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TECHNICAL RELEASE: IRS NOTICE 2002-8

On January 3, 2002, the Internal Revenue Service ("IRS") released Notice 2002-8 dealing with the tax treatment of split dollar life insurance arrangements. The purpose of this Technical Release is to provide marketing representatives and advisors with a comprehensive analysis of the issues raised in the Notice. The Technical Release is organized into 6 major sections and uses the Q&A format. Because we have found that the true impact of the Notice can be best understood by actual case studies, a lengthy Appendix at the end of the Release contains spreadsheets comparing a variety of planning alternatives.

A. General Overview:

1. What are the key issues addressed by Notice 2002-8?

The Notice:

- Announces that the Treasury and the IRS intend to publish proposed regulations providing comprehensive guidance for the Federal tax treatment of split dollar life insurance arrangements. It then provides a general description of the content of the proposed regulations that will be issued sometime in the future;
- Provides "interim guidance" on the valuation of life insurance protection under a split dollar plan, a qualified retirement plan and an employee annuity contract;
- Provides some safe harbors for the Federal tax treatment of split dollar plans entered into before January 28, 2002, and additional guidance for split dollar plans entered into before the effective date of final regulations;
- Revokes Notice 2001-10 and modifies Rev. Rul. 64-328 and Rev. Rul. 66-110.

2. Briefly, what is the tax treatment for equity split dollar after Notice 2002-8?

To begin with, the Notice provides limited safe harbors for existing equity split dollar plans. By satisfying the requirements of these safe harbors, participants can avoid taxation on the excess cash value buildup (often referred to as “equity”) within the life insurance policy. However, the Notice does not grant a general grandfathering of existing equity split dollar plans. Unless the safe harbors are followed, the parties are not assured of avoiding taxation on the equity at time of rollout/termination. For a more detailed analysis of grandfathering, please refer to Questions 17-20 in Section D below.

3. Does Notice 2002-8 require that the economic benefit be calculated in a particular manner?

Yes, depending upon the date that the arrangement was entered into, the parties may use certain rates to value the life insurance protection under a split dollar plan. The Notice also requests comments from interested parties in order to create an appropriate system to value the life insurance protection under split dollar plans. A detailed analysis of the rules valuing the economic benefit under a split dollar plan is contained in Questions 21- 25 in Section E below.

4. What is the tax treatment for so-called private/family split dollar arrangements following Notice 2002-8?

The Notice made one passing reference to private/family split dollar plans when it stated that “the same principles are expected to govern the Federal tax treatment of split dollar life insurance arrangements in other contexts, including arrangements that provide benefits in gift and corporate-shareholder contexts.” Similar to the lack of guidance provided in Notice 2001-10, there is no clear and definitive statement on how the IRS will tax private split dollar arrangements prior to the final regulations.

5. Is this a favorable ruling for the insurance industry?

This may be the best that the industry could reasonably expect after Notice 2001-10 was issued in January of 2001 and is an improvement over the tax positions contained within Notice 2001-10. Essentially, collateral assignment split dollar will be taxed as a loan under Section 7872 after final regulations are issued by the IRS. In the meantime, existing plans receive some grandfathered treatment so the equity build-up will avoid income taxation. However, existing collateral assignment split dollar arrangements will have to be re-characterized as loan transactions after January 1, 2004 in order to comply with the safe harbor rules.

B. Proposed/Final Regulations

6. How will the IRS treat split dollar arrangements under the anticipated regulations?

The Treasury/IRS are expected to issue proposed regulations requiring split dollar plans to be taxed under one of two basic methods. The first covers endorsement split dollar arrangements whereby the corporation is the owner of the policy and the executive is taxed on the benefits provided under the plan, e.g., economic benefit of current life insurance protection and any other benefits provided under the policy. If the policy subject to endorsement split dollar is transferred to the executive, Notice 2002-8 states that the executive will be taxed under Section 83 of the Code. Scenarios 9, 14, 15, 20 and 21 in the Appendix review the impact on endorsement split dollar plans.

The second method is where the executive is the owner of the insurance policy under a collateral assignment arrangement. Notice 2002-8 states that the premiums paid by the corporation will be treated as a series of loans by the corporation to the executive and an implied interest component will be taxed to the executive under the below market interest rules of Section 7872 of the Code. If the final regulations mirror what the Notice forecasts, traditional collateral assignment split dollar arrangements will be taxed as loan amounts advanced to the executive.

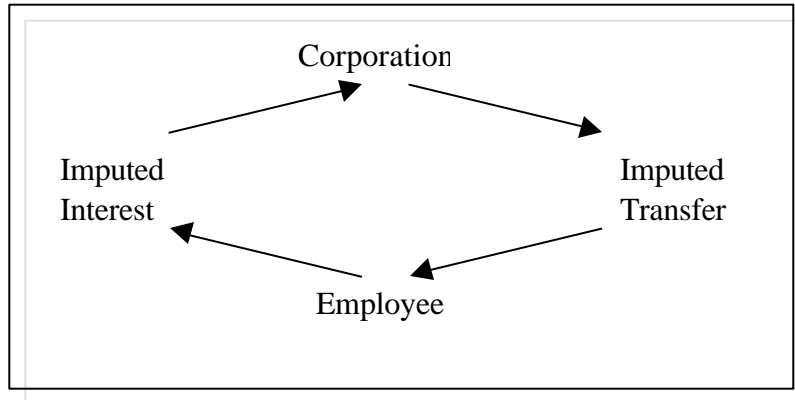
7. What is a below market loan?

A loan between parties in which the interest rate charged is less than the applicable Federal rate ("AFR"), or one in which there is no interest being charged.

8. What are the tax ramifications to the parties if the split dollar arrangement is treated as a below market loan?

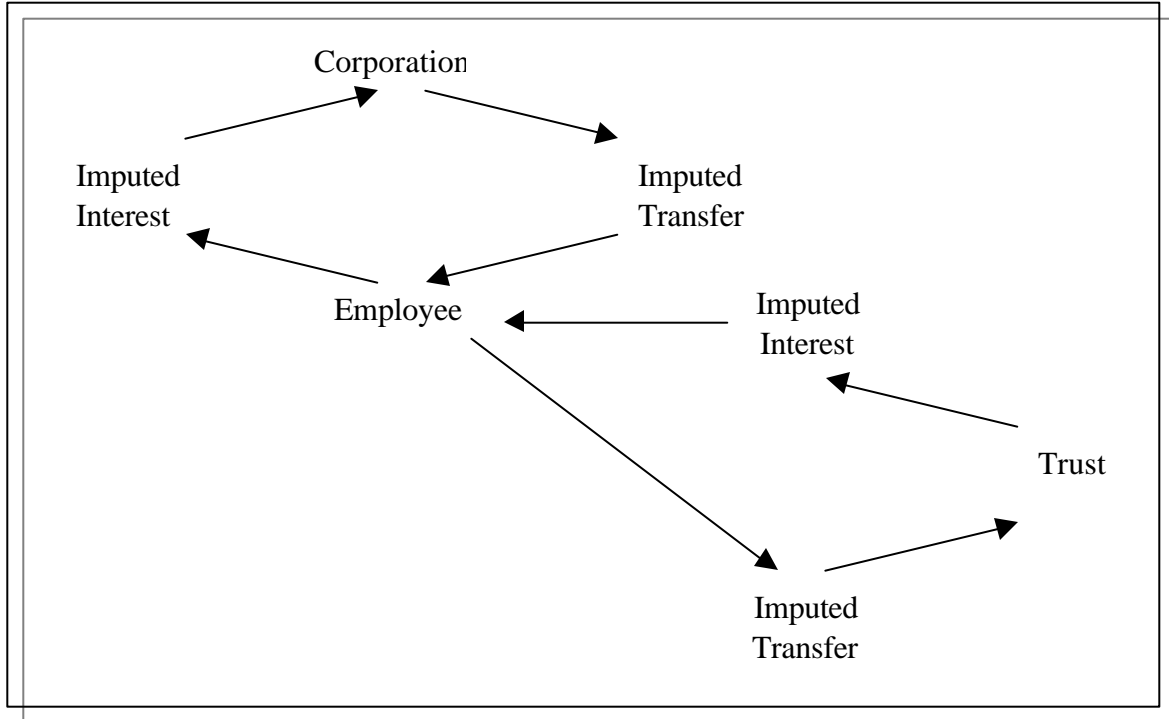
The employer's premium payments are treated as loans to the employee. If the employee does not pay the employer "interest" on the loaned premiums, Code Section 7872 provides that there is an imputed transfer from the employer to the employee in the amount of the interest payment due. This imputed transfer to the employee is then deemed to be re-transferred by the employee to the employer to satisfy the interest obligation. The imputed payments to the employee are treated as compensation income each year (or dividend income for non-employee shareholders). However, under the loan scenario, the employee will not have additional compensation income for the value of the economic benefit from life insurance protection. Additionally, the cash surrender value of the policy will not represent property transferred to the employee. The

following diagram illustrates all of the deemed transfers under Section 7872 that were just described:



9. What if the policy is owned by a third party?

If the policy is owned by a third party other than the employee-insured (such as an ILIT), the imputed transfer from the employer to the employee used to pay the interest component is also deemed to be a transfer to the third party owner by the employee. This transfer is considered a gift for gift tax and generation skipping transfer tax purposes. The following diagram illustrates a below market loan with an ILIT owning the life insurance policy:



10. Does it make a difference how the loan is structured?

Yes. If the loan is to be repaid on or before a certain date ("term loan"), the interest rate is determined when the loan commences, and the rate is fixed for the duration of the loan term. Depending upon the term of the loan, the rate will be fixed as a short term (less than 3 years), mid-term (between 3 and 9 years), or long-term (longer than 9 years) loan. However, the executive will be taxed on the present value of the interest due over the term loan at the commencement of the transaction.

A loan that does not have a certain "term" or repayment date is called a "demand" loan. The employer has the ability to demand repayment of the loan at any time. The interest rate is a short term floating rate that is re-determined annually using a blended rate provided by the IRS. Depending upon if interest rates rise or fall, this may have a dramatic impact on the income and/or gift issues related to the employee.

11. Would the parties ever want a split dollar arrangement to be taxed as a loan?

Perhaps. One of the benefits of split dollar being treated as a below market loan under Section 7872 is that the employee will not have additional compensation income for the value of the economic benefit from life insurance protection. Additionally, the cash surrender value of the policy will not represent property transferred to the employee.

12. Once the regulations become final, will the IRS apply them retroactively to existing split dollar plans?

No. The final regulations will be effective only for arrangements entered into after the date of publication of the final regulations. The regulations will not be enforced retroactively.

13. Which scenarios in the Appendix illustrate what a transaction looks like if it is taxed as a loan?

Scenarios 3, 4, 5 and 7 illustrate below market demand loan transactions between a corporation and an executive. Scenario 13 illustrates below market demand loan transactions between the corporation and an ILIT, while Scenario 19 illustrates a below market demand loan transaction where the family is the premium payer.

C. Background On Income Taxation of “Equity” Split Dollar Under Prior Rulings

14. By way of background, what is equity split dollar?

Split dollar is a premium financing arrangement whereby one entity, typically an employer in a lower tax bracket, pays the premiums on a permanent life insurance policy on behalf of an individual who typically is in a higher tax bracket. Split dollar plans have long been used to fund a variety of permanent life insurance needs, including buy-sell agreements, employee fringe benefit plans, and estate liquidity needs. “Equity” split dollar refers to a particular kind of split dollar plan in which an employer has the right to receive only its premium advances when the split dollar agreement is terminated or the employee dies. Both endorsement arrangements (where the policy is owned by the employer) and collateral assignment arrangements (where the policy is owned by the employee or other third party) can involve equity plans. Although as a practical matter, equity split dollar issues typically arise only under the collateral assignment method.

The “equity” in equity split dollar refers to that point in time when the policy starts to accumulate cash value in excess of the amount the employer is entitled to recover. This point is commonly referred to as the “crossover.” The questions of who owns this equity and when/how it is taxed are the critical issues that have not been finalized to date. Scenarios 1 and 2 in the Appendix review the two historical approaches to taxing the equity: no taxation in Scenario 1 and taxation at rollout in Scenario 2.

15. What is the historical position of the IRS regarding the income tax treatment of equity split dollar plans?

Until Notice 2001-10 was released in January 2001, the IRS never released a public ruling addressing the income tax treatment of equity split dollar arrangements. In Revenue Ruling 64-328, the IRS held that the employee was required to take into income each year the value of life insurance protection received by the employee (the so-called "economic benefit"). Revenue Ruling 66-110 allowed the "economic benefit" to be calculated by the insurance carrier's alternative term rates instead of the standard government tables (referred to as the "PS 58 rates).

The IRS later issued two private rulings (7916029 and 8310027) and one technical advice memorandum (9604001) dealing with equity split dollar arrangements. Both letter rulings involved endorsement split dollar plans, and the IRS held that the employee was taxable in the year the policy was transferred to the employee in an amount equal to the cash surrender value less the employee’s contributions.

In TAM 9604001, the IRS held that once the policy reaches the “crossover” point and the cash surrender value exceeds the employer's premium advances, the insured was required to include in income both the economic benefit and the annual buildup in the cash surrender value in excess of the amount repayable to the corporation. Because the policy in the TAM was owned by an ILIT, the IRS also concluded that the insured was deemed to have made a gift to the ILIT each year equal to the full amount included in his income.

16. How did the IRS propose to tax equity split dollar arrangements under Notice 2001-10?

The parties were given the option of treating the transaction as a loan between the employer and employee, or treating the transaction under the traditional split dollar tax guidelines. If the parties adopted a non-loan characterization, Notice 2001-10 treated the arrangement as follows: (a) the employer will be treated as having acquired beneficial ownership of the life insurance contract by virtue of its share of premium payments, (b) the employee will have compensation income equal to the value of the life insurance protection (the economic benefit), reduced by any payments made by the employee, (c) the employee will have compensation income equal to any dividends or similar distributions, and (d) the employee will have compensation income to the extent the employee acquires a substantially vested interest in the cash surrender value of the life insurance contract, reduced by any consideration paid by the employee for such interest in the cash value.

D. Taxation of “Equity” Split Dollar Under Notice 2002-8 & Grandfathering

17. Does the Notice provide tax relief, i.e., grandfathering, for existing equity split dollar plans, and if so, how will participants under inforce split dollar plans be taxed in the future?

The Notice provides some safe harbor tax provisions for split dollar arrangements entered into before January 28, 2002. The IRS will not assert that a taxable transfer of property has been made to the executive upon termination of these arrangements if (i) the arrangement is terminated before January 1, 2004, or (ii) the arrangement continues beyond January 1, 2004 and the parties treat all payments by the employer from inception of the arrangement as a loan from the employer to the executive, and the tax treatment of such arrangement going forward is reported consistent with loan arrangements governed by the applicable Code Sections. These safe harbor provisions provide the parties the opportunity to assess their arrangement prior to 2004 and potentially avoid taxation under Section 83 on the equity portion of the policy's cash value.

18. What if the arrangement was entered into prior to January 28, 2002, but the parties do not change the tax treatment of their collateral assignment split dollar arrangement after January 1, 2004?

First, the safe harbor rules will not apply. In addition, the IRS will not treat the split dollar arrangement as having been terminated (and thus will not assert that there has been a transfer of property taxable under Section 83) for so long as the parties continue to report the value of the life insurance as an economic benefit to the executive. Within the Notice, the IRS is not mandating that the tax treatment of a collateral assignment split dollar plan be changed to a loan method after January 1, 2004, but the IRS will not tax any equity under the plan if the parties satisfy the safe harbor requirements. Thus, the parties have the option to continue the tax treatment under the collateral assignment split dollar arrangement (taxing the economic benefit) past the safe harbor date. However, there is a risk that the IRS will contend that a taxable transfer of the equity occurs at time of rollout.

19. Can the parties structure the arrangement as a below market loan rather than a split dollar plan?

Yes. The parties to the arrangements may treat premium or other payments by the employer as loans. The Notice states that the IRS will not challenge reasonable efforts to comply with the requirements of the Code provisions governing loan transactions.

20. For equity split dollar plans entered into after January 28, 2002 and not subject to safe harbor rules, does the Notice explain how the IRS will tax equity split dollar plans upon rollout/termination?

With respect to the possible taxation of the equity at time of a lifetime termination of the arrangement (i.e., rollout), the Service in Section 6 of Notice 2002-8 stated that it reserves the right to assert the argument that the equity amount should be taxed to the executive at time of rollout. This right is preserved under a "no inference" paragraph contained at the end of the Notice. The IRS may take the position that a "transfer of property" transpired at time of rollout, and the transfer is taxable under Section 83 of the Code (the stance outlined in Notice 2001-10). The insurance industry has consistently taken the position that no property is transferred at time of rollout that would be subject to tax under Section 83. At some point, the courts may have to decide this issue.

