

**LEON D. BLACK
TRUST-OWNED
SPLIT-DOLLAR LIFE
INSURANCE COVERAGES**

ANNUAL REVIEW

FEBRUARY 2013

Presented by:

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I. Review of Need, Solution, and Rationale for Individual and Second-to-Die Life Insurance Coverage**Background/Facts**

- ✦ In 1999, \$50,000,000 of Individual, Trust-Owned Life Insurance was implemented on Leon's life and \$100,000,000 of Second-to-Die, Trust-Owned Life Insurance was implemented on Leon and Debra's lives.
- ✦ The policies utilized are Variable Universal Life Insurance policies with a variety of large, high quality carriers.
- ✦ Below is a summary of the Needs, Solution, and Rationale for these coverages.

Needs

- Need #1: Cash at Leon's death to retire debt and not disturb other assets and investments.
- Need #2: Liquidity at the second death of Leon and Debra to assist in paying estate taxes.

Solution

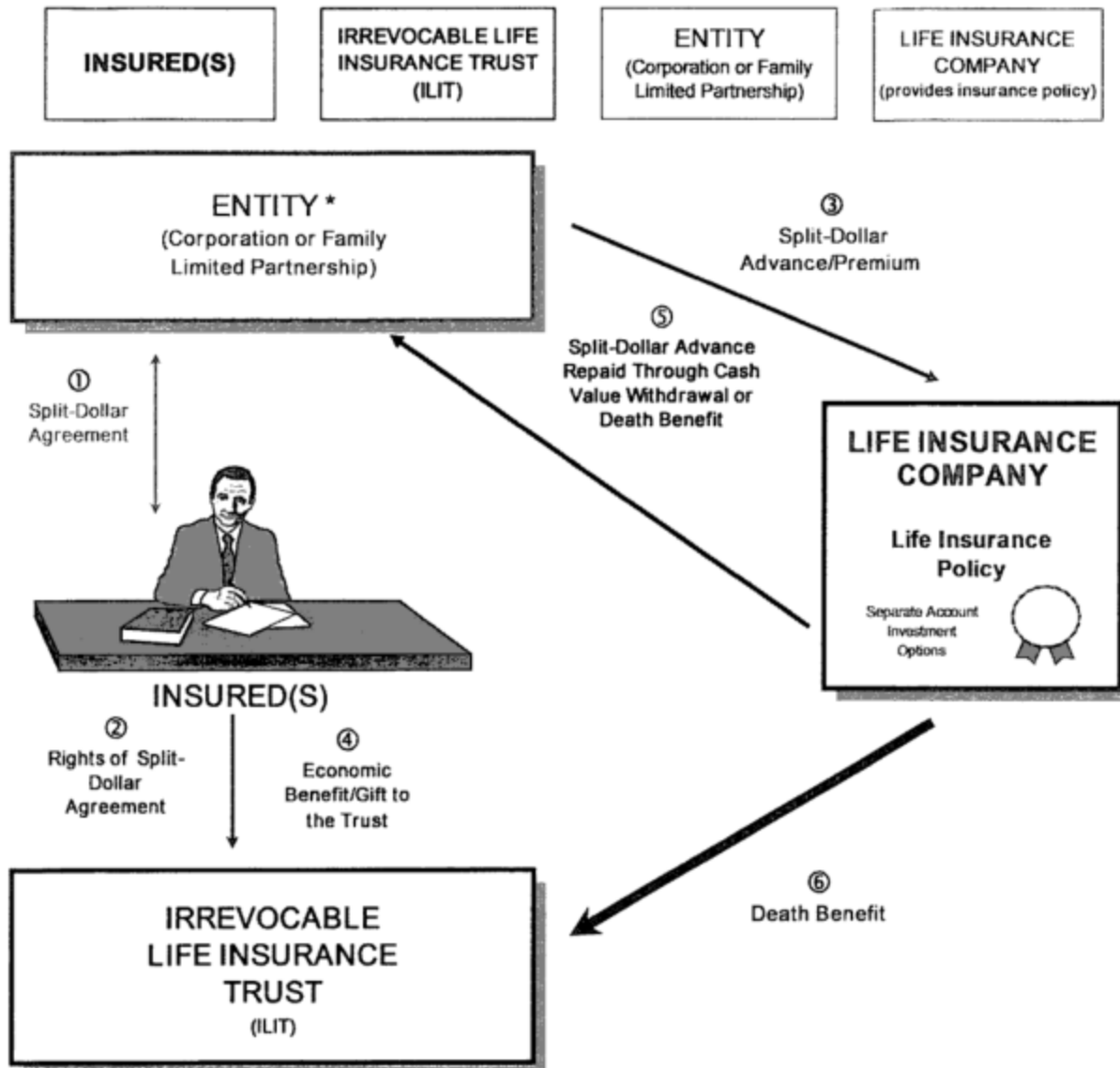
- Solution #1: – Individual variable universal life insurance coverage on Leon's life.
- Coverage is owned by an irrevocable life insurance trust.
 - Coverage is financed via a Split-Dollar life insurance plan.
- Solution #2: – Second-to-Die, variable universal life insurance coverage on Leon and Debra's lives.
- Coverage is owned by an irrevocable life insurance plan.
 - Coverage is financed via a Split-Dollar life insurance plan.

