | Income Tax and Loan Summary | | | | Executive's Values | | | | | |
| Yr | Male Age | (1) Income Tax Due by Executive on Employer Bonus | (2) Loan from Bank to Executive for Income Tax | (3) Premium Due Borrowed from Bank | (4) Assumed Bank Loan Interest Rate | (5) Net Policy Loan Proceeds Used to Reduce Loan | (6) Cumulative Loan Due Bank* | (7) Net Loan Policy Proceeds Available for Retirement Income | (8) Year End Policy Cash Value** | (9) Year End Policy Cash Value** Net of Bank Loan | (10) Year End Policy Death Benefit Net of Bank Loan |
| 31 | 75 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,775,652 | 3,775,652 | 4,972,139 |
| 32 | 76 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,671,703 | 3,671,703 | 4,585,932 |
| 33 | 77 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,580,194 | 3,580,194 | 4,557,880 |
| 34 | 78 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,502,756 | 3,502,756 | 4,548,003 |
| 35 | 79 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,441,108 | 3,441,108 | 4,558,278 |
| 36 | 80 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,397,097 | 3,397,097 | 4,590,823 |
| 37 | 81 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,372,563 | 3,372,563 | 4,647,755 |
| 38 | 82 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,367,458 | 3,367,458 | 4,729,224 |
| 39 | 83 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,382,872 | 3,382,872 | 4,836,577 |
| 40 | 84 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,419,658 | 3,419,658 | 4,970,931 |
| 41 | 85 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,477,842 | 3,477,842 | 5,132,539 |
| 42 | 86 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,555,977 | 3,555,977 | 5,320,121 |
| 43 | 87 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,654,885 | 3,654,885 | 5,534,791 |
| 44 | 88 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,772,588 | 3,772,588 | 5,774,738 |
| 45 | 89 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 3,905,630 | 3,905,630 | 6,036,608 |
| 46 | 90 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,049,594 | 4,049,594 | 6,316,055 |
| 47 | 91 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,197,851 | 4,197,851 | 6,606,424 |
| 48 | 92 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,414,869 | 4,414,869 | 6,463,555 |
| 49 | 93 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 4,727,797 | 4,727,797 | 6,362,803 |
| 50 | 94 | 0 | 0 | 0 | | 0 | 0 | 600,000 | 5,173,349 | 5,173,349 | 6,334,636 |

1,200,000

1,200,000

1,200,000

2,000,455

18,000,000

50 Year Analysis

*Includes accrued loan interest. See "Analysis of Bank Loan" for details.

**This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

| | Living Values | Death Benefit |
|------------------------------------|------------------|------------------|
| Indexed Universal Life | 5,173,349 | 6,334,636 |
| Less Loan Repayment Due: | 0 | 0 |
| Plus Cumulative Net Loan Proceeds: | 18,000,000 | 18,000,000 |
| Equals Value to Policy Owner: | 23,173,349 | 24,334,636 |