E. Valuation of Economic Benefit Under Notice 2002-8

21. What are the new guidelines with respect to valuing the economic benefit under a split dollar arrangement?

The answer depends upon the date the split dollar plan was entered into:

For plans established on or before January 28, 2002, the parties have the option to use any of the following rates:

- a. PS 58 rate (to measure value of life protection for the employee),
- b. an insurer's published premium rates available to all standard risks for initial issue one-year term insurance, or
- c. Table 2001 rates.

For plans established after January 28, 2002 but before the effective date of future IRS guidance, the parties

- a. are precluded from using PS 58 rates,
- b. may use an insurer's alternative term rates, but a different standard to determine such rates is applied after December 31, 2003. The insurer's rates must be generally known to persons who apply for term insurance coverage and the insurer must regularly sell term insurance at such rates through its normal distribution channels. This new standard may or may not change an insurer's term rate that is to be used for reporting the value of life insurance protection under split dollar plans. Some further guidance by the IRS will likely be provided before January 1, 2004, or
- c. may use the Table 2001 rates.

Note: Section I of the attached Appendix compares the above single life insurance rates.

22. There appear to be a number of open issues dealing with economic benefit calculations that the Service will have to tackle in the proposed regulations. What will be the final outcome?

No one is quite sure where the IRS will end up on this issue. The industry clearly has an opportunity to influence this area by submitting comments to the IRS before April 28, 2002 (and presumably after the proposed regulations are issued). Within the Notice, the IRS requests comment on whether one or more premium rate tables should be prescribed as the exclusive basis for valuing life insurance protection, how to determine such rates, and whether insurer's premium rates can be used to value the life insurance protection. These rates

may lose some of their importance if collateral assignment split dollar plans will be taxed exclusively as below market loans after final regulations.

23. What rates are to be used for survivorship policies?

In order to value the life insurance protection under a split dollar plan using a survivorship policy, the Notice states that "appropriate adjustments" should be made to the single life rates. Although the meaning of this phrase is nebulous, we interpret this phrase to mean applying the Table 2001 rates to the Greenberg -to-Greenberg formula in order to arrive at an appropriate rate, although the proposed/final regulation could alter this result.

Note: Section I of the attached Appendix compares the above survivorship life insurance rates.

24. The Notice does not mention whether PS 58 rates may continue to be used in reverse split dollar arrangements and in non-employment arrangements. What is the impact on reverse split dollar plans?

The Notice specifically states that the PS 58 rates can be used to "determine the value of current life insurance protection provided to **employees**...." By omitting the word "employer" this may preclude the use of the PS 58 rates to value the employer's share of the premium under reverse split dollar plans.

25. What determines whether an arrangement has been "entered into" for use of various rates?

The Notice does not provide guidance on whether a split dollar agreement executed by the parties is sufficient to satisfy the "arrangements entered into" requirement, or whether there must be a life insurance policy issued pursuant to the arrangement. Since the agreement controls the contractual arrangement of the parties, a reasonable position is that the arrangement is "entered into" on the date the split dollar agreement is signed by the parties and then funded with a life insurance policy within a reasonable time thereafter.

F. *Impact of Notice 2002-8 on the Life Insurance Industry*

26. Is Notice 2002-8 good, bad, or indifferent for the insurance industry?

The Notice attempts to reach a compromise position for existing split dollar plans while trying to provide some finality on the tax ramifications of split dollar plans in the future. The Service also seems open to suggestion from the industry on the rates used to value life insurance protection under future split dollar arrangements. Listed below are some of the pros and cons of the Notice:

Pros:

- The use of an insurer's alternative term rates to value the economic benefit to the executive can be maintained;
- Fairly clear safe harbor rules are provided that allow participants in existing plans to avoid income taxation on the existing equity of split dollar plans;
- The proposed/final regulations will apply prospectively from the effective date of final regulations;
- Participants and their advisors will be allowed to argue that there is no transfer of property upon rollout of an existing split dollar arrangement, and thus, no taxation of equity;
- A measure of finality to the tax treatment of split dollar arrangements is provided;
- The willingness of the IRS to work with the industry to arrive at a fair rate to measure the life insurance protection under future split dollar plans.

Cons:

- Regulations altering 40 years of accepted tax practice will tax collateral assignment split dollar arrangements as loans from employer to employee subject to below market interest rate rules;
- Limited grandfathering of existing equity collateral assignment split dollar arrangements is provided;
- No detailed guidance for private split dollar plans, reverse split dollar plans and other non-employment context plans was provided;
- There is a relatively short time frame for compliance with the safe harbors requirements (i.e., prior to January 1, 2004)
- There remains a measure of uncertainty regarding the taxation of existing equity collateral assignment split dollar plans that do not satisfy the safe harbor rules.

27. What is the most cost effective means of continuing with a split dollar plan?

The spreadsheets in the attached Appendix calculate the net present value cost of numerous split dollar scenarios. The spreadsheets cover three general scenarios: (1) split dollar between a corporation and an executive, (2) split dollar between a corporation and an ILIT, and (3) family/private split dollar.

28. Who should marketing representatives and advisors contact if they have additional questions?

Questions of this nature should be directed to the attorneys in the Estate & Business Planning Group. Please call Jim Magner (617) 572-6532; Joe Byrnes (617) 572-6140; or Bob Travers (617) 572-6539.

Appendix

General observations:

- The Table 2001 rates result in dramatically higher economic benefit charge, and the industry should aggressively pursue lowering these rates in the comment period.
- The Table 2001 rate problem is particularly acute with survivorship split dollar when the 2001 table rates are plugged into the Greenburg-to-Greenburg formula.
- When comparing the Table 2001/Greenberg-to-Greenberg rates, the "crossover" with John Hancock's alternative term rates occurs at age 70/70, and once crossover occurs, the rates diverge dramatically.
- Terminating exiting split dollar arrangements before 2004 to achieve the "safe harbor" should be analyzed very carefully. While the corporation and the insured will incur a lower net present value cost, the potential benefit given up with the corporation taking back all premiums is significant and becomes even more significant with younger insureds.
- In the case of trust-owned survivorship policies with large face and premiums, the use of a demand loan may be cost prohibitive, especially if the currently low AFR of 2.73% increases over time.
- As a general rule, when deciding whether to maintain a family split dollar plan as split dollar or as a loan transaction, the difference in the NPV (net present value) cost is not significant. However, one important factor impacting the choice is the lump sum taxation at rollout/termination. If the family split dollar plan is terminated, whether the clients will have sufficient funds to pay the potential income and gift tax at time of rollout is critical.

IRS Notice 2002-8 Analysis

Assumptions:

Single Life Age.....	50
Joint Life Age.....	65 & 65
Rollout Year.....	16
Executive Tax Rate.....	40%
Corporate Tax Rate.....	40%
Current AFR Rate.....	2.73%
Discount Rate.....	6.0%
Estate & Gift Rate.....	55.0%

- Single Life – MEVL 3 illustration with 10% Gross Crediting rate with average fund charges.
- Joint Life – VEP Plus Illustration with 10% Gross Crediting rate with average fund charges.
- Executive uses a policy withdrawal to pay back interest free demand loan or rollout in year 16 (except in Scenarios 2 and 9).
- Minimum non-MEC death benefit.
- Employer pay all design.
- Executive has no available unified credit and annual exclusion gifts.
- Estate and Gift Tax rate assumes executive has made sufficient gifts to reach top bracket.
- All Scenarios assume Executive develops basis in cumulative economic benefit.
- All Scenarios assume Executive/Grantor pays any income and/or gift tax liability from non-policy sources.

Summary Page

Section I

Comparison of Single & Joint Life Economic Benefit Rates

2001 Rates, Hancock's Split Dollar Alternative Term and YRT Rates
2001 Rates, Hancock's Split Dollar Alternative Term and US 38 Rates

Section II

Split Between Corporation and Executive

Scenario	Description	Corporate PV Cost	Executive PV Cost
1	Split Dollar - No Taxation	362,904	8,922
2	Split Dollar - Tax on Executive Cash at Rollout	362,904	183,257
3	Switch Dollar - Current AFR Rate	362,904	67,966
4	Switch Dollar - Historical AFR Rate	362,904	138,512
5	Switch Dollar - Gradual Increase of AFR Rate	362,904	129,173
6	Inforce Split Dollar - Tax on Executive Cash at Rollout	547,171	340,798
7	Inforce Switch Dollar - Gradual Increase of AFR Rate	547,171	97,971
8	Inforce Split Dollar - Rollout in 2003 - No Taxation	283,200	4,767
9	Endorsement Split Dollar - Corporate Release of Cash Value	362,905	206,986

Section III

Split Between Corporation and Trust

Scenario	Description	Corporate PV Cost	Trust PV Cost
10	Split Dollar - No Taxation - JH Alternative Term	362,904	7,141
11	Split Dollar - No Taxation - Greenberg to Greenberg 2001 Rates	362,904	12,058
12	Split Dollar - Tax on Executive Cash at Rollout	362,904	345,928
13	Switch Dollar - Gradual Increase of AFR Rate	362,904	304,892
14	Non Equity Split Dollar - 2001 Rates used Post First Death	362,904	703,694
15	Non Equity Split Dollar - JH Alt Term Rates used Post First Death	362,904	181,009

Section IV

Split Between Family and Trust

Scenario	Description	Family PV Cost	Grantor PV Cost
16	Split Dollar - No Taxation - JH Alternative Term	362,904	4,134
17	Split Dollar - No Taxation - Greenberg to Greenberg 2001 Rates	362,904	6,981
18	Split Dollar - Tax on Executive Cash at Rollout	362,904	197,364
19	Switch Dollar - Gradual Increase of AFR Rate	362,904	176,516
20	Non Equity Split Dollar - 2001 Rates used Post First Death	362,904	407,402
21	Non Equity Split Dollar - JH Alt Term Rates used Post First Death	362,904	104,795

Section I
Employer-Employee Split Dollar Arrangements

1. Executive owns the life insurance policy and collaterally assigns it to the corporation as security for the premiums advanced by the corporation. In year 16, the plan is terminated and the corporation is repaid its \$1,000,000 outlay. Prior to the issuance of the IRS Notices, the Executive would not report the \$1,162,543 cash value equity as income at time of rollout. Present Value Cost (“PVC”) to Executive is \$8,922. Executive owns \$1,081,384 in cash value.
2. Same scenario as #1, but at time of rollout in year 16, the equity cash value is reported as income to the Executive. Column 8 reflects the income tax on such amount. PVC increases to \$183,257 due to income tax liability. Illustration assumes tax is not paid from policy proceeds.
3. Same scenario as #1, but the parties are switching the tax treatment in year 3 (2004) to a demand loan pursuant to the safe harbor provision in Notice 2002-8. The spreadsheet assumes that the current short term AFR remains at 2.73% for the entire loan period. The cash value in column 12 is never subject to income taxation. However, the annual imputed compensation component in column 11 is reported as ordinary income to the Executive each year. PVC is \$67,966 and the Executive receives the cash value of \$1,081,384 without income taxation similar to scenario #1.
4. Same scenario as #3, but the interest rate charged on the loan reflects the historical changes to the short term AFR rate over the past 12 years. PVC increases over scenario #3 to \$138,512. Scenario highlights the sensitivity of demand loan interest rate changes to the overall cost.
5. Same scenario as #3, but the rate reflects an artificial increase over the term of the loan as footnoted on the spreadsheet. PVC is \$129,173. Scenario clearly illustrates that using the current historically low 2.73% AFR in scenario #3 above for the entire loan term could be misleading.
6. Different facts. Employer-employee entered into a collateral assignment equity split dollar plan in 1992. The corporation has advanced \$1,000,000 in premiums under the plan by 2001. The plan remains in place for another 15 years and then terminates. The corporation is reimbursed the \$1,000,000 and the executive reports the tax on the remaining cash value in the policy. PVC is \$340,798.

7. Same scenario as #6, but the parties switch the tax treatment of the plan to a demand loan in 2004. An artificial increase in interest rates occur to reflect the floating demand loan rate. In 2017, the plan terminates and the corporation receives its \$1,000,000 outlay. Pursuant to the safe harbor under the Notice, none of the cash value in the policy is taxed to the Executive. PVC is \$97,971. Scenario illustrates that a demand loan is better than keeping split dollar if it is taxed at rollout as in scenario #6. Cash value owned by Executive is \$3,587,672.
8. Same scenario as #7, but the parties terminate the plan in 2004. Pursuant to the Notice's safe harbor, none of the cash value is taxed to the Executive. PVC is \$4,767. Cash value at 65 is \$1,581,955. Compare this to scenario #7 where the present value cost is higher but available cash value is \$3,587,672.
9. Different facts. Employer-employee enter into an endorsement split dollar arrangement. Corporation owns the policy and endorses the right to name the beneficiary of the policy to the Executive. In year 16, the corporate-owned policy is distributed to the Executive. Corporation is taxed on the gain in the policy, but can deduct the value of the policy distributed to the Executive. Executive must report the policy's value as income in the year received. PVC is \$206,986 to Executive. Premium paid by corporation is adjusted to match present value of scenario #'s 1-5.

Comparison of Single Life Economic Benefit Rates

Economic Benefit is Based upon a \$1,000,000 Executive Death Benefit

EOY Age	Rates			Economic Benefit			EOY Age	Rates			Economic Benefit		
	(1)	(2)	(3)	(4)	(5)	(6)		(1)	(2)	(3)	(4)	(5)	(6)
	2001 Rates	Hancock's Split Dollar Alternative Term Rates	Hancock's Yearly Renewable Term Rates	2001 Rates	Hancock's Split Dollar Alternative Term Rates	Hancock's Yearly Renewable Term Rates		2001 Rates	Hancock's Split Dollar Alternative Term Rates	Hancock's Yearly Renewable Term Rates	2001 Rates	Hancock's Split Dollar Alternative Term Rates	Hancock's Yearly Renewable Term Rates
21	0.62	0.38	0.77	620	380	770	61	6.51	1.77	5.48	6,510	1,770	5,480
22	0.62	0.38	0.77	620	380	770	62	7.11	1.94	6.11	7,110	1,940	6,110
23	0.64	0.38	0.77	640	380	770	63	7.96	2.11	6.84	7,960	2,110	6,840
24	0.66	0.38	0.77	660	380	770	64	9.08	2.31	7.65	9,080	2,310	7,650
25	0.68	0.38	0.77	680	380	770	65	10.41	2.53	8.54	10,410	2,530	8,540
26	0.71	0.38	0.77	710	380	770	66	11.90	2.75	9.56	11,900	2,750	9,560
27	0.73	0.38	0.77	730	380	770	67	13.51	3.00	10.53	13,510	3,000	10,530
28	0.76	0.38	0.78	760	380	780	68	15.20	3.29	11.61	15,200	3,290	11,610
29	0.80	0.38	0.80	800	380	800	69	16.92	3.64	12.73	16,920	3,640	12,730
30	0.83	0.38	0.80	830	380	800	70	18.70	4.03	13.91	18,700	4,030	13,910
31	0.87	0.38	0.81	870	380	810	71	20.62	4.52	15.15	20,620	4,520	15,150
32	0.90	0.39	0.81	900	390	810	72	22.72	5.11	18.59	22,720	5,110	18,590
33	0.93	0.40	0.82	930	400	820	73	25.07	5.70	21.38	25,070	5,700	21,380
34	0.96	0.41	0.82	960	410	820	74	27.57	6.30	24.52	27,570	6,300	24,520
35	0.98	0.41	0.82	980	410	820	75	30.18	6.88	28.72	30,180	6,880	28,720
36	0.99	0.41	0.83	990	410	830	76	33.05	7.65	32.31	33,050	7,650	32,310
37	1.01	0.41	0.84	1,010	410	840	77	36.33	8.29	37.95	36,330	8,290	37,950
38	1.04	0.42	0.86	1,040	420	860	78	40.17	9.17	44.16	40,170	9,170	44,160
39	1.06	0.43	0.90	1,060	430	900	79	44.33	10.08	50.94	44,330	10,080	50,940
40	1.07	0.44	0.95	1,070	440	950	80	49.23	11.01	58.42	49,230	11,010	58,420
41	1.10	0.45	1.01	1,100	450	1,010	81	54.56	11.95	66.82	54,560	11,950	66,820
42	1.13	0.47	1.06	1,130	470	1,060	82	60.51	12.96	76.37	60,510	12,960	76,370
43	1.20	0.49	1.13	1,200	490	1,130	83	66.74	14.17	87.35	66,740	14,170	87,350
44	1.29	0.52	1.22	1,290	520	1,220	84	73.07	15.64	99.96	73,070	15,640	99,960
45	1.40	0.55	1.31	1,400	550	1,310	85	80.35	17.03	113.12	80,350	17,030	113,120
46	1.53	0.59	1.42	1,530	590	1,420	86	88.76	18.38	129.92	88,760	18,380	129,920
47	1.67	0.62	1.56	1,670	620	1,560	87	99.16	21.35	149.87	99,160	21,350	149,870
48	1.83	0.66	1.72	1,830	660	1,720	88	110.40	24.57	170.16	110,400	24,570	170,160
49	1.98	0.70	1.90	1,980	700	1,900	89	121.85	28.11	192.09	121,850	28,110	192,090
50	2.13	0.74	2.07	2,130	740	2,070	90	133.40	32.24	215.75	133,400	32,240	215,750
51	2.30	0.79	2.25	2,300	790	2,250	91	144.30	35.58	241.39	144,300	35,580	241,390
52	2.52	0.84	2.43	2,520	840	2,430	92	155.80	41.00	254.02	155,800	41,000	254,020
53	2.81	0.89	2.62	2,810	890	2,620	93	168.75	44.82	268.16	168,750	44,820	268,160
54	3.20	0.95	2.85	3,200	950	2,850	94	186.44	48.77	283.81	186,440	48,770	283,810
55	3.65	1.01	3.07	3,650	1,010	3,070	95	206.70	52.62		206,700	52,620	
56	4.15	1.08	3.32	4,150	1,080	3,320							
57	4.68	1.17	3.65	4,680	1,170	3,650							
58	5.20	1.30	4.01	5,200	1,300	4,010							
59	5.66	1.45	4.46	5,660	1,450	4,460							
60	6.06	1.60	4.92	6,060	1,600	4,920							