Rationale

- Rationale #1: Individual coverage on Leon's life delivers **income tax-free and estate tax-free cash** at Leon's death.
- Rationale #2: Second-to-Die coverage delivers **income-tax free and estate ..tax-free liquidity** at the second death, when the estate tax comes due.
- By utilizing the Split-Dollar financing arrangement, only the value of the economic benefit of the insurance coverage is considered a gift to the irrevocable trust.
 - Without a Split-Dollar Plan, the full amount of the premium is considered a gift to the trust.
 - Death proceeds are income tax-free.
 - Assets in irrevocable trust are free of estate tax.
 - The company recovers its premium advances.
 - Significant wealth transfer is accomplished with minimal gift tax implications.
- ♦ The following page provides a diagram of the Collateral Assignment Split-Dollar Life Insurance Plan.
- The policy is owned by the trust, but is collaterally assigned to the company, until the company recovers its share of the premium advances.
 - The company recovers its premium advances through a cash value withdrawal in the future or through the death proceeds in the event of death of the insureds prior to the recovery of premium advances.
 - At the death of the insured(s), the insurance carrier pays the death benefit to the trust. The payment is income tax-free and estate tax free.
 - The trustee follows the terms of the trust which may include the ability to buy assets from the estate or lend money to the estate to pay estate taxes.

COLLATERAL ASSIGNMENT SPLIT-DOLLAR PLAN WEALTH TRANSFER PLAN

There are Four Parties to this plan:



- * The Irrevocable Life Insurance Trust (ILIT) is the policyowner. The policy is assigned to the Entity until it recovers its loan balance.
- * The Entity recovers its loan balance at:
 - Death of the insured(s),
 - At a future date, when the life insurance product is funded (with assumptions), or
 - At termination of the agreement.

Review of IRS Notice 2002-8 & Final Regulations Regarding Split-Dollar Plans

Existing Split-Dollar Plans

- ✦ In January 2002, the IRS issued Notice 2002-8 outlining “expected proposed regulations” regarding split-dollar life insurance arrangements.
- ✦ On July 3, 2002, the IRS issued Proposed Regulations on split-dollar life insurance arrangements.
- ✦ On September 11, 2003, the IRS issued Final Regulations on the tax treatment of Split-Dollar life insurance arrangements.
 - The Final Regulations provide rules for Split-Dollar life insurance arrangements that are entered into or materially modified after September 17, 2003.
- ✦ Analysis of the Notice and the Final Regulations indicate **the following options are available for split-dollar plans in place prior to January 28, 2002:**

Option #1 – Continue Current Split-Dollar Plan, Pre-January 28, 2002, Notice 2002-8

- ✦ The Notice states that “no inference should be drawn from this Notice regarding the appropriate Federal income, employment and gift tax treatment” of split-dollar arrangements entered into before publication of the final regulations.
- ✦ Some commentators have suggested that this means “business as usual” for split-dollar arrangements entered into before final regulations are published.
- ✦ This option involves some risk the IRS in the future will successfully argue that remaining policy cash value after the company recovers its premium advances should be taxable income to the participant and subject to gift tax (when applicable).
- ✦ The “unknowns” are whether the Service will be interested in waging this battle and if so, the outcome.

Option #2 – Safe Harbor Provision – Re-characterizes Split-Dollar Advance and Future Premium Payments as Interest Bearing Loans

- ✦ The Notice 2002-8 provides a “safe harbor provision” which guarantees complete protection from taxation of policy equity in the future when the split-dollar arrangement is terminated and the company recovers its split-dollar advances.
- ✦ In other words, under the provisions outlined below, there will be no income taxation on the remaining cash value in the policy after the company recovers its premium advances.
- ✦ Prior to January 1, 2004, the split-dollar plan is terminated by repaying the company its split-dollar advance.
- ✦ In January 2004, the executive and the company enter into an Interest Bearing Note Agreement at the then Applicable Federal Rate.
- ✦ The loan interest due annually from the executive may be bonused by the company as compensation expense.
- ✦ The executive pays the annual loan interest to the company.
- ✦ The bonus payment and receipt of interest income offset each other on a cash flow and taxable income basis to the company.
- ✦ The executive’s cost is the annual tax due on the bonused compensation.
- ✦ By re-characterizing the split-dollar advance and future premium payments as an interest bearing loan, the policy equity after the company receives its premium loan will not be subject to income tax or gift tax.