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

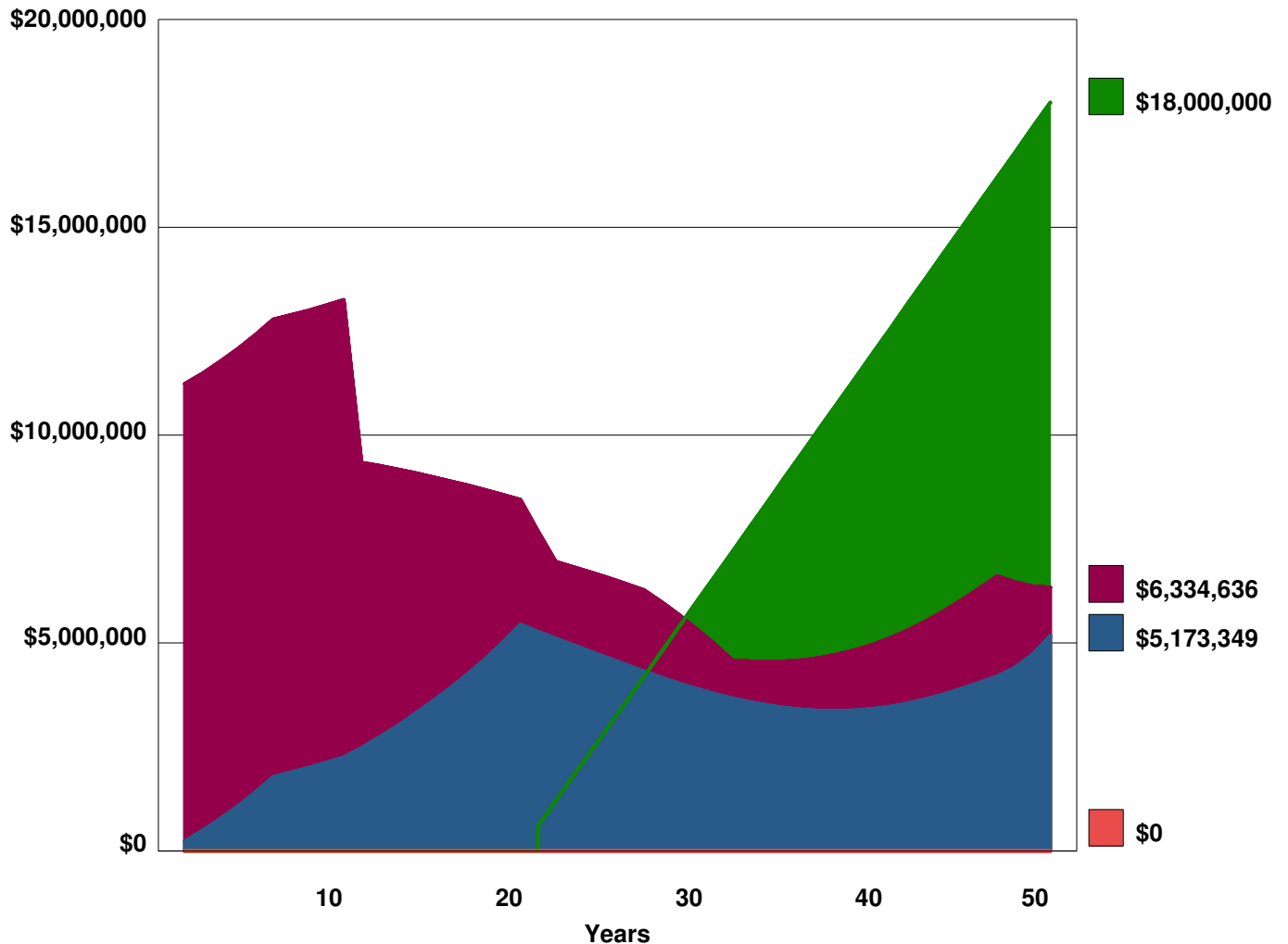
Insured Executive: James Freeman

James Freeman 50 Year Graphic Analysis

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined



| | At Year 50 |
|---|--------------|
| Executive's Cumulative Payments | \$0 |
| Executive's Cumulative Net Loan Executive's Proceeds ¹ | \$18,000,000 |
| Executive's Cash Value Less Loan Due Bank ² | \$5,173,349 |
| Executive's Death Benefit Less Loan Due Bank ² | \$6,334,636 |

¹ For retirement income.

² The cumulative loan due bank of \$2,000,455 is assumed paid off at the beginning of year 16 from policy loans.