Comparison of Joint Life Economic Benefit Rates

Economic Benefit is Based upon a \$1,000,000 Executive Death Benefit

EOY Age 1	EOY Age 2	Rates			Economic Benefit			EOY Age 1	EOY Age 2	Rates			Economic Benefit		
		(1)	(2)	(3)	(4)	(5)	(6)			(1)	(2)	(3)	(4)	(5)	(6)
		US 38 Rates	2001 Rates Greenberg to Greenberg Model	Hancock's Split Dollar Alternative Term Rates	US 38 Rates	2001 Rates Greenberg to Greenberg Model	Hancock's Split Dollar Alternative Term Rates			US 38 Rates	2001 Rates Greenberg to Greenberg Model	Hancock's Split Dollar Alternative Term Rates	US 38 Rates	2001 Rates Greenberg to Greenberg Model	Hancock's Split Dollar Alternative Term Rates
21	21	0.15	0.00	0.00	150	0	3	61	61	0.44	0.04	0.19	441	43	190
22	22	0.15	0.00	0.00	150	0	3	62	62	0.52	0.05	0.20	520	52	200
23	23	0.15	0.00	0.00	150	0	3	63	63	0.62	0.06	0.21	615	65	210
24	24	0.15	0.00	0.00	150	0	3	64	64	0.73	0.08	0.22	727	85	220
25	25	0.15	0.00	0.00	150	0	4	65	65	0.86	0.11	0.23	860	111	230
26	26	0.15	0.00	0.00	150	1	4	66	66	1.02	0.15	0.25	1,018	145	250
27	27	0.15	0.00	0.00	150	1	4	67	67	1.20	0.19	0.26	1,205	187	260
28	28	0.15	0.00	0.00	150	1	5	68	68	1.43	0.24	0.28	1,426	237	280
29	29	0.15	0.00	0.00	150	1	5	69	69	1.69	0.29	0.29	1,689	293	290
30	30	0.15	0.00	0.01	150	1	5	70	70	2.00	0.36	0.32	1,999	358	320
31	31	0.15	0.00	0.01	150	1	6	71	71	2.37	0.44	0.34	2,367	436	340
32	32	0.15	0.00	0.01	150	1	7	72	72	2.80	0.53	0.36	2,803	529	360
33	33	0.15	0.00	0.01	150	1	8	73	73	3.32	0.64	0.39	3,318	644	390
34	34	0.15	0.00	0.01	150	1	8	74	74	3.93	0.78	0.41	3,926	779	410
35	35	0.15	0.00	0.01	150	1	9	75	75	4.65	0.93	0.43	4,646	934	430
36	36	0.15	0.00	0.01	150	1	11	76	76	5.50	1.12	0.47	5,496	1,120	470
37	37	0.15	0.00	0.01	150	1	12	77	77	6.50	1.35	0.55	6,499	1,353	550
38	38	0.15	0.00	0.01	150	1	14	78	78	7.68	1.65	0.63	7,681	1,654	630
39	39	0.15	0.00	0.02	150	1	15	79	79	9.07	2.01	0.73	9,074	2,014	730
40	40	0.15	0.00	0.02	150	1	18	80	80	10.71	2.48	0.83	10,713	2,484	830
41	41	0.15	0.00	0.02	150	1	20	81	81	12.64	3.05	0.95	12,639	3,051	950
42	42	0.15	0.00	0.02	150	1	23	82	82	14.90	3.75	1.11	14,900	3,753	1,110
43	43	0.15	0.00	0.03	150	1	26	83	83	17.55	4.57	1.29	17,551	4,566	1,290
44	44	0.15	0.00	0.03	150	2	30	84	84	20.65	5.47	1.49	20,654	5,473	1,490
45	45	0.15	0.00	0.04	150	2	35	85	85	24.28	6.62	1.72	24,281	6,618	1,720
46	46	0.15	0.00	0.04	150	2	41	86	86	28.51	8.08	1.98	28,508	8,075	1,980
47	47	0.15	0.00	0.05	150	3	47	87	87	33.43	10.08	2.54	33,431	10,079	2,540
48	48	0.15	0.00	0.05	150	3	55	88	88	39.15	12.49	3.15	39,149	12,493	3,150
49	49	0.15	0.00	0.06	150	4	64	89	89	45.77	15.22	3.82	45,775	15,219	3,820
50	50	0.15	0.00	0.07	150	5	75	90	90	53.43	18.24	4.57	53,430	18,240	4,570
51	51	0.15	0.01	0.09	150	5	87	91	91	62.25	21.34	5.36	62,254	21,343	5,360
52	52	0.15	0.01	0.10	150	7	102	92	92	72.39	24.88	6.73	72,388	24,880	6,730
53	53	0.15	0.01	0.12	150	8	119	93	93	83.99	29.19	8.72	83,992	29,188	8,720
54	54	0.15	0.01	0.14	150	10	140	94	94	97.23	35.63	11.71	97,226	35,629	11,710
55	55	0.16	0.01	0.15	165	14	150	95	95	112.26	43.79	15.34	112,259	43,793	15,340
56	56	0.19	0.02	0.15	193	18	150	96	96	129.26	53.45	19.94	129,259	53,447	19,940
57	57	0.23	0.02	0.15	228	22	150	97	97	148.40	64.07	25.64	148,396	64,068	25,640
58	58	0.27	0.03	0.16	268	28	160	98	98	169.82	72.03	32.39	169,816	72,030	32,390
59	59	0.32	0.03	0.17	316	33	170	99	99	193.67	74.78	40.54	193,670	74,783	40,540
60	60	0.37	0.04	0.18	373	38	180	100	100	226.35	80.96	51.07	226,350	80,964	51,070

Executive Owned - Scenario #1

Split Dollar assuming No Taxation

Year	EOY Age	Corporation			Executive					
		(1) Corporate Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Executive Split Dollar Premium	(6) Income Tax on Economic Benefit	(7) Cash Surrender Value	(8) Estimated Cumulative Tax Paid col. (6)	(9) Death Benefit
2002	51	100,000	100,000	100,000	1,421	0	568	2,191	568	1,798,571
2003	52	100,000	200,000	200,000	1,427	0	571	9,899	1,139	1,698,571
2004	53	100,000	300,000	300,000	1,423	0	569	25,850	1,708	1,598,571
2005	54	100,000	400,000	400,000	1,424	0	569	51,048	2,278	1,498,571
2006	55	100,000	500,000	500,000	1,413	0	565	86,713	2,843	1,398,571
2007	56	100,000	600,000	600,000	1,402	0	561	133,709	3,404	1,298,571
2008	57	100,000	700,000	700,000	1,402	0	561	193,142	3,965	1,198,571
2009	58	100,000	800,000	800,000	1,428	0	571	265,429	4,536	1,303,369
2010	59	100,000	900,000	900,000	1,745	0	698	351,267	5,234	1,506,186
2011	60	100,000	1,000,000	1,000,000	2,250	0	900	451,689	6,134	1,720,465
2012	61	0	1,000,000	1,000,000	3,045	0	1,218	560,825	7,352	1,851,471
2013	62	0	1,000,000	1,000,000	3,592	0	1,437	676,710	8,789	1,987,562
2014	63	0	1,000,000	1,000,000	4,194	0	1,678	801,259	10,466	2,131,849
2015	64	0	1,000,000	1,000,000	4,925	0	1,970	935,882	12,436	2,286,353
2016	65	0	1,000,000	1,000,000	5,784	0	2,314	1,081,384	14,750	2,451,767
2017	66	(1,000,000)	0	0	0	0	0	1,162,543	14,750	1,884,598
2018	67	0	0	0	0	0	0	1,250,464	14,750	1,982,610
2019	68	0	0	0	0	0	0	1,345,534	14,750	2,087,730
2020	69	0	0	0	0	0	0	1,448,326	14,750	2,200,151
2021	70	0	0	0	0	0	0	1,559,469	14,750	2,320,489
2022	71	0	0	0	0	0	0	1,684,816	14,750	2,456,967
2023	72	0	0	0	0	0	0	1,819,694	14,750	2,602,344
2024	73	0	0	0	0	0	0	1,964,800	14,750	2,757,203
2025	74	0	0	0	0	0	0	2,120,873	14,750	2,922,776
2026	75	0	0	0	0	0	0	2,288,666	14,750	3,100,227
2027	76	0	0	0	0	0	0	2,469,934	14,750	3,291,187
2028	77	0	0	0	0	0	0	2,664,643	14,750	3,495,212
2029	78	0	0	0	0	0	0	2,873,695	14,750	3,713,389
2030	79	0	0	0	0	0	0	3,098,018	14,750	3,945,946
2031	80	0	0	0	0	0	0	3,338,335	14,750	4,192,948
2032	81	0	0	0	0	0	0	3,596,008	14,750	4,456,173
2033	82	0	0	0	0	0	0	3,872,544	14,750	4,736,896
2034	83	0	0	0	0	0	0	4,169,260	14,750	5,037,300
2035	84	0	0	0	0	0	0	4,487,455	14,750	5,358,919
2036	85	0	0	0	0	0	0	4,828,236	14,750	5,703,112
2037	86	0	0	0	0	0	0	5,198,745	14,750	6,078,372
2038	87	0	0	0	0	0	0	5,595,330	14,750	6,479,392
2039	88	0	0	0	0	0	0	6,019,428	14,750	6,907,294
2040	89	0	0	0	0	0	0	6,472,571	14,750	7,361,902
2041	90	0	0	0	0	0	0	6,955,584	14,750	7,843,813

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 8,922

* Economic Benefit rates are based on John Hancock's Alternative Term Rates.

Executive Owned - Scenario #2

Split Dollar assuming Executive is Taxed on Excess Cash Value Upon Rollout

Year	EOY Age	Corporation			Executive						
		(1) Corporate Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Executive Split Dollar Premium	(6) Income Tax on Economic Benefit	(7) Cash Surrender Value	(8) Income Tax on Cash Value at Plan Termination**	(9) Estimated Cumulative Tax Paid col. (6) + (8)	(10) Death Benefit
2002	51	100,000	100,000	100,000	1,421	0	568	2,191	0	568	1,798,571
2003	52	100,000	200,000	200,000	1,427	0	571	9,899	0	1,139	1,698,571
2004	53	100,000	300,000	300,000	1,423	0	569	25,850	0	1,708	1,598,571
2005	54	100,000	400,000	400,000	1,424	0	569	51,048	0	2,278	1,498,571
2006	55	100,000	500,000	500,000	1,413	0	565	86,713	0	2,843	1,398,571
2007	56	100,000	600,000	600,000	1,402	0	561	133,709	0	3,404	1,298,571
2008	57	100,000	700,000	700,000	1,402	0	561	193,142	0	3,965	1,198,571
2009	58	100,000	800,000	800,000	1,428	0	571	265,429	0	4,536	1,303,369
2010	59	100,000	900,000	900,000	1,745	0	698	351,267	0	5,234	1,506,186
2011	60	100,000	1,000,000	1,000,000	2,250	0	900	451,689	0	6,134	1,720,465
2012	61	0	1,000,000	1,000,000	3,045	0	1,218	560,825	0	7,352	1,851,471
2013	62	0	1,000,000	1,000,000	3,592	0	1,437	676,710	0	8,789	1,987,562
2014	63	0	1,000,000	1,000,000	4,194	0	1,678	801,259	0	10,466	2,131,849
2015	64	0	1,000,000	1,000,000	4,925	0	1,970	935,882	0	12,436	2,286,353
2016	65	0	1,000,000	1,000,000	5,784	0	2,314	1,081,384	0	14,750	2,451,767
2017	66	(1,000,000)	0	0	0	0	0	1,162,543	417,804	432,554	1,884,598
2018	67	0	0	0	0	0	0	1,250,464	0	432,554	1,982,610
2019	68	0	0	0	0	0	0	1,345,534	0	432,554	2,087,730
2020	69	0	0	0	0	0	0	1,448,326	0	432,554	2,200,151
2021	70	0	0	0	0	0	0	1,559,469	0	432,554	2,320,489
2022	71	0	0	0	0	0	0	1,684,816	0	432,554	2,456,967
2023	72	0	0	0	0	0	0	1,819,694	0	432,554	2,602,344
2024	73	0	0	0	0	0	0	1,964,800	0	432,554	2,757,203
2025	74	0	0	0	0	0	0	2,120,873	0	432,554	2,922,776
2026	75	0	0	0	0	0	0	2,288,666	0	432,554	3,100,227
2027	76	0	0	0	0	0	0	2,469,934	0	432,554	3,291,187
2028	77	0	0	0	0	0	0	2,664,643	0	432,554	3,495,212
2029	78	0	0	0	0	0	0	2,873,695	0	432,554	3,713,389
2030	79	0	0	0	0	0	0	3,098,018	0	432,554	3,945,946
2031	80	0	0	0	0	0	0	3,338,335	0	432,554	4,192,948
2032	81	0	0	0	0	0	0	3,596,008	0	432,554	4,456,173
2033	82	0	0	0	0	0	0	3,872,544	0	432,554	4,736,896
2034	83	0	0	0	0	0	0	4,169,260	0	432,554	5,037,300
2035	84	0	0	0	0	0	0	4,487,455	0	432,554	5,358,919
2036	85	0	0	0	0	0	0	4,828,236	0	432,554	5,703,112
2037	86	0	0	0	0	0	0	5,198,745	0	432,554	6,078,372
2038	87	0	0	0	0	0	0	5,595,330	0	432,554	6,479,392
2039	88	0	0	0	0	0	0	6,019,428	0	432,554	6,907,294
2040	89	0	0	0	0	0	0	6,472,571	0	432,554	7,361,902
2041	90	0	0	0	0	0	0	6,955,584	0	432,554	7,843,813

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 183,257

* Economic Benefit rates are based on John Hancock's Alternative Term Rates.

** Executive is assumed to receive basis for full value of the Economic Benefit. Tax is not assumed to be paid on Executive Basis upon Split Dollar Termination.

Executive Owned - Scenario #3

Switch Dollar - Split Dollar is Switched to a Demand Loan at the end of 2003 - Current AFR Rate

Year	EOY Age	Corporation					Executive								
		(1) Corporate Split Dollar Premium	(2) Imputed Interest Income	(3) Annual Imputed Compensation Deduction	(4) Annual Loan	(5) Cash Surrender Value	(6) Death Benefit	(7) Economic Benefit*	(8) Executive Split Dollar Premium	(9) Income Tax on Economic Benefit	(10) Annual Imputed Comp Income	(11) Estimated Income Tax on Annual Imputed Comp Income	(11) Estimated Cumulative Tax Paid col. (9) + (11)	(12) Cash Surrender Value	(13) Death Benefit
2002	51	100,000	0	0	0	100,000	100,000	1,421	0	568	0	0	568	2,191	1,798,571
2003	52	100,000	0	0	0	200,000	200,000	1,427	0	571	0	0	1,139	9,899	1,698,571
2004	53	(200,000)	8,190	8,190	300,000	300,000	300,000	0	0	0	8,190	3,276	4,415	25,850	1,598,571
2005	54	0	10,920	10,920	100,000	400,000	400,000	0	0	0	10,920	4,368	8,783	51,048	1,498,571
2006	55	0	13,650	13,650	100,000	500,000	500,000	0	0	0	13,650	5,460	14,243	86,713	1,398,571
2007	56	0	16,380	16,380	100,000	600,000	600,000	0	0	0	16,380	6,552	20,795	133,709	1,298,571
2008	57	0	19,110	19,110	100,000	700,000	700,000	0	0	0	19,110	7,644	28,439	193,142	1,198,571
2009	58	0	21,840	21,840	100,000	800,000	800,000	0	0	0	21,840	8,736	37,175	265,429	1,303,369
2010	59	0	24,570	24,570	100,000	900,000	900,000	0	0	0	24,570	9,828	47,003	351,267	1,506,186
2011	60	0	27,300	27,300	100,000	1,000,000	1,000,000	0	0	0	27,300	10,920	57,923	451,689	1,720,465
2012	61	0	27,300	27,300	0	1,000,000	1,000,000	0	0	0	27,300	10,920	68,843	560,825	1,851,471
2013	62	0	27,300	27,300	0	1,000,000	1,000,000	0	0	0	27,300	10,920	79,763	676,710	1,987,562
2014	63	0	27,300	27,300	0	1,000,000	1,000,000	0	0	0	27,300	10,920	90,683	801,259	2,131,849
2015	64	0	27,300	27,300	0	1,000,000	1,000,000	0	0	0	27,300	10,920	101,603	935,882	2,286,353
2016	65	0	27,300	27,300	0	1,000,000	1,000,000	0	0	0	27,300	10,920	112,523	1,081,384	2,451,767
2017	66	0	0	0	(1,000,000)	0	0	0	0	0	0	0	112,523	1,162,543	1,884,598
2018	67	0	0	0	0	0	0	0	0	0	0	0	112,523	1,250,464	1,982,610
2019	68	0	0	0	0	0	0	0	0	0	0	0	112,523	1,345,534	2,087,730
2020	69	0	0	0	0	0	0	0	0	0	0	0	112,523	1,448,326	2,200,151
2021	70	0	0	0	0	0	0	0	0	0	0	0	112,523	1,559,469	2,320,489
2022	71	0	0	0	0	0	0	0	0	0	0	0	112,523	1,684,816	2,456,967
2023	72	0	0	0	0	0	0	0	0	0	0	0	112,523	1,819,694	2,602,344
2024	73	0	0	0	0	0	0	0	0	0	0	0	112,523	1,964,800	2,757,203
2025	74	0	0	0	0	0	0	0	0	0	0	0	112,523	2,120,873	2,922,776
2026	75	0	0	0	0	0	0	0	0	0	0	0	112,523	2,288,666	3,100,227
2027	76	0	0	0	0	0	0	0	0	0	0	0	112,523	2,469,934	3,291,187
2028	77	0	0	0	0	0	0	0	0	0	0	0	112,523	2,664,643	3,495,212
2029	78	0	0	0	0	0	0	0	0	0	0	0	112,523	2,873,695	3,713,389
2030	79	0	0	0	0	0	0	0	0	0	0	0	112,523	3,098,018	3,945,946
2031	80	0	0	0	0	0	0	0	0	0	0	0	112,523	3,338,335	4,192,948
2032	81	0	0	0	0	0	0	0	0	0	0	0	112,523	3,596,008	4,456,173
2033	82	0	0	0	0	0	0	0	0	0	0	0	112,523	3,872,544	4,736,896
2034	83	0	0	0	0	0	0	0	0	0	0	0	112,523	4,169,260	5,037,300
2035	84	0	0	0	0	0	0	0	0	0	0	0	112,523	4,487,455	5,358,919
2036	85	0	0	0	0	0	0	0	0	0	0	0	112,523	4,828,236	5,703,112
2037	86	0	0	0	0	0	0	0	0	0	0	0	112,523	5,198,745	6,078,372
2038	87	0	0	0	0	0	0	0	0	0	0	0	112,523	5,595,330	6,479,392
2039	88	0	0	0	0	0	0	0	0	0	0	0	112,523	6,019,428	6,907,294
2040	89	0	0	0	0	0	0	0	0	0	0	0	112,523	6,472,571	7,361,902
2041	90	0	0	0	0	0	0	0	0	0	0	0	112,523	6,955,584	7,843,813

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 67,966

* Economic Benefit rates are based on John Hancock's Alternative Term Rates.

** AFR rate is assumed to continue at the current 2.73%.

Executive Owned - Scenario #4

Switch Dollar - Split Dollar is Switched to a Demand Loan at the end of 2003 - Historical AFR Rates

Year	EOY Age	Corporation						Executive								
		(1) Corporate Split Dollar Premium	(2) AFR Rate	(3) Imputed Interest Income	(4) Annual Imputed Compensation Deduction	(5) Annual Loan	(6) Cash Surrender Value	(7) Death Benefit	(8) Economic Benefit*	(9) Executive Split Dollar Premium	(10) Income Tax on Economic Benefit	(11) Annual Imputed Comp Income	(12) Estimated Income Tax on Annual Imputed Comp Income	(13) Estimated Cumulative Tax Paid col. (10) + (12)	(14) Cash Surrender Value	(15) Death Benefit
2002	51	100,000	2.73%	0	0	0	100,000	100,000	1,421	0	568	0	0	568	2,191	1,798,571
2003	52	100,000	2.73%	0	0	0	200,000	200,000	1,427	0	571	0	0	1,139	9,899	1,698,571
2004	53	(200,000)	2.73%	8,190	8,190	300,000	300,000	300,000	0	0	0	8,190	3,276	4,415	25,850	1,598,571
2005	54	0	5.90%	23,600	23,600	100,000	400,000	400,000	0	0	0	23,600	9,440	13,855	51,048	1,498,571
2006	55	0	5.88%	29,400	29,400	100,000	500,000	500,000	0	0	0	29,400	11,760	25,615	86,713	1,398,571
2007	56	0	4.57%	27,420	27,420	100,000	600,000	600,000	0	0	0	27,420	10,968	36,583	133,709	1,298,571
2008	57	0	5.70%	39,900	39,900	100,000	700,000	700,000	0	0	0	39,900	15,960	52,543	193,142	1,198,571
2009	58	0	5.63%	45,040	45,040	100,000	800,000	800,000	0	0	0	45,040	18,016	70,559	265,429	1,303,369
2010	59	0	5.50%	49,500	49,500	100,000	900,000	900,000	0	0	0	49,500	19,800	90,359	351,267	1,506,186
2011	60	0	7.19%	71,900	71,900	100,000	1,000,000	1,000,000	0	0	0	71,900	28,760	119,119	451,689	1,720,465
2012	61	0	3.98%	39,800	39,800	0	1,000,000	1,000,000	0	0	0	39,800	15,920	135,039	560,825	1,851,471
2013	62	0	4.37%	43,700	43,700	0	1,000,000	1,000,000	0	0	0	43,700	17,480	152,519	676,710	1,987,562
2014	63	0	5.12%	51,200	51,200	0	1,000,000	1,000,000	0	0	0	51,200	20,480	172,999	801,259	2,131,849
2015	64	0	7.53%	75,300	75,300	0	1,000,000	1,000,000	0	0	0	75,300	30,120	203,119	935,882	2,286,353
2016	65	0	7.90%	79,000	79,000	0	1,000,000	1,000,000	0	0	0	79,000	31,600	234,719	1,081,384	2,451,767
2017	66	0	7.90%	0	0	(1,000,000)	0	0	0	0	0	0	0	234,719	1,162,543	1,884,598
2018	67	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	1,250,464	1,982,610
2019	68	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	1,345,534	2,087,730
2020	69	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	1,448,326	2,200,151
2021	70	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	1,559,469	2,320,489
2022	71	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	1,684,816	2,456,967
2023	72	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	1,819,694	2,602,344
2024	73	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	1,964,800	2,757,203
2025	74	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	2,120,873	2,922,776
2026	75	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	2,288,666	3,100,227
2027	76	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	2,469,934	3,291,187
2028	77	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	2,664,643	3,495,212
2029	78	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	2,873,695	3,713,389
2030	79	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	3,098,018	3,945,946
2031	80	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	3,338,335	4,192,948
2032	81	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	3,596,008	4,456,173
2033	82	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	3,872,544	4,736,896
2034	83	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	4,169,260	5,037,300
2035	84	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	4,487,455	5,358,919
2036	85	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	4,828,236	5,703,112
2037	86	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	5,198,745	6,078,372
2038	87	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	5,595,330	6,479,392
2039	88	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	6,019,428	6,907,294
2040	89	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	6,472,571	7,361,902
2041	90	0	7.90%	0	0	0	0	0	0	0	0	0	0	234,719	6,955,584	7,843,813

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 138,512

* Economic Benefit rates are based on John Hancock's Alternative Term Rates.
 ** AFR rate is assumed to be 2.73% through 2004 then using historical rates.

Executive Owned - Scenario #5

Switch Dollar - Split Dollar is Switched to a Demand Loan at the end of 2003 - Gradual Increase of AFR Rates to 5.50%

Year	EOY Age	Corporation							Executive							
		(1) Corporate Split Dollar Premium	(2) AFR Rate	(3) Imputed Interest Income	(4) Annual Imputed Compensation Deduction	(5) Annual Loan	(6) Cash Surrender Value	(7) Death Benefit	(8) Economic Benefit*	(9) Executive Split Dollar Premium	(10) Income Tax on Economic Benefit	(11) Annual Imputed Comp Income	(12) Estimated Income Tax on Annual Imputed Comp Income	(13) Estimated Cumulative Tax Paid col. (10)+(12)	(14) Cash Surrender Value	(15) Death Benefit
2002	51	100,000	2.73%	0	0	0	100,000	100,000	1,421	0	568	0	0	568	2,191	1,798,571
2003	52	100,000	3.00%	0	0	0	200,000	200,000	1,427	0	571	0	0	1,139	9,899	1,698,571
2004	53	(200,000)	3.50%	10,500	10,500	300,000	300,000	300,000	0	0	0	10,500	4,200	5,339	25,850	1,598,571
2005	54	0	4.00%	16,000	16,000	100,000	400,000	400,000	0	0	0	16,000	6,400	11,739	51,048	1,498,571
2006	55	0	4.50%	22,500	22,500	100,000	500,000	500,000	0	0	0	22,500	9,000	20,739	86,713	1,398,571
2007	56	0	5.00%	30,000	30,000	100,000	600,000	600,000	0	0	0	30,000	12,000	32,739	133,709	1,298,571
2008	57	0	5.50%	38,500	38,500	100,000	700,000	700,000	0	0	0	38,500	15,400	48,139	193,142	1,198,571
2009	58	0	5.50%	44,000	44,000	100,000	800,000	800,000	0	0	0	44,000	17,600	65,739	265,429	1,303,369
2010	59	0	5.50%	49,500	49,500	100,000	900,000	900,000	0	0	0	49,500	19,800	85,539	351,267	1,506,186
2011	60	0	5.50%	55,000	55,000	100,000	1,000,000	1,000,000	0	0	0	55,000	22,000	107,539	451,689	1,720,465
2012	61	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	22,000	129,539	560,825	1,851,471
2013	62	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	22,000	151,539	676,710	1,987,562
2014	63	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	22,000	173,539	801,259	2,131,849
2015	64	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	22,000	195,539	935,882	2,286,353
2016	65	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	22,000	217,539	1,081,384	2,451,767
2017	66	0	5.50%	0	0	(1,000,000)	0	0	0	0	0	0	0	217,539	1,162,543	1,884,598
2018	67	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	1,250,464	1,982,610
2019	68	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	1,345,534	2,087,730
2020	69	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	1,448,326	2,200,151
2021	70	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	1,559,469	2,320,489
2022	71	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	1,684,816	2,456,967
2023	72	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	1,819,694	2,602,344
2024	73	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	1,964,800	2,757,203
2025	74	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	2,120,873	2,922,776
2026	75	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	2,288,666	3,100,227
2027	76	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	2,469,934	3,291,187
2028	77	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	2,664,643	3,495,212
2029	78	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	2,873,695	3,713,389
2030	79	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	3,098,018	3,945,946
2031	80	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	3,338,335	4,192,948
2032	81	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	3,596,008	4,456,173
2033	82	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	3,872,544	4,736,896
2034	83	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	4,169,260	5,037,300
2035	84	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	4,487,455	5,358,919
2036	85	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	4,828,236	5,703,112
2037	86	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	5,198,745	6,078,372
2038	87	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	5,595,330	6,479,392
2039	88	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	6,019,428	6,907,294
2040	89	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	6,472,571	7,361,902
2041	90	0	5.50%	0	0	0	0	0	0	0	0	0	0	217,539	6,955,584	7,843,813

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 129,173

* Economic Benefit rates are based on John Hancock's Alternative Term Rates.

** AFR rate is assumed to be 2.73% in 2002; increase to 3% in 2003 then 50 basis points per year until leveling off at 5.5%

Executive Owned - Scenario #6 - Comparison of Inforce Policy (Issued January 1992)

Split Dollar assuming Executive is Taxed on Excess Cash Value Upon Rollout

EOY Year	Age	Corporation			Executive						
		(1) Corporate Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Executive Split Dollar Premium	(6) Income Tax on Economic Benefit	(7) Cash Surrender Value	(8) Income Tax on Cash Value at Plan Termination**	(9) Estimated Cumulative Tax Paid col. (6) + (8)	(10) Death Benefit
1992	41	100,000	100,000	100,000	1,143	0	457	2,191	0	457	2,540,226
1993	42	100,000	200,000	200,000	1,147	0	459	10,423	0	916	2,440,226
1994	43	100,000	300,000	300,000	1,147	0	459	27,267	0	1,375	2,340,226
1995	44	100,000	400,000	400,000	1,165	0	466	53,680	0	1,841	2,240,226
1996	45	100,000	500,000	500,000	1,177	0	471	90,731	0	2,312	2,140,226
1997	46	100,000	600,000	600,000	1,204	0	481	139,109	0	2,793	2,040,226
1998	47	100,000	700,000	700,000	1,203	0	481	199,865	0	3,274	1,940,226
1999	48	100,000	800,000	800,000	1,215	0	486	273,733	0	3,760	2,019,087
2000	49	100,000	900,000	900,000	1,343	0	537	361,558	0	4,297	2,314,072
2001	50	100,000	1,000,000	1,000,000	1,638	0	655	464,479	0	4,953	2,621,364
2002	51	0	1,000,000	1,000,000	2,071	0	828	580,257	0	5,781	2,793,880
2003	52	0	1,000,000	1,000,000	2,347	0	939	701,820	0	6,720	2,968,134
2004	53	0	1,000,000	1,000,000	2,642	0	1,057	831,994	0	7,776	3,150,199
2005	54	0	1,000,000	1,000,000	2,993	0	1,197	972,685	0	8,974	3,343,655
2006	55	0	1,000,000	1,000,000	3,377	0	1,351	1,124,780	0	10,324	3,549,579
2007	56	0	1,000,000	1,000,000	3,834	0	1,533	1,289,367	0	11,858	3,768,981
2008	57	0	1,000,000	1,000,000	4,410	0	1,764	1,467,541	0	13,622	4,002,939
2009	58	0	1,000,000	1,000,000	5,204	0	2,082	1,660,525	0	15,703	4,252,408
2010	59	0	1,000,000	1,000,000	6,166	0	2,466	1,869,589	0	18,170	4,518,219
2011	60	0	1,000,000	1,000,000	7,229	0	2,892	2,096,115	0	21,061	4,802,119
2012	61	0	1,000,000	1,000,000	8,500	0	3,400	2,351,101	0	24,461	5,122,127
2013	62	0	1,000,000	1,000,000	9,937	0	3,975	2,626,155	0	28,436	5,461,083
2014	63	0	1,000,000	1,000,000	11,523	0	4,609	2,922,785	0	33,045	5,820,546
2015	64	0	1,000,000	1,000,000	13,445	0	5,378	3,242,661	0	38,423	6,202,342
2016	65	0	1,000,000	1,000,000	15,692	0	6,277	3,587,672	0	44,700	6,608,194
2017	66	(1,000,000)	0	0	0	0	0	3,878,840	1,390,369	1,435,069	6,287,987
2018	67	0	0	0	0	0	0	4,193,015	0	1,435,069	6,648,025
2019	68	0	0	0	0	0	0	4,531,982	0	1,435,069	7,031,824
2020	69	0	0	0	0	0	0	4,897,702	0	1,435,069	7,440,099
2021	70	0	0	0	0	0	0	5,291,990	0	1,435,069	7,874,482
2022	71	0	0	0	0	0	0	5,717,350	0	1,435,069	8,337,612
2023	72	0	0	0	0	0	0	6,175,053	0	1,435,069	8,830,943
2024	73	0	0	0	0	0	0	6,667,464	0	1,435,069	9,356,453
2025	74	0	0	0	0	0	0	7,197,094	0	1,435,069	9,918,315
2026	75	0	0	0	0	0	0	7,766,491	0	1,435,069	10,520,488
2027	76	0	0	0	0	0	0	8,381,615	0	1,435,069	11,168,502
2028	77	0	0	0	0	0	0	9,042,353	0	1,435,069	11,860,854
2029	78	0	0	0	0	0	0	9,751,763	0	1,435,069	12,601,228
2030	79	0	0	0	0	0	0	10,512,993	0	1,435,069	13,390,399
2031	80	0	0	0	0	0	0	11,328,496	0	1,435,069	14,228,591
2032	81	0	0	0	0	0	0	12,202,901	0	1,435,069	15,121,834
2033	82	0	0	0	0	0	0	13,141,313	0	1,435,069	16,074,454
2034	83	0	0	0	0	0	0	14,148,207	0	1,435,069	17,093,864
2035	84	0	0	0	0	0	0	15,227,988	0	1,435,069	18,185,264
2036	85	0	0	0	0	0	0	16,384,413	0	1,435,069	19,353,269
2037	86	0	0	0	0	0	0	17,641,719	0	1,435,069	20,626,698
2038	87	0	0	0	0	0	0	18,987,514	0	1,435,069	21,987,542
2039	88	0	0	0	0	0	0	20,426,674	0	1,435,069	23,439,608
2040	89	0	0	0	0	0	0	21,964,394	0	1,435,069	24,982,302
2041	90	0	0	0	0	0	0	23,603,480	0	1,435,069	26,617,644