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Analysis of Bank Loan

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

| Year | Male Age | Executive's Income Tax Bracket 40.00% | | Loan Interest Payment Method: Accrued in all Years | | | Year End Cumulative Loan Due Bank (3)+(5) |
|------|----------|--|--|---|--|-------------------------------------|---|
| | | (1) Loan for Income Tax on Employer Bonus | (2) Net Loan Policy Proceeds Used to Reduce Bank Loan | (3) Bank Loan Balance Subject to Interest | (4) Assumed Bank Loan Interest Rate | (5) Bank Loan Interest to Accrue | |
| 1 | 45 | 200,000 | 0 | 200,000 | 3.00% | 6,000 | 206,000 |
| 2 | 46 | 200,000 | 0 | 406,000 | 3.14% | 12,748 | 418,748 |
| 3 | 47 | 200,000 | 0 | 618,748 | 3.29% | 20,357 | 639,105 |
| 4 | 48 | 200,000 | 0 | 839,105 | 3.43% | 28,781 | 867,886 |
| 5 | 49 | 200,000 | 0 | 1,067,886 | 3.57% | 38,124 | 1,106,010 |
| 6 | 50 | 200,000 | 0 | 1,306,010 | 3.71% | 48,453 | 1,354,463 |
| 7 | 51 | 0 | 0 | 1,354,463 | 3.86% | 52,282 | 1,406,745 |
| 8 | 52 | 0 | 0 | 1,406,745 | 4.00% | 56,270 | 1,463,015 |
| 9 | 53 | 0 | 0 | 1,463,015 | 4.14% | 60,569 | 1,523,584 |
| 10 | 54 | 0 | 0 | 1,523,584 | 4.29% | 65,362 | 1,588,946 |
| 11 | 55 | 0 | 0 | 1,588,946 | 4.43% | 70,390 | 1,659,336 |
| 12 | 56 | 0 | 0 | 1,659,336 | 4.57% | 75,832 | 1,735,168 |
| 13 | 57 | 0 | 0 | 1,735,168 | 4.71% | 81,726 | 1,816,894 |
| 14 | 58 | 0 | 0 | 1,816,894 | 4.86% | 88,301 | 1,905,195 |
| 15 | 59 | 0 | 0 | 1,905,195 | 5.00% | 95,260 | 2,000,455 |
| 16 | 60 | 0 | 2,000,455 | 0 | | 0 | 0 |
| 17 | 61 | 0 | 0 | 0 | | 0 | 0 |
| 18 | 62 | 0 | 0 | 0 | | 0 | 0 |
| 19 | 63 | 0 | 0 | 0 | | 0 | 0 |
| 20 | 64 | 0 | 0 | 0 | | 0 | 0 |
| 21 | 65 | 0 | 0 | 0 | | 0 | 0 |
| 22 | 66 | 0 | 0 | 0 | | 0 | 0 |
| 23 | 67 | 0 | 0 | 0 | | 0 | 0 |
| 24 | 68 | 0 | 0 | 0 | | 0 | 0 |
| 25 | 69 | 0 | 0 | 0 | | 0 | 0 |
| 26 | 70 | 0 | 0 | 0 | | 0 | 0 |
| 27 | 71 | 0 | 0 | 0 | | 0 | 0 |
| 28 | 72 | 0 | 0 | 0 | | 0 | 0 |
| 29 | 73 | 0 | 0 | 0 | | 0 | 0 |
| 30 | 74 | 0 | 0 | 0 | | 0 | 0 |
| | | 1,200,000 | 2,000,455 | | | 800,455 | |

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Analysis of Bank Loan

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

| | | Executive's Income Tax Bracket 40.00% | | Loan Interest Payment Method: Accrued in all Years | | | |
|------|-------------|--|---|--|---|---|--|
| Year | Male Age | (1) Loan for Income Tax on Employer Bonus | (2) Net Loan Policy Proceeds Used to Reduce Bank Loan | (3) Bank Loan Balance Subject to Interest | (4) Assumed Bank Loan Interest Rate | (5) Bank Loan Interest to Accrue | (6) Year End Cumulative Loan Due Bank (3)+(5) |
| 31 | 75 | 0 | 0 | 0 | | 0 | 0 |
| 32 | 76 | 0 | 0 | 0 | | 0 | 0 |
| 33 | 77 | 0 | 0 | 0 | | 0 | 0 |
| 34 | 78 | 0 | 0 | 0 | | 0 | 0 |
| 35 | 79 | 0 | 0 | 0 | | 0 | 0 |
| 36 | 80 | 0 | 0 | 0 | | 0 | 0 |
| 37 | 81 | 0 | 0 | 0 | | 0 | 0 |
| 38 | 82 | 0 | 0 | 0 | | 0 | 0 |
| 39 | 83 | 0 | 0 | 0 | | 0 | 0 |
| 40 | 84 | 0 | 0 | 0 | | 0 | 0 |
| 41 | 85 | 0 | 0 | 0 | | 0 | 0 |
| 42 | 86 | 0 | 0 | 0 | | 0 | 0 |
| 43 | 87 | 0 | 0 | 0 | | 0 | 0 |
| 44 | 88 | 0 | 0 | 0 | | 0 | 0 |
| 45 | 89 | 0 | 0 | 0 | | 0 | 0 |
| 46 | 90 | 0 | 0 | 0 | | 0 | 0 |
| 47 | 91 | 0 | 0 | 0 | | 0 | 0 |
| 48 | 92 | 0 | 0 | 0 | | 0 | 0 |
| 49 | 93 | 0 | 0 | 0 | | 0 | 0 |
| 50 | 94 | 0 | 0 | 0 | | 0 | 0 |