PV of Corporate Cost: \$ 547,171

PV of Executive Cost: \$ 340,798

* Economic Benefit rates are based on John Hancock's Alternative Term Rates.

** Executive is assumed to receive basis for full value of the Economic Benefit. Tax is not assumed to be paid on Executive Basis upon Split Dollar Termination.

Executive Owned - Scenario #7 - Comparison of Inforce Policy (Issued January 1992)

Switch Dollar - Split Dollar is Switched to a Demand Loan at the end of 2003 - Gradual Increase of AFR Rates to 5.5%

Year	EOY Age	Corporation							Executive							
		(1) Corporate Split Dollar Premium	(2) AFR Rate	(3) Imputed Interest Income	(4) Annual Imputed Compensation Deduction	(5) Annual Loan	(6) Cash Surrender Value	(7) Death Benefit	(8) Economic Benefit*	(9) Executive Split Dollar Premium	(10) Income Tax on Economic Benefit	(11) Annual Imputed Comp Income	(12) Estimated Income Tax on Annual Imputed Comp Income	(13) Estimated Cumulative Tax Paid col. (10) + (12)	(14) Cash Surrender Value	(15) Death Benefit
1992	41	100,000	5.12%	0	0	0	100,000	100,000	1,143	0	457	0	0	457	2,191	2,540,226
1993	42	100,000	4.37%	0	0	0	200,000	200,000	1,147	0	459	0	0	916	10,423	2,440,226
1994	43	100,000	3.98%	0	0	0	300,000	300,000	1,147	0	459	0	0	1,375	27,267	2,340,226
1995	44	100,000	7.19%	0	0	0	400,000	400,000	1,165	0	466	0	0	1,841	53,680	2,240,226
1996	45	100,000	5.50%	0	0	0	500,000	500,000	1,177	0	471	0	0	2,312	90,731	2,140,226
1997	46	100,000	5.63%	0	0	0	600,000	600,000	1,204	0	481	0	0	2,793	139,109	2,040,226
1998	47	100,000	5.70%	0	0	0	700,000	700,000	1,203	0	481	0	0	3,274	199,865	1,940,226
1999	48	100,000	4.57%	0	0	0	800,000	800,000	1,215	0	486	0	0	3,760	273,733	2,019,087
2000	49	100,000	5.88%	0	0	0	900,000	900,000	1,343	0	537	0	0	4,297	361,558	2,314,072
2001	50	100,000	5.90%	0	0	0	1,000,000	1,000,000	1,638	0	655	0	0	4,953	464,479	2,621,364
2002	51	0	2.73%	0	0	0	1,000,000	1,000,000	2,071	0	828	0	0	5,781	580,257	2,793,880
2003	52	0	3.00%	0	0	0	1,000,000	1,000,000	2,347	0	939	0	0	6,720	701,820	2,968,134
2004	53	(1,000,000)	3.50%	35,000	35,000	1,000,000	1,000,000	1,000,000	0	0	35,000	14,000	20,720	831,994	3,150,199	
2005	54	0	4.00%	40,000	40,000	0	1,000,000	1,000,000	0	0	40,000	16,000	36,720	972,685	3,343,655	
2006	55	0	4.50%	45,000	45,000	0	1,000,000	1,000,000	0	0	45,000	18,000	54,720	1,124,780	3,549,579	
2007	56	0	5.00%	50,000	50,000	0	1,000,000	1,000,000	0	0	50,000	20,000	74,720	1,289,367	3,768,981	
2008	57	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	55,000	22,000	96,720	1,467,541	4,002,939	
2009	58	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	55,000	22,000	118,720	1,660,525	4,252,408	
2010	59	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	55,000	22,000	140,720	1,869,589	4,518,219	
2011	60	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	55,000	22,000	162,720	2,096,115	4,802,119	
2012	61	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	55,000	22,000	184,720	2,351,101	5,122,127	
2013	62	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	55,000	22,000	206,720	2,626,155	5,461,083	
2014	63	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	55,000	22,000	228,720	2,922,785	5,820,546	
2015	64	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	55,000	22,000	250,720	3,242,661	6,202,342	
2016	65	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	55,000	22,000	272,720	3,587,672	6,608,194	
2017	66	0	5.50%	0	0	(1,000,000)	0	0	0	0	0	0	272,720	3,878,840	6,287,987	
2018	67	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	4,193,015	6,648,025	
2019	68	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	4,531,982	7,031,824	
2020	69	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	4,897,702	7,440,099	
2021	70	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	5,291,990	7,874,482	
2022	71	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	5,717,350	8,337,612	
2023	72	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	6,175,053	8,830,943	
2024	73	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	6,667,464	9,356,453	
2025	74	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	7,197,094	9,918,315	
2026	75	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	7,766,491	10,520,488	
2027	76	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	8,381,615	11,168,502	
2028	77	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	9,042,353	11,860,854	
2029	78	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	9,751,763	12,601,228	
2030	79	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	10,512,993	13,390,399	
2031	80	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	11,328,496	14,228,591	
2032	81	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	12,202,901	15,121,834	
2033	82	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	13,141,313	16,074,454	
2034	83	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	14,148,207	17,093,864	
2035	84	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	15,227,988	18,185,264	
2036	85	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	16,384,413	19,353,269	
2037	86	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	17,641,719	20,626,698	
2038	87	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	18,987,514	21,987,542	
2039	88	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	20,426,674	23,439,608	
2040	89	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	21,964,394	24,982,302	
2041	90	0	5.50%	0	0	0	0	0	0	0	0	0	272,720	23,603,480	26,617,644	

PV of Corporate Cost:

\$ 547,171

PV of Executive Cost:

\$ 97,971

* Economic Benefit rates are based on John Hancock's Alternative Term Rates.

** AFR rate is assumed to be 2.73% in 2002; increase to 3% in 2003 then 50 basis points per year until leveling off at 5.5%

Executive Owned - Scenario #8 - Comparison of Inforce Policy (Issued January 1992)

Split Dollar Assuming Plan is Terminated at the End Of 2003.

Year	EOY Age	Corporation			Executive					
		(1) Corporate Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Executive Split Dollar Premium	(6) Income Tax on Economic Benefit	(7) Cash Surrender Value	(8) Estimated Cumulative Tax Paid col. (6)	(9) Death Benefit
1992	41	100,000	100,000	100,000	1,143	0	457	2,191	457	2,540,226
1993	42	100,000	200,000	200,000	1,147	0	459	10,423	916	2,440,226
1994	43	100,000	300,000	300,000	1,147	0	459	27,267	1,375	2,340,226
1995	44	100,000	400,000	400,000	1,165	0	466	53,680	1,841	2,240,226
1996	45	100,000	500,000	500,000	1,177	0	471	90,731	2,312	2,140,226
1997	46	100,000	600,000	600,000	1,204	0	481	139,109	2,793	2,040,226
1998	47	100,000	700,000	700,000	1,203	0	481	199,865	3,274	1,940,226
1999	48	100,000	800,000	800,000	1,215	0	486	273,733	3,760	2,019,087
2000	49	100,000	900,000	900,000	1,343	0	537	361,558	4,297	2,314,072
2001	50	100,000	1,000,000	1,000,000	1,638	0	655	464,479	4,953	2,621,364
2002	51	0	1,000,000	1,000,000	2,071	0	828	580,257	5,781	2,793,880
2003	52	0	1,000,000	1,000,000	2,347	0	939	701,820	6,720	2,968,134
2004	53	(1,000,000)	0	0	0	0	0	741,170	6,720	3,001,389
2005	54	0	0	0	0	0	0	783,750	6,720	3,038,244
2006	55	0	0	0	0	0	0	829,516	6,720	3,078,458
2007	56	0	0	0	0	0	0	878,850	6,720	3,122,349
2008	57	0	0	0	0	0	0	932,081	6,720	3,170,246
2009	58	0	0	0	0	0	0	989,594	6,720	3,222,318
2010	59	0	0	0	0	0	0	1,051,751	6,720	3,278,593
2011	60	0	0	0	0	0	0	1,118,949	6,720	3,339,826
2012	61	0	0	0	0	0	0	1,199,875	6,720	3,417,964
2013	62	0	0	0	0	0	0	1,286,251	6,720	3,500,152
2014	63	0	0	0	0	0	0	1,378,430	6,720	3,586,895
2015	64	0	0	0	0	0	0	1,476,828	6,720	3,678,830
2016	65	0	0	0	0	0	0	1,581,955	6,720	3,776,438
2017	66	0	0	0	0	0	0	1,694,483	6,720	3,880,757
2018	67	0	0	0	0	0	0	1,814,888	6,720	3,991,774
2019	68	0	0	0	0	0	0	1,943,756	6,720	4,110,299
2020	69	0	0	0	0	0	0	2,081,724	6,720	4,236,006
2021	70	0	0	0	0	0	0	2,229,233	6,720	4,369,329
2022	71	0	0	0	0	0	0	2,387,212	6,720	4,511,461
2023	72	0	0	0	0	0	0	2,555,507	6,720	4,662,519
2024	73	0	0	0	0	0	0	2,734,786	6,720	4,822,977
2025	74	0	0	0	0	0	0	2,925,745	6,720	4,994,915
2026	75	0	0	0	0	0	0	3,129,021	6,720	5,180,049
2027	76	0	0	0	0	0	0	3,347,682	6,720	5,381,107
2028	77	0	0	0	0	0	0	3,580,177	6,720	5,595,534
2029	78	0	0	0	0	0	0	3,827,246	6,720	5,824,549
2030	79	0	0	0	0	0	0	4,089,597	6,720	6,067,242
2031	80	0	0	0	0	0	0	4,367,372	6,720	6,322,354
2032	81	0	0	0	0	0	0	4,660,901	6,720	6,590,955
2033	82	0	0	0	0	0	0	4,971,613	6,720	6,872,568
2034	83	0	0	0	0	0	0	5,300,007	6,720	7,167,793
2035	84	0	0	0	0	0	0	5,646,782	6,720	7,477,140
2036	85	0	0	0	0	0	0	6,011,537	6,720	7,799,287
2037	86	0	0	0	0	0	0	6,394,882	6,720	8,132,829
2038	87	0	0	0	0	0	0	6,796,417	6,720	8,477,466
2039	88	0	0	0	0	0	0	7,215,642	6,720	8,832,701
2040	89	0	0	0	0	0	0	7,652,957	6,720	9,198,136
2041	90	0	0	0	0	0	0	8,107,762	6,720	9,573,371

PV of Corporate Cost: \$ 283,200

PV of Executive Cost: \$ 4,767

* Economic Benefit rates are based on John Hancock's Alternative Term Rates.

Corporate Owned - Scenario #9

Endorsement Split Dollar assuming Taxation on Corporate Release of Cash Value

Year	EOY Age	Corporation				Executive						
		(1) Corporate Split Dollar Premium	(2) Cash Surrender Value	(3) Deduction on Release	(4) Death Benefit	(5) Economic Benefit*	(6) Executive Split Dollar Premium	(7) Income Tax on Economic Benefit	(8) Cash Surrender Value	(9) Income Tax on Cash Value at Split Dollar Termination	(10) Estimated Cumulative Tax Paid col. (7)+(9)	(11) Death Benefit
2002	51	59,176	60,421	0	59,176	840	0	336	0	0	336	1,063,434
2003	52	59,176	124,105	0	118,352	844	0	337	0	0	673	1,004,258
2004	53	59,176	192,662	0	177,528	841	0	336	0	0	1,010	945,082
2005	54	59,176	266,686	0	236,704	842	0	337	0	0	1,347	885,906
2006	55	59,176	346,899	0	295,880	835	0	334	0	0	1,681	826,730
2007	56	59,176	433,811	0	355,056	829	0	332	0	0	2,012	767,554
2008	57	59,176	528,077	0	414,232	829	0	332	0	0	2,344	708,378
2009	58	59,176	629,943	0	473,408	844	0	338	0	0	2,681	770,225
2010	59	59,176	739,821	0	532,584	1,031	0	412	0	0	3,094	890,092
2011	60	59,176	858,322	0	591,760	1,329	0	532	0	0	3,625	1,016,736
2012	61	0	922,799	0	591,760	1,800	0	720	0	0	4,345	1,094,101
2013	62	0	991,262	0	591,760	2,123	0	849	0	0	5,194	1,174,471
2014	63	0	1,064,844	0	591,760	2,478	0	991	0	0	6,186	1,259,684
2015	64	0	1,144,377	0	591,760	2,910	0	1,164	0	0	7,350	1,350,935
2016	65	0	1,230,338	0	591,760	3,418	0	1,367	0	0	8,717	1,448,633
2017	66	0	0	236,704	0	0	0	0	1,322,858	483,419	492,135	2,144,485
2018	67	0	0	0	0	0	0	0	1,422,920	0	492,135	2,256,040
2019	68	0	0	0	0	0	0	0	1,531,118	0	492,135	2,375,683
2020	69	0	0	0	0	0	0	0	1,648,106	0	492,135	2,503,637
2021	70	0	0	0	0	0	0	0	1,774,597	0	492,135	2,640,600
2022	71	0	0	0	0	0	0	0	1,917,235	0	492,135	2,795,904
2023	72	0	0	0	0	0	0	0	2,070,720	0	492,135	2,961,336
2024	73	0	0	0	0	0	0	0	2,235,843	0	492,135	3,137,559
2025	74	0	0	0	0	0	0	0	2,413,447	0	492,135	3,325,972
2026	75	0	0	0	0	0	0	0	2,604,387	0	492,135	3,527,902
2027	76	0	0	0	0	0	0	0	2,810,660	0	492,135	3,745,205
2028	77	0	0	0	0	0	0	0	3,032,229	0	492,135	3,977,375
2029	78	0	0	0	0	0	0	0	3,270,121	0	492,135	4,225,650
2030	79	0	0	0	0	0	0	0	3,525,389	0	492,135	4,490,287
2031	80	0	0	0	0	0	0	0	3,798,857	0	492,135	4,771,364
2032	81	0	0	0	0	0	0	0	4,092,076	0	492,135	5,070,901
2033	82	0	0	0	0	0	0	0	4,406,760	0	492,135	5,390,348
2034	83	0	0	0	0	0	0	0	4,744,408	0	492,135	5,732,194
2035	84	0	0	0	0	0	0	0	5,106,498	0	492,135	6,098,180
2036	85	0	0	0	0	0	0	0	5,494,289	0	492,135	6,489,854
2037	86	0	0	0	0	0	0	0	5,915,910	0	492,135	6,916,882
2038	87	0	0	0	0	0	0	0	6,367,204	0	492,135	7,373,222
2039	88	0	0	0	0	0	0	0	6,849,806	0	492,135	7,860,152
2040	89	0	0	0	0	0	0	0	7,365,459	0	492,135	8,377,474
2041	90	0	0	0	0	0	0	0	7,915,105	0	492,135	8,925,863

PV of Corporate Cost: \$ 362,905

PV of Executive Cost: \$ 206,986

* Economic Benefit rates are based on John Hancock's Alternative Term Rates.