1,200,000

2,000,455

800,455

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Executive's Required Cash Flow

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

| Year | Male Age | (1) Net Loan Policy Proceeds Available for Retirement Income | = | (2) Executive's Required Cash Flow |
|------|----------|--|---|---|
| 1 | 45 | 0 | | 0 |
| 2 | 46 | 0 | | 0 |
| 3 | 47 | 0 | | 0 |
| 4 | 48 | 0 | | 0 |
| 5 | 49 | 0 | | 0 |
| 6 | 50 | 0 | | 0 |
| 7 | 51 | 0 | | 0 |
| 8 | 52 | 0 | | 0 |
| 9 | 53 | 0 | | 0 |
| 10 | 54 | 0 | | 0 |
| 11 | 55 | 0 | | 0 |
| 12 | 56 | 0 | | 0 |
| 13 | 57 | 0 | | 0 |
| 14 | 58 | 0 | | 0 |
| 15 | 59 | 0 | | 0 |
| 16 | 60 | 0 | | 0 |
| 17 | 61 | 0 | | 0 |
| 18 | 62 | 0 | | 0 |
| 19 | 63 | 0 | | 0 |
| 20 | 64 | 0 | | 0 |
| 21 | 65 | 600,000 | | -600,000 |
| 22 | 66 | 600,000 | | -600,000 |
| 23 | 67 | 600,000 | | -600,000 |
| 24 | 68 | 600,000 | | -600,000 |
| 25 | 69 | 600,000 | | -600,000 |
| 26 | 70 | 600,000 | | -600,000 |
| 27 | 71 | 600,000 | | -600,000 |
| 28 | 72 | 600,000 | | -600,000 |
| 29 | 73 | 600,000 | | -600,000 |
| 30 | 74 | 600,000 | | -600,000 |
| | | <u>6,000,000</u> | | <u>-6,000,000</u> |

Bank Financing of the Income Tax on an Executive Bonus Using Indexed Universal Life

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

Insured Executive: James Freeman

Executive's Required Cash Flow

Bonus for premiums funded by: LifePac Laboratories, Inc.

Borrower and Policy Owner: James Freeman, MD

Lender: To be determined

| Year | Male Age | (1) Net Loan Policy Proceeds Available for Retirement Income | = | (2) Executive's Required Cash Flow |
|------|----------|---|---|---------------------------------------|
| 31 | 75 | 600,000 | | -600,000 |
| 32 | 76 | 600,000 | | -600,000 |
| 33 | 77 | 600,000 | | -600,000 |
| 34 | 78 | 600,000 | | -600,000 |
| 35 | 79 | 600,000 | | -600,000 |
| 36 | 80 | 600,000 | | -600,000 |
| 37 | 81 | 600,000 | | -600,000 |
| 38 | 82 | 600,000 | | -600,000 |
| 39 | 83 | 600,000 | | -600,000 |
| 40 | 84 | 600,000 | | -600,000 |
| 41 | 85 | 600,000 | | -600,000 |
| 42 | 86 | 600,000 | | -600,000 |
| 43 | 87 | 600,000 | | -600,000 |
| 44 | 88 | 600,000 | | -600,000 |
| 45 | 89 | 600,000 | | -600,000 |
| 46 | 90 | 600,000 | | -600,000 |
| 47 | 91 | 600,000 | | -600,000 |
| 48 | 92 | 600,000 | | -600,000 |
| 49 | 93 | 600,000 | | -600,000 |
| 50 | 94 | 600,000 | | -600,000 |
| | | <hr/> | | <hr/> |
| | | 18,000,000 | | -18,000,000 |