Section II
Employer-Trust Split Dollar Arrangements

10. Irrevocable Life Insurance Trust (ILIT) owns a survivorship policy and enters into a collateral assignment split dollar arrangement with corporation. The economic benefit of the life insurance protection (based on John Hancock's alternative second-to-die term rates) is taxable income to the Executive and an implied gift to the ILIT. The spreadsheet assumes that no gift tax annual exclusion or unified credit amount is available to shelter the gift tax. The spreadsheet also assumes that neither of the insureds dies prior to rollout. In year 16, the plan terminates and the corporation is repaid its \$1,000,000 outlay. The remaining cash value in the policy is assumed not to be taxable income to the Executive nor an implied gift to the ILIT (split dollar taxation before the IRS Notices). Present Value Cost ("PVC") to corporation is always the same at \$362,904. PVC to Executive is \$7,141.
11. Same scenario as #10, but the economic benefit is valued using the Table 2001 rates under the Greenberg-to-Greenberg formula for survivorship policies. PVC to grantor increases to \$12,058. See Section I "Comparison of Joint Life Economic Benefit Rates." JHF's alternative second-to-die term rates cross over is age 70/70. The Greenberg methodology using the 2001 Table produces a greater economic benefit expense in later years.
12. Same scenario as #12, but the cash value remaining in the policy after rollout is assumed to be taxable income to the Executive and an implied gift to the ILIT. The spreadsheet assumes that there is no unified credit to shelter the actual gift tax. PVC to Executive is \$345,928.
13. Same scenario as #12, but the arrangement is treated as a loan between the parties commencing in 2004. The imputed interest income is considered taxable income to the Executive and an implied gift to the ILIT. At time of rollout (2017), none of the remaining equity in the trust-owned policy is subject to taxation. Due to income and gift tax paid annually on the imputed income, the PVC to the Executive is \$304,892, only slightly better than scenario #12 above.
14. Same scenario as #12, but there is no policy rollout/termination of the plan. Upon death of both insureds, corporation receives its premium outlay. A lower insurance premium used to reflect same present value cost to the corporation as in previous examples. Death of one of the insureds occurs at age 80, following which the economic benefit amount increases dramatically (using Table 2001 rates). PVC to Executive is \$703,694.
15. Same scenario as #5, but following the first death, the economic benefit is calculated using John Hancock's alternative term rates in place of the Table 2001 rates. PVC to Executive drops dramatically to \$181,009.

Trust Owned - Scenario #10

Split Dollar assuming No Taxation - Economic Benefit Based on Hancock's Alternative Term Rates

Year	EOY Age 1	EOY Age 2	Corporation			Trust						
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
			Corporate Split Dollar Premium	Cash Surrender Value	Death Benefit	Economic Benefit*	Executive Split Dollar Premium	Income Tax on Economic Benefit	Gift Tax on Economic Benefit	Cash Surrender Value	Estimated Cumulative Tax Paid col. (6)+(7)	Death Benefit
2002	66	66	100,000	72,026	100,000	615	0	246	338	0	585	2,461,235
2003	67	67	100,000	164,181	200,000	614	0	246	338	0	1,168	2,361,235
2004	68	68	100,000	263,829	300,000	633	0	253	348	0	1,769	2,261,235
2005	69	69	100,000	372,194	400,000	627	0	251	345	0	2,365	2,161,235
2006	70	70	100,000	489,313	500,000	660	0	264	363	0	2,991	2,061,235
2007	71	71	100,000	600,000	600,000	667	0	267	367	21,300	3,625	1,961,235
2008	72	72	100,000	700,000	700,000	670	0	268	369	63,870	4,261	1,861,235
2009	73	73	100,000	800,000	800,000	687	0	275	378	117,828	4,914	1,761,235
2010	74	74	100,000	900,000	900,000	681	0	272	375	184,051	5,561	1,661,235
2011	75	75	100,000	1,000,000	1,000,000	671	0	269	369	263,499	6,199	1,561,235
2012	76	76	0	1,000,000	1,000,000	734	0	294	404	364,535	6,896	1,561,235
2013	77	77	0	1,000,000	1,000,000	859	0	343	472	473,227	7,712	1,561,235
2014	78	78	0	1,000,000	1,000,000	984	0	393	541	590,146	8,646	1,561,235
2015	79	79	0	1,000,000	1,000,000	1,140	0	456	627	715,962	9,729	1,561,235
2016	80	80	0	1,000,000	1,000,000	1,296	0	518	713	851,473	10,960	1,561,235
2017	81	81	(1,000,000)	0	0	0	0	0	0	922,198	10,960	1,561,235
2018	82	82	0	0	0	0	0	0	0	998,440	10,960	1,561,235
2019	83	83	0	0	0	0	0	0	0	1,080,800	10,960	1,561,235
2020	84	84	0	0	0	0	0	0	0	1,170,112	10,960	1,561,235
2021	85	85	0	0	0	0	0	0	0	1,267,427	10,960	1,564,940
2022	86	86	0	0	0	0	0	0	0	1,372,688	10,960	1,668,871
2023	87	87	0	0	0	0	0	0	0	1,485,816	10,960	1,780,772
2024	88	88	0	0	0	0	0	0	0	1,607,310	10,960	1,901,013
2025	89	89	0	0	0	0	0	0	0	1,737,706	10,960	2,029,846
2026	90	90	0	0	0	0	0	0	0	1,877,590	10,960	2,167,509
2027	91	91	0	0	0	0	0	0	0	2,027,616	10,960	2,314,138
2028	92	92	0	0	0	0	0	0	0	2,188,544	10,960	2,469,796
2029	93	93	0	0	0	0	0	0	0	2,361,289	10,960	2,634,479
2030	94	94	0	0	0	0	0	0	0	2,546,993	10,960	2,808,097
2031	95	95	0	0	0	0	0	0	0	2,747,145	10,960	2,990,816

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 7,141

* Economic Benefit rates are based on John Hancock's Alternative 2nd to Die Term Rates. First death is assumed to occur post rollout.

Trust Owned - Scenario #11

Split Dollar assuming No Taxation - Economic Benefit Based on 2001 Rates (Greenberg to Greenberg Model)

Year	EOY Age 1	EOY Age 2	Corporation			Trust						
			(1) Corporate Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Executive Split Dollar Premium	(6) Income Tax on Economic Benefit	(7) Gift Tax on Economic Benefit	(8) Cash Surrender Value	(9) Estimated Cumulative Tax Paid col. (6)+(7)	(10) Death Benefit
2002	66	66	100,000	72,026	100,000	357	0	143	196	0	339	2,461,235
2003	67	67	100,000	164,181	200,000	442	0	177	243	0	759	2,361,235
2004	68	68	100,000	263,829	300,000	535	0	214	295	0	1,268	2,261,235
2005	69	69	100,000	372,194	400,000	634	0	254	349	0	1,870	2,161,235
2006	70	70	100,000	489,313	500,000	739	0	296	406	0	2,572	2,061,235
2007	71	71	100,000	600,000	600,000	855	0	342	470	21,300	3,384	1,961,235
2008	72	72	100,000	700,000	700,000	985	0	394	542	63,870	4,320	1,861,235
2009	73	73	100,000	800,000	800,000	1,135	0	454	624	117,828	5,398	1,761,235
2010	74	74	100,000	900,000	900,000	1,294	0	518	712	184,051	6,627	1,661,235
2011	75	75	100,000	1,000,000	1,000,000	1,458	0	583	802	263,499	8,012	1,561,235
2012	76	76	0	1,000,000	1,000,000	1,748	0	699	961	364,535	9,672	1,561,235
2013	77	77	0	1,000,000	1,000,000	2,112	0	845	1,162	473,227	11,679	1,561,235
2014	78	78	0	1,000,000	1,000,000	2,582	0	1,033	1,420	590,146	14,132	1,561,235
2015	79	79	0	1,000,000	1,000,000	3,145	0	1,258	1,730	715,962	17,120	1,561,235
2016	80	80	0	1,000,000	1,000,000	3,878	0	1,551	2,133	851,473	20,804	1,561,235
2017	81	81	(1,000,000)	0	0	0	0	0	0	922,198	20,804	1,561,235
2018	82	82	0	0	0	0	0	0	0	998,440	20,804	1,561,235
2019	83	83	0	0	0	0	0	0	0	1,080,800	20,804	1,561,235
2020	84	84	0	0	0	0	0	0	0	1,170,112	20,804	1,561,235
2021	85	85	0	0	0	0	0	0	0	1,267,427	20,804	1,564,940
2022	86	86	0	0	0	0	0	0	0	1,372,688	20,804	1,668,871
2023	87	87	0	0	0	0	0	0	0	1,485,816	20,804	1,780,772
2024	88	88	0	0	0	0	0	0	0	1,607,310	20,804	1,901,013
2025	89	89	0	0	0	0	0	0	0	1,737,706	20,804	2,029,846
2026	90	90	0	0	0	0	0	0	0	1,877,590	20,804	2,167,509
2027	91	91	0	0	0	0	0	0	0	2,027,616	20,804	2,314,138
2028	92	92	0	0	0	0	0	0	0	2,188,544	20,804	2,469,796
2029	93	93	0	0	0	0	0	0	0	2,361,289	20,804	2,634,479
2030	94	94	0	0	0	0	0	0	0	2,546,993	20,804	2,808,097
2031	95	95	0	0	0	0	0	0	0	2,747,145	20,804	2,990,816

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 12,058

* Economic Benefit rates are based on Greenberg to Greenberg 2001 Rates. First death is assumed to occur post rollout.

Trust Owned - Scenario #12

Split Dollar assuming Trust is Taxed on Excess Cash Value Upon Rollout - Economic Benefit Based on 2001 Rates (Greenberg to Greenberg Model)

Year	EOY Age 1	EOY Age 2	Corporation			Trust								
			(1) Corporate Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Executive Split Dollar Premium	(6) Income Tax on Economic Benefit	(7) Gift Tax on Economic Benefit	(8) Cash Surrender Value	(9) Income Tax on Cash Value at Plan Termination	(10) Gift Tax on Cash Value at Plan Termination	(11) Estimated Cumulative Tax Paid. (6)+(7)+(9)+(10)	(12) Death Benefit
2002	66	66	100,000	72,026	100,000	357	0	143	196	0	0	0	339	2,461,235
2003	67	67	100,000	164,181	200,000	442	0	177	243	0	0	0	759	2,361,235
2004	68	68	100,000	263,829	300,000	535	0	214	295	0	0	0	1,268	2,261,235
2005	69	69	100,000	372,194	400,000	634	0	254	349	0	0	0	1,870	2,161,235
2006	70	70	100,000	489,313	500,000	739	0	296	406	0	0	0	2,572	2,061,235
2007	71	71	100,000	600,000	600,000	855	0	342	470	21,300	0	0	3,384	1,961,235
2008	72	72	100,000	700,000	700,000	985	0	394	542	63,870	0	0	4,320	1,861,235
2009	73	73	100,000	800,000	800,000	1,135	0	454	624	117,828	0	0	5,398	1,761,235
2010	74	74	100,000	900,000	900,000	1,294	0	518	712	184,051	0	0	6,627	1,661,235
2011	75	75	100,000	1,000,000	1,000,000	1,458	0	583	802	263,499	0	0	8,012	1,561,235
2012	76	76	0	1,000,000	1,000,000	1,748	0	699	961	364,535	0	0	9,672	1,561,235
2013	77	77	0	1,000,000	1,000,000	2,112	0	845	1,162	473,227	0	0	11,679	1,561,235
2014	78	78	0	1,000,000	1,000,000	2,582	0	1,033	1,420	590,146	0	0	14,132	1,561,235
2015	79	79	0	1,000,000	1,000,000	3,145	0	1,258	1,730	715,962	0	0	17,120	1,561,235
2016	80	80	0	1,000,000	1,000,000	3,878	0	1,551	2,133	851,473	0	0	20,804	1,561,235
2017	81	81	(1,000,000)	0	0	0	0	0	0	922,198	331,829	468,310	820,943	1,561,235
2018	82	82	0	0	0	0	0	0	0	998,440	0	0	820,943	1,561,235
2019	83	83	0	0	0	0	0	0	0	1,080,800	0	0	820,943	1,561,235
2020	84	84	0	0	0	0	0	0	0	1,170,112	0	0	820,943	1,561,235
2021	85	85	0	0	0	0	0	0	0	1,267,427	0	0	820,943	1,564,940
2022	86	86	0	0	0	0	0	0	0	1,372,688	0	0	820,943	1,668,871
2023	87	87	0	0	0	0	0	0	0	1,485,816	0	0	820,943	1,780,772
2024	88	88	0	0	0	0	0	0	0	1,607,310	0	0	820,943	1,901,013
2025	89	89	0	0	0	0	0	0	0	1,737,706	0	0	820,943	2,029,846
2026	90	90	0	0	0	0	0	0	0	1,877,590	0	0	820,943	2,167,509
2027	91	91	0	0	0	0	0	0	0	2,027,616	0	0	820,943	2,314,138
2028	92	92	0	0	0	0	0	0	0	2,188,544	0	0	820,943	2,469,796
2029	93	93	0	0	0	0	0	0	0	2,361,289	0	0	820,943	2,634,479
2030	94	94	0	0	0	0	0	0	0	2,546,993	0	0	820,943	2,808,097
2031	95	95	0	0	0	0	0	0	0	2,747,145	0	0	820,943	2,990,816

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 345,928

* Economic Benefit rates are based on Greenberg to Greenberg 2001 Rates. First death is assumed to occur post rollout.

Trust Owned - Scenario #13

Switch Dollar - Split Dollar is Switched to a Demand Loan at the end of 2003 - Gradual Increase of AFR Rates to 5.50%

Year	EOY Age 1	EOY Age 2	Corporation							Trust									
			(1) Corporate Split Dollar Premium	(2) AFR Rate**	(3) Imputed Interest Income	(4) Annual Imputed Compensation Deduction	(5) Annual Loan	(6) Cash Surrender Value	(7) Death Benefit	(8) Economic Benefit*	(9) Executive Split Dollar Premium	(10) Income Tax on Economic Benefit	(11) Gift Tax on Economic Benefit	(12) Annual Imputed Comp Income	(13) Estimated Income Tax on Annual Imputed Comp Income	(14) Estimated Gift Tax on Annual Imputed Com Income	(15) Estimated Cumulative Tax Paid. Col (10)+(11)+(13)+(14)	(16) Cash Surrender Value	(17) Death Benefit
2002	66	66	100,000	2.73%	0	0	0	72,026	100,000	357	0	143	196	0	0	0	143	0	2,461,235
2003	67	67	100,000	3.00%	0	0	0	164,181	200,000	442	0	177	243	0	0	0	320	0	2,361,235
2004	68	68	(200,000)	3.50%	10,500	10,500	300,000	263,829	300,000	0	0	0	0	10,500	4,200	5,775	4,520	0	2,261,235
2005	69	69	0	4.00%	16,000	16,000	100,000	372,194	400,000	0	0	0	0	16,000	6,400	8,800	10,920	0	2,161,235
2006	70	70	0	4.50%	22,500	22,500	100,000	489,313	500,000	0	0	0	0	22,500	9,000	12,375	19,920	0	2,061,235
2007	71	71	0	5.00%	30,000	30,000	100,000	600,000	600,000	0	0	0	0	30,000	12,000	16,500	31,920	21,300	1,961,235
2008	72	72	0	5.50%	38,500	38,500	100,000	700,000	700,000	0	0	0	0	38,500	15,400	21,175	47,320	63,870	1,861,235
2009	73	73	0	5.50%	44,000	44,000	100,000	800,000	800,000	0	0	0	0	44,000	17,600	24,200	64,920	117,828	1,761,235
2010	74	74	0	5.50%	49,500	49,500	100,000	900,000	900,000	0	0	0	0	49,500	19,800	27,225	84,720	184,051	1,661,235
2011	75	75	0	5.50%	55,000	55,000	100,000	1,000,000	1,000,000	0	0	0	0	55,000	22,000	30,250	106,720	263,499	1,561,235
2012	76	76	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	0	55,000	22,000	30,250	128,720	364,535	1,561,235
2013	77	77	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	0	55,000	22,000	30,250	150,720	473,227	1,561,235
2014	78	78	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	0	55,000	22,000	30,250	172,720	590,146	1,561,235
2015	79	79	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	0	55,000	22,000	30,250	194,720	715,962	1,561,235
2016	80	80	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	0	55,000	22,000	30,250	216,720	851,473	1,561,235
2017	81	81	0	5.50%	0	0	(1,000,000)	0	0	0	0	0	0	0	0	0	216,720	922,198	1,561,235
2018	82	82	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	998,440	1,561,235
2019	83	83	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	1,080,800	1,561,235
2020	84	84	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	1,170,112	1,561,235
2021	85	85	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	1,267,427	1,564,940
2022	86	86	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	1,372,688	1,668,871
2023	87	87	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	1,485,816	1,780,772
2024	88	88	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	1,607,310	1,901,013
2025	89	89	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	1,737,706	2,029,846
2026	90	90	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	1,877,590	2,167,509
2027	91	91	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	2,027,616	2,314,138
2028	92	92	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	2,188,544	2,469,796
2029	93	93	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	2,361,289	2,634,479
2030	94	94	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	2,546,993	2,808,097
2031	95	95	0	5.50%	0	0	0	0	0	0	0	0	0	0	0	0	216,720	2,747,145	2,990,816

PV of Corporate Cost:

\$ 362,904

PV of Executive Cost:

\$ 304,892

* Economic Benefit rates are based on Greenberg to Greenberg 2001 Rates. First death is assumed to occur post rollout.

** AFR rate is assumed to be 2.73% in 2002; 4% in 2003; 5% in 2004; 6% thereafter.

Corporate Owned - Scenario #14

Non Equity Split Dollar - No Rollout - Economic Benefit Based on Greenberg to Greenberg Model Switching to 2001 Rates upon First Death at Age 80

Year	EOY Age 1	EOY Age 2	Corporation			Trust						
			(1) Corporate Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Executive Split Dollar Premium	(6) Income Tax on Economic Benefit	(7) Gift Tax on Economic Benefit	(8) Cash Surrender Value	(9) Estimated Cumulative Tax Paid col. (6)+(7)	(10) Death Benefit
2002	66	66	46,516	37,826	46,516	581	0	232	320	0	552	675,239
2003	67	67	46,516	82,804	93,032	640	0	256	352	0	1,160	628,723
2004	68	68	46,516	131,448	139,548	701	0	281	386	0	1,826	582,207
2005	69	69	46,516	184,234	186,064	764	0	306	420	0	2,552	535,691
2006	70	70	46,516	241,311	232,580	826	0	330	454	0	3,337	489,175
2007	71	71	46,516	305,075	279,096	885	0	354	487	0	4,178	442,659
2008	72	72	46,516	374,019	325,612	938	0	375	516	0	5,069	396,143
2009	73	73	46,516	448,558	372,128	1,034	0	413	569	0	6,051	368,848
2010	74	74	46,516	529,083	418,645	1,420	0	568	781	0	7,400	428,113
2011	75	75	46,516	616,033	465,161	1,929	0	772	1,061	0	9,232	491,264
2012	76	76	0	665,668	465,161	2,503	0	1,001	1,377	0	11,611	538,786
2013	77	77	0	719,125	465,161	3,242	0	1,297	1,783	0	14,691	589,887
2014	78	78	0	776,645	465,161	4,190	0	1,676	2,305	0	18,671	644,804
2015	79	79	0	838,475	465,161	5,405	0	2,162	2,973	0	23,807	703,742
2016	80	80	0	904,864	465,161	6,959	0	2,784	3,828	0	30,418	766,919
2017	81	81	0	982,958	465,161	41,539	0	16,616	22,847	0	69,880	843,777
2018	82	82	0	1,067,253	465,161	50,553	0	20,221	27,804	0	117,905	926,554
2019	83	83	0	1,158,134	465,161	61,463	0	24,585	33,805	0	176,295	1,015,755
2020	84	84	0	1,255,997	465,161	74,211	0	29,684	40,816	0	246,796	1,111,944
2021	85	85	0	1,361,250	465,161	88,826	0	35,530	48,854	0	331,181	1,215,626
2022	86	86	0	1,474,310	465,161	106,645	0	42,658	58,655	0	432,494	1,327,260
2023	87	87	0	1,595,820	465,161	128,476	0	51,390	70,662	0	554,546	1,447,452
2024	88	88	0	1,726,316	465,161	156,336	0	62,534	85,985	0	703,065	1,576,603
2025	89	89	0	1,866,373	465,161	189,334	0	75,734	104,134	0	882,932	1,714,984
2026	90	90	0	2,016,621	465,161	226,988	0	90,795	124,843	0	1,098,571	1,862,849
2027	91	91	0	2,177,764	465,161	269,514	0	107,805	148,233	0	1,354,609	2,020,343
2028	92	92	0	2,350,616	465,161	315,661	0	126,265	173,614	0	1,654,487	2,187,536
2029	93	93	0	2,536,160	465,161	368,377	0	147,351	202,607	0	2,004,445	2,364,421
2030	94	94	0	2,735,625	465,161	430,465	0	172,186	236,756	0	2,413,387	2,550,905
2031	95	95	0	2,950,607	465,161	512,181	0	204,872	281,700	0	2,899,960	2,747,163

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 703,694

* Economic Benefit Rates are based on 2001 Rates (Greenberg to Greenberg). First death is assumed to occur at age 80. Single Life Rates are based on 2001 Rates.

Corporate Owned - Scenario #15

Non Equity Split Dollar - No Rollout - Economic Benefit Based on Greenberg to Greenberg Model Switching to Hancock's Alternative Term Rates upon First Death at Age 80

Year	EOY Age 1	EOY Age 2	Corporation			Trust						
			(1) Corporate Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Executive Split Dollar Premium	(6) Income Tax on Economic Benefit	(7) Gift Tax on Economic Benefit	(8) Cash Surrender Value	(9) Estimated Cumulative Tax Paid col. (6)+(7)	(10) Death Benefit
2002	66	66	46,516	37,826	46,516	581	0	232	320	0	552	675,239
2003	67	67	46,516	82,804	93,032	640	0	256	352	0	1,160	628,723
2004	68	68	46,516	131,448	139,548	701	0	281	386	0	1,826	582,207
2005	69	69	46,516	184,234	186,064	764	0	306	420	0	2,552	535,691
2006	70	70	46,516	241,311	232,580	826	0	330	454	0	3,337	489,175
2007	71	71	46,516	305,075	279,096	885	0	354	487	0	4,178	442,659
2008	72	72	46,516	374,019	325,612	938	0	375	516	0	5,069	396,143
2009	73	73	46,516	448,558	372,128	1,034	0	413	569	0	6,051	368,848
2010	74	74	46,516	529,083	418,645	1,420	0	568	781	0	7,400	428,113
2011	75	75	46,516	616,033	465,161	1,929	0	772	1,061	0	9,232	491,264
2012	76	76	0	665,668	465,161	2,503	0	1,001	1,377	0	11,611	538,786
2013	77	77	0	719,125	465,161	3,242	0	1,297	1,783	0	14,691	589,887
2014	78	78	0	776,645	465,161	4,190	0	1,676	2,305	0	18,671	644,804
2015	79	79	0	838,475	465,161	5,405	0	2,162	2,973	0	23,807	703,742
2016	80	80	0	904,864	465,161	6,959	0	2,784	3,828	0	30,418	766,919
2017	81	81	0	982,958	465,161	9,290	0	3,716	5,109	0	39,243	843,777
2018	82	82	0	1,067,253	465,161	11,072	0	4,429	6,090	0	49,762	926,554
2019	83	83	0	1,158,134	465,161	13,164	0	5,266	7,240	0	62,268	1,015,755
2020	84	84	0	1,255,997	465,161	15,756	0	6,302	8,666	0	77,237	1,111,944
2021	85	85	0	1,361,250	465,161	19,012	0	7,605	10,457	0	95,298	1,215,626
2022	86	86	0	1,474,310	465,161	22,603	0	9,041	12,432	0	116,771	1,327,260
2023	87	87	0	1,595,820	465,161	26,604	0	10,642	14,632	0	142,045	1,447,452
2024	88	88	0	1,726,316	465,161	33,660	0	13,464	18,513	0	174,023	1,576,603
2025	89	89	0	1,866,373	465,161	42,137	0	16,855	23,175	0	214,053	1,714,984
2026	90	90	0	2,016,621	465,161	52,365	0	20,946	28,801	0	263,800	1,862,849
2027	91	91	0	2,177,764	465,161	65,136	0	26,054	35,825	0	325,679	2,020,343
2028	92	92	0	2,350,616	465,161	77,833	0	31,133	42,808	0	399,620	2,187,536
2029	93	93	0	2,536,160	465,161	96,941	0	38,777	53,318	0	491,714	2,364,421
2030	94	94	0	2,735,625	465,161	114,332	0	45,733	62,882	0	600,329	2,550,905
2031	95	95	0	2,950,607	465,161	133,979	0	53,592	73,689	0	727,609	2,747,163

PV of Corporate Cost: \$ 362,904

PV of Executive Cost: \$ 181,009

* Economic Benefit Rates are based on 2001 Rates (Greenberg to Greenberg). First death is assumed to occur at age 80. Single Life Rates are based on Hancock's Alternative Term.

Section III
Private Split Dollar Arrangements

16. ILIT owns a survivorship policy and enters into a private equity collateral assignment split dollar arrangement with insureds. The annual value of the economic benefit using John Hancock's alternative term rates is an implied gift to the ILIT. Upon rollout in year 2017, insureds are repaid their \$1,000,000 outlay and the remaining equity in the policy is not considered a gift to the ILIT (split dollar prior to IRS Notices). Present Value Cost ("PVC") to insureds of \$362,904 is identical for all following scenarios to grantor is \$4,134.
17. Same scenario as #1, but the value of the economic benefit is calculated using the Table 2001 rates under the Greenberg-to-Greenberg formula. PVC to grantor is \$6,981.
18. Same scenario as #2, but the remaining cash value in the policy following the rollout is considered a taxable gift to the ILIT. The spreadsheet assumes that no unified credit is available to shelter the gift tax. PVC to grantor is \$197,364.
19. Same scenario as #18, but the parties treat the arrangement as a loan in 2004. The imputed interest income is considered a taxable gift to the ILIT. The spreadsheet assumes that no gift tax annual exclusions nor unified credit is available to shelter the gift tax. At time of rollout, none of the remaining equity in the trust-owned policy is subject to gift taxation. PVC to grantor is \$176,516. Again, demand loan has a lower cost than taxation of split dollar at rollout in scenario #18.
20. Different facts. ILIT owns a survivorship policy and enters into a private non-equity collateral assignment split dollar split dollar arrangement with insureds. There is no rollout/termination of the plan. Because there is no planned lifetime rollout, the premium amount decreases to reflect the same PVC to the family as scenario #'s 16-20. Death of one of the insureds occurs at age 80, following which the economic benefit amount increases dramatically (using Table 2001 rates). Upon death of both insureds, estate receives premium advances made to policy. PVC is \$407,402.
21. Same scenario as #20, but following the first death, the economic benefit is calculated using John Hancock's alternative term rates in place of the Table 2001 rates. PVC drops to \$104,795.

Trust Owned - Scenario #16

Family Split Dollar assuming No Taxation - Economic Benefit Based on Hancock's Alternative Term Rates

Year	EOY Age 1	EOY Age 2	Family			Trust					
			(1) Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Grantor Split Dollar Premium	(6) Gift Tax on Economic Benefit	(7) Cash Surrender Value	(8) Estimated Cumulative Tax Paid col. (6)	(9) Death Benefit
2002	66	66	100,000	72,026	100,000	615	0	338	0	338	2,461,235
2003	67	67	100,000	164,181	200,000	614	0	338	0	676	2,361,235
2004	68	68	100,000	263,829	300,000	633	0	348	0	1,024	2,261,235
2005	69	69	100,000	372,194	400,000	627	0	345	0	1,369	2,161,235
2006	70	70	100,000	489,313	500,000	660	0	363	0	1,732	2,061,235
2007	71	71	100,000	600,000	600,000	667	0	367	21,300	2,099	1,961,235
2008	72	72	100,000	700,000	700,000	670	0	369	63,870	2,467	1,861,235
2009	73	73	100,000	800,000	800,000	687	0	378	117,828	2,845	1,761,235
2010	74	74	100,000	900,000	900,000	681	0	375	184,051	3,219	1,661,235
2011	75	75	100,000	1,000,000	1,000,000	671	0	369	263,499	3,589	1,561,235
2012	76	76	0	1,000,000	1,000,000	734	0	404	364,535	3,992	1,561,235
2013	77	77	0	1,000,000	1,000,000	859	0	472	473,227	4,465	1,561,235
2014	78	78	0	1,000,000	1,000,000	984	0	541	590,146	5,006	1,561,235
2015	79	79	0	1,000,000	1,000,000	1,140	0	627	715,962	5,632	1,561,235
2016	80	80	0	1,000,000	1,000,000	1,296	0	713	851,473	6,345	1,561,235
2017	81	81	(1,000,000)	0	0	0	0	0	922,198	6,345	1,561,235
2018	82	82	0	0	0	0	0	0	998,440	6,345	1,561,235
2019	83	83	0	0	0	0	0	0	1,080,800	6,345	1,561,235
2020	84	84	0	0	0	0	0	0	1,170,112	6,345	1,561,235
2021	85	85	0	0	0	0	0	0	1,267,427	6,345	1,564,940
2022	86	86	0	0	0	0	0	0	1,372,688	6,345	1,668,871
2023	87	87	0	0	0	0	0	0	1,485,816	6,345	1,780,772
2024	88	88	0	0	0	0	0	0	1,607,310	6,345	1,901,013
2025	89	89	0	0	0	0	0	0	1,737,706	6,345	2,029,846
2026	90	90	0	0	0	0	0	0	1,877,590	6,345	2,167,509
2027	91	91	0	0	0	0	0	0	2,027,616	6,345	2,314,138
2028	92	92	0	0	0	0	0	0	2,188,544	6,345	2,469,796
2029	93	93	0	0	0	0	0	0	2,361,289	6,345	2,634,479
2030	94	94	0	0	0	0	0	0	2,546,993	6,345	2,808,097
2031	95	95	0	0	0	0	0	0	2,747,145	6,345	2,990,816

PV of Family Cost: \$ 362,904

PV of Grantor Cost: \$ 4,134

* Economic Benefit rates are based on John Hancock's Alternative 2nd to Die Term Rates. First death is assumed to occur post rollout.

Trust Owned - Scenario #17

Family Split Dollar assuming No Taxation - Economic Benefit Based on 2001 Rates (Greenberg to Greenberg Model)

Year	EOY Age 1	EOY Age 2	Family			Trust					
			(1) Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Grantor Split Dollar Premium	(6) Gift Tax on Economic Benefit	(7) Cash Surrender Value	(8) Estimated Cumulative Tax Paid col. (6)	(9) Death Benefit
2002	66	66	100,000	72,026	100,000	357	0	196	0	196	2,461,235
2003	67	67	100,000	164,181	200,000	442	0	243	0	439	2,361,235
2004	68	68	100,000	263,829	300,000	535	0	295	0	734	2,261,235
2005	69	69	100,000	372,194	400,000	634	0	349	0	1,083	2,161,235
2006	70	70	100,000	489,313	500,000	739	0	406	0	1,489	2,061,235
2007	71	71	100,000	600,000	600,000	855	0	470	21,300	1,959	1,961,235
2008	72	72	100,000	700,000	700,000	985	0	542	63,870	2,501	1,861,235
2009	73	73	100,000	800,000	800,000	1,135	0	624	117,828	3,125	1,761,235
2010	74	74	100,000	900,000	900,000	1,294	0	712	184,051	3,837	1,661,235
2011	75	75	100,000	1,000,000	1,000,000	1,458	0	802	263,499	4,638	1,561,235
2012	76	76	0	1,000,000	1,000,000	1,748	0	961	364,535	5,600	1,561,235
2013	77	77	0	1,000,000	1,000,000	2,112	0	1,162	473,227	6,761	1,561,235
2014	78	78	0	1,000,000	1,000,000	2,582	0	1,420	590,146	8,182	1,561,235
2015	79	79	0	1,000,000	1,000,000	3,145	0	1,730	715,962	9,911	1,561,235
2016	80	80	0	1,000,000	1,000,000	3,878	0	2,133	851,473	12,044	1,561,235
2017	81	81	(1,000,000)	0	0	0	0	0	922,198	12,044	1,561,235
2018	82	82	0	0	0	0	0	0	998,440	12,044	1,561,235
2019	83	83	0	0	0	0	0	0	1,080,800	12,044	1,561,235
2020	84	84	0	0	0	0	0	0	1,170,112	12,044	1,561,235
2021	85	85	0	0	0	0	0	0	1,267,427	12,044	1,564,940
2022	86	86	0	0	0	0	0	0	1,372,688	12,044	1,668,871
2023	87	87	0	0	0	0	0	0	1,485,816	12,044	1,780,772
2024	88	88	0	0	0	0	0	0	1,607,310	12,044	1,901,013
2025	89	89	0	0	0	0	0	0	1,737,706	12,044	2,029,846
2026	90	90	0	0	0	0	0	0	1,877,590	12,044	2,167,509
2027	91	91	0	0	0	0	0	0	2,027,616	12,044	2,314,138
2028	92	92	0	0	0	0	0	0	2,188,544	12,044	2,469,796
2029	93	93	0	0	0	0	0	0	2,361,289	12,044	2,634,479
2030	94	94	0	0	0	0	0	0	2,546,993	12,044	2,808,097
2031	95	95	0	0	0	0	0	0	2,747,145	12,044	2,990,816

PV of Family Cost: \$ 362,904

PV of Grantor Cost: \$ 6,981

* Economic Benefit rates are based on Greenberg to Greenberg 2001 Rates. First death is assumed to occur post rollout.

Trust Owned - Scenario #18

Family Split Dollar assuming Trust is Taxed on Excess Cash Value Upon Rollout - Economic Benefit Based on 2001 Rates (Greenberg to Greenberg Model)

Year	EOY Age 1	EOY Age 2	Family			Trust						
			(1) Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Grantor Split Dollar Premium	(6) Gift Tax on Economic Benefit	(7) Cash Surrender Value	(8) Gift Tax on Cash Value at Plan Termination	(9) Estimated Cumulative Tax Paid. (6) + (8)	(10) Death Benefit
2002	66	66	100,000	72,026	100,000	357	0	196	0	0	196	2,461,235
2003	67	67	100,000	164,181	200,000	442	0	243	0	0	439	2,361,235
2004	68	68	100,000	263,829	300,000	535	0	295	0	0	734	2,261,235
2005	69	69	100,000	372,194	400,000	634	0	349	0	0	1,083	2,161,235
2006	70	70	100,000	489,313	500,000	739	0	406	0	0	1,489	2,061,235
2007	71	71	100,000	600,000	600,000	855	0	470	21,300	0	1,959	1,961,235
2008	72	72	100,000	700,000	700,000	985	0	542	63,870	0	2,501	1,861,235
2009	73	73	100,000	800,000	800,000	1,135	0	624	117,828	0	3,125	1,761,235
2010	74	74	100,000	900,000	900,000	1,294	0	712	184,051	0	3,837	1,661,235
2011	75	75	100,000	1,000,000	1,000,000	1,458	0	802	263,499	0	4,638	1,561,235
2012	76	76	0	1,000,000	1,000,000	1,748	0	961	364,535	0	5,600	1,561,235
2013	77	77	0	1,000,000	1,000,000	2,112	0	1,162	473,227	0	6,761	1,561,235
2014	78	78	0	1,000,000	1,000,000	2,582	0	1,420	590,146	0	8,182	1,561,235
2015	79	79	0	1,000,000	1,000,000	3,145	0	1,730	715,962	0	9,911	1,561,235
2016	80	80	0	1,000,000	1,000,000	3,878	0	2,133	851,473	0	12,044	1,561,235
2017	81	81	(1,000,000)	0	0	0	0	0	922,198	456,265	468,310	1,561,235
2018	82	82	0	0	0	0	0	0	998,440	0	468,310	1,561,235
2019	83	83	0	0	0	0	0	0	1,080,800	0	468,310	1,561,235
2020	84	84	0	0	0	0	0	0	1,170,112	0	468,310	1,561,235
2021	85	85	0	0	0	0	0	0	1,267,427	0	468,310	1,564,940
2022	86	86	0	0	0	0	0	0	1,372,688	0	468,310	1,668,871
2023	87	87	0	0	0	0	0	0	1,485,816	0	468,310	1,780,772
2024	88	88	0	0	0	0	0	0	1,607,310	0	468,310	1,901,013
2025	89	89	0	0	0	0	0	0	1,737,706	0	468,310	2,029,846
2026	90	90	0	0	0	0	0	0	1,877,590	0	468,310	2,167,509
2027	91	91	0	0	0	0	0	0	2,027,616	0	468,310	2,314,138
2028	92	92	0	0	0	0	0	0	2,188,544	0	468,310	2,469,796
2029	93	93	0	0	0	0	0	0	2,361,289	0	468,310	2,634,479
2030	94	94	0	0	0	0	0	0	2,546,993	0	468,310	2,808,097
2031	95	95	0	0	0	0	0	0	2,747,145	0	468,310	2,990,816

PV of Grantor Cost: \$ 362,904

PV of Grantor Cost: \$ 197,364

* Economic Benefit rates are based on Greenberg to Greenberg 2001 Rates. First death is assumed to occur post rollout.

Trust Owned - Scenario #19

Family Switch Dollar - Split Dollar is Switched to a Demand Loan at the end of 2003 - Gradual Increase of AFR Rates to 5.50%

Year	EOY Age 1	EOY Age 2	Family							Trust							
			(1) Split Dollar Premium	(2) AFR Rate**	(3) Imputed Interest Income	(4) Annual Imputed Compensation Deduction	(5) Annual Loan	(6) Cash Surrender Value	(7) Death Benefit	(8) Economic Benefit*	(9) Grantor Split Dollar Premium	(10) Gift Tax on Economic Benefit	(11) Annual Imputed Comp Income	(12) Estimated Gift Tax on Annual Imputed Com Income	(13) Estimated Cumulative Tax Paid, Col (10)+(12)	(14) Cash Surrender Value	(15) Death Benefit
2002	66	66	100,000	2.73%	0	0	0	72,026	100,000	357	0	196	0	0	196	0	2,461,235
2003	67	67	100,000	3.00%	0	0	0	164,181	200,000	442	0	243	0	0	439	0	2,361,235
2004	68	68	(200,000)	3.50%	10,500	10,500	300,000	263,829	300,000	0	0	0	10,500	5,775	6,214	0	2,261,235
2005	69	69	0	4.00%	16,000	16,000	100,000	372,194	400,000	0	0	0	16,000	8,800	15,014	0	2,161,235
2006	70	70	0	4.50%	22,500	22,500	100,000	489,313	500,000	0	0	0	22,500	12,375	27,389	0	2,061,235
2007	71	71	0	5.00%	30,000	30,000	100,000	600,000	600,000	0	0	0	30,000	16,500	43,889	21,300	1,961,235
2008	72	72	0	5.50%	38,500	38,500	100,000	700,000	700,000	0	0	0	38,500	21,175	65,064	63,870	1,861,235
2009	73	73	0	5.50%	44,000	44,000	100,000	800,000	800,000	0	0	0	44,000	24,200	89,264	117,828	1,761,235
2010	74	74	0	5.50%	49,500	49,500	100,000	900,000	900,000	0	0	0	49,500	27,225	116,489	184,051	1,661,235
2011	75	75	0	5.50%	55,000	55,000	100,000	1,000,000	1,000,000	0	0	0	55,000	30,250	146,739	263,499	1,561,235
2012	76	76	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	30,250	176,989	364,535	1,561,235
2013	77	77	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	30,250	207,239	473,227	1,561,235
2014	78	78	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	30,250	237,489	590,146	1,561,235
2015	79	79	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	30,250	267,739	715,962	1,561,235
2016	80	80	0	5.50%	55,000	55,000	0	1,000,000	1,000,000	0	0	0	55,000	30,250	297,989	851,473	1,561,235
2017	81	81	0	5.50%	0	0	(1,000,000)	0	0	0	0	0	0	0	297,989	922,198	1,561,235
2018	82	82	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	998,440	1,561,235
2019	83	83	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	1,080,800	1,561,235
2020	84	84	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	1,170,112	1,561,235
2021	85	85	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	1,267,427	1,564,940
2022	86	86	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	1,372,688	1,668,871
2023	87	87	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	1,485,816	1,780,772
2024	88	88	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	1,607,310	1,901,013
2025	89	89	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	1,737,706	2,029,846
2026	90	90	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	1,877,590	2,167,509
2027	91	91	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	2,027,616	2,314,138
2028	92	92	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	2,188,544	2,469,796
2029	93	93	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	2,361,289	2,634,479
2030	94	94	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	2,546,993	2,808,097
2031	95	95	0	5.50%	0	0	0	0	0	0	0	0	0	0	297,989	2,747,145	2,990,816

PV of Family Cost: \$ 362,904

PV of Grantor Cost: \$ 176,516

* Economic Benefit rates are based on Greenberg to Greenberg 2001 Rates. First death is assumed to occur post rollout.

** AFR rate is assumed to be 2.73% in 2002; 4% in 2003; 5% in 2004; 6% thereafter.

Trust Owned - Scenario #20

Family Non Equity Split Dollar - No Rollout - Economic Benefit Based on Greenberg to Greenberg Model Switching to 2001 Rates upon First Death at Age 80

Year	EOY Age 1	EOY Age 2	Family			Trust					
			(1) Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Grantor Split Dollar Premium	(6) Gift Tax on Economic Benefit	(7) Cash Surrender Value	(8) Estimated Cumulative Tax Paid col. (6)	(9) Death Benefit
2002	66	66	46,516	37,826	46,516	581	0	320	0	320	675,239
2003	67	67	46,516	82,804	93,032	640	0	352	0	672	628,723
2004	68	68	46,516	131,448	139,548	701	0	386	0	1,057	582,207
2005	69	69	46,516	184,234	186,064	764	0	420	0	1,478	535,691
2006	70	70	46,516	241,311	232,580	826	0	454	0	1,932	489,175
2007	71	71	46,516	305,075	279,096	885	0	487	0	2,419	442,659
2008	72	72	46,516	374,019	325,612	938	0	516	0	2,934	396,143
2009	73	73	46,516	448,558	372,128	1,034	0	569	0	3,503	368,848
2010	74	74	46,516	529,083	418,645	1,420	0	781	0	4,284	428,113
2011	75	75	46,516	616,033	465,161	1,929	0	1,061	0	5,345	491,264
2012	76	76	0	665,668	465,161	2,503	0	1,377	0	6,722	538,786
2013	77	77	0	719,125	465,161	3,242	0	1,783	0	8,505	589,887
2014	78	78	0	776,645	465,161	4,190	0	2,305	0	10,810	644,804
2015	79	79	0	838,475	465,161	5,405	0	2,973	0	13,783	703,742
2016	80	80	0	904,864	465,161	6,959	0	3,828	0	17,610	766,919
2017	81	81	0	982,958	465,161	41,539	0	22,847	0	40,457	843,777
2018	82	82	0	1,067,253	465,161	50,553	0	27,804	0	68,261	926,554
2019	83	83	0	1,158,134	465,161	61,463	0	33,805	0	102,066	1,015,755
2020	84	84	0	1,255,997	465,161	74,211	0	40,816	0	142,882	1,111,944
2021	85	85	0	1,361,250	465,161	88,826	0	48,854	0	191,736	1,215,626
2022	86	86	0	1,474,310	465,161	106,645	0	58,655	0	250,391	1,327,260
2023	87	87	0	1,595,820	465,161	128,476	0	70,662	0	321,053	1,447,452
2024	88	88	0	1,726,316	465,161	156,336	0	85,985	0	407,038	1,576,603
2025	89	89	0	1,866,373	465,161	189,334	0	104,134	0	511,171	1,714,984
2026	90	90	0	2,016,621	465,161	226,988	0	124,843	0	636,015	1,862,849
2027	91	91	0	2,177,764	465,161	269,514	0	148,233	0	784,247	2,020,343
2028	92	92	0	2,350,616	465,161	315,661	0	173,614	0	957,861	2,187,536
2029	93	93	0	2,536,160	465,161	368,377	0	202,607	0	1,160,468	2,364,421
2030	94	94	0	2,735,625	465,161	430,465	0	236,756	0	1,397,224	2,550,905
2031	95	95	0	2,950,607	465,161	512,181	0	281,700	0	1,678,924	2,747,163

PV of Family Cost: \$ 362,904

PV of Grantor Cost: \$ 407,402

* Economic Benefit rates are based on 2001 Rates (Greenberg to Greenberg Model). First death is assumed at age 80. Single Life Economic Benefit is based on 2001 Rates.

Trust Owned - Scenario #21

Family Non Equity Split Dollar - No Rollout - Economic Benefit Based on Greenberg to Greenberg Model Switching to Hancock's Alternative Term Rates upon First Death at Age 80

Year	EOY Age 1	EOY Age 2	Family			Trust					
			(1) Split Dollar Premium	(2) Cash Surrender Value	(3) Death Benefit	(4) Economic Benefit*	(5) Grantor Split Dollar Premium	(6) Gift Tax on Economic Benefit	(7) Cash Surrender Value	(8) Estimated Cumulative Tax Paid col. (6)	(9) Death Benefit
2002	66	66	46,516	37,826	46,516	581	0	320	0	320	675,239
2003	67	67	46,516	82,804	93,032	640	0	352	0	672	628,723
2004	68	68	46,516	131,448	139,548	701	0	386	0	1,057	582,207
2005	69	69	46,516	184,234	186,064	764	0	420	0	1,478	535,691
2006	70	70	46,516	241,311	232,580	826	0	454	0	1,932	489,175
2007	71	71	46,516	305,075	279,096	885	0	487	0	2,419	442,659
2008	72	72	46,516	374,019	325,612	938	0	516	0	2,934	396,143
2009	73	73	46,516	448,558	372,128	1,034	0	569	0	3,503	368,848
2010	74	74	46,516	529,083	418,645	1,420	0	781	0	4,284	428,113
2011	75	75	46,516	616,033	465,161	1,929	0	1,061	0	5,345	491,264
2012	76	76	0	665,668	465,161	2,503	0	1,377	0	6,722	538,786
2013	77	77	0	719,125	465,161	3,242	0	1,783	0	8,505	589,887
2014	78	78	0	776,645	465,161	4,190	0	2,305	0	10,810	644,804
2015	79	79	0	838,475	465,161	5,405	0	2,973	0	13,783	703,742
2016	80	80	0	904,864	465,161	6,959	0	3,828	0	17,610	766,919
2017	81	81	0	982,958	465,161	9,290	0	5,109	0	22,720	843,777
2018	82	82	0	1,067,253	465,161	11,072	0	6,090	0	28,810	926,554
2019	83	83	0	1,158,134	465,161	13,164	0	7,240	0	36,050	1,015,755
2020	84	84	0	1,255,997	465,161	15,756	0	8,666	0	44,716	1,111,944
2021	85	85	0	1,361,250	465,161	19,012	0	10,457	0	55,173	1,215,626
2022	86	86	0	1,474,310	465,161	22,603	0	12,432	0	67,604	1,327,260
2023	87	87	0	1,595,820	465,161	26,604	0	14,632	0	82,237	1,447,452
2024	88	88	0	1,726,316	465,161	33,660	0	18,513	0	100,750	1,576,603
2025	89	89	0	1,866,373	465,161	42,137	0	23,175	0	123,925	1,714,984
2026	90	90	0	2,016,621	465,161	52,365	0	28,801	0	152,726	1,862,849
2027	91	91	0	2,177,764	465,161	65,136	0	35,825	0	188,551	2,020,343
2028	92	92	0	2,350,616	465,161	77,833	0	42,808	0	231,359	2,187,536
2029	93	93	0	2,536,160	465,161	96,941	0	53,318	0	284,676	2,364,421
2030	94	94	0	2,735,625	465,161	114,332	0	62,882	0	347,559	2,550,905
2031	95	95	0	2,950,607	465,161	133,979	0	73,689	0	421,247	2,747,163

PV of Family Cost: \$ 362,904

PV of Grantor Cost: \$ 104,795

* Economic Benefit rates are based on 2001 Rates (Greenberg to Greenberg Model). First death is assumed at age 80. Single Life Economic Benefit is based on Hancock's Alternative Term Rates.