**Option #3 – Prior to January 1, 2004, the Company Forgives the Split-Dollar Advance;
Premiums in 2004 and Beyond, If Needed, are Bonused by the Company**

- ✦ In 2003, the scheduled premium is paid by the company under the split-dollar plan.
- ✦ Prior to January 1, 2004, the split-dollar advance is forgiven by the company.
- ✦ The forgiven split-dollar advance is bonused to the executive as compensation expense and is reportable income and the measure of the gift.
- ✦ Additional premiums, if necessary, are paid by the company and bonused to the executive or paid directly.

All three funding options were analyzed, presented, and reviewed in 2003.

After reviewing this information with John Hannan on several occasions, consulting our corporate counsel, Larry Brody, discussing this information with Tom Turrin, Leon's CPA, and considering the trusts have no equity (cash value in excess or premium advances by the company), the consensus was to "stay the course" and continue to monitor the policies' performance and any additional developments regarding split-dollar life insurance.

II. Summary of Coverage**Individual Life Insurance Coverage on Leon Black**

- ✦ Split-Dollar Entity: AIF IV Management, Inc.
- ✦ Policy owner: Norman Brownstein, Trustee under the Leon D. Black Insurance Trust #1 dated September 13, 1999.
- ✦ These policies' register dates are September 1999.

Carrier	Policy Number	Amount of Coverage	Normal Annual Premium	Account Value 12-31-12	Net Cash Surrender Value 12-31-12	Split-Dollar Advance 12-31-12
Prudential		\$30,000,000	\$502,335	\$4,504,232.62	\$4,504,232.62	\$6,108,212
AXA Equitable		\$15,000,000	\$264,894	\$2,053,540.91	\$2,019,619.09	\$3,172,980
Security Life of Denver		\$ 5,000,000	\$ 96,380	\$584,170.30	\$576,482.80	\$1,180,138
Total – Individual Life Insurance Coverage		\$50,000,000	\$863,609	\$7,141,943.83	\$7,100,334.51	\$10,461,330

Second-to-Die, Wealth Transfer Life Insurance Coverage on Leon & Debra Black

- ✦ Split-Dollar Entity: AIF IV Management, Inc.
- ✦ Policy owner: Norman Brownstein, Trustee under the Leon D. Black Insurance Trust #2 dated September 13, 1999.
- ✦ These policies, other than the Prudential policy, have a register date of April 28, 1999 in order to save Debra's insurance age. (Prudential utilizes "current age" vs. "closest age", therefore backdating was not necessary and the register date for the Prudential policy is 9/13/99.)

Carrier	Policy Number	Amount of Coverage	Normal Annual Premium	Account Value 12-31-12	Net Cash Surrender Value 12-31-12	Split-Dollar Advance 12-31-12
Prudential		\$20,000,000	\$179,595	\$2,727,667.92	\$2,727,667.92	\$ 2,304,955
New York Life		\$20,000,000	\$196,080	\$3,081,046.27	\$3,073,203.07	\$ 2,514,929
Pacific Life		\$ 5,010,000	\$ 33,218	\$457,928.92	\$457,928.92	\$ 424,480
John Hancock		\$30,000,000	\$359,022	\$5,040,643.54	\$5,040,643.54	\$ 4,622,974
AXA Equitable		\$25,000,000	\$205,246	\$2,664,966.34	\$2,638,569.80	\$ 2,627,947
Total Second-to-Die Life Insurance Coverage		\$100,010,000	\$973,161	\$13,972,252.99	\$13,938,013.25	\$12,495,285

This information has been taken from sources which we believe to be reliable, but there is no guarantee as to its accuracy. It is not a replacement for any account statement or transaction confirmation issued by the provider. Please compare this document to your custodial statement for accuracy, as applicable.

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III. Trust Purchases Policies and Split-Dollar Agreements Terminated

- ♦ A planning idea from Leon's estate planning counsel, Carolyn McCaffrey, which was presented in 2010 is for another Trust to purchase the policies from the two 1999 Trusts.
 - The respective 1999 trusts use the purchase price of the policies to repay the company its premium advances.
- ♦ The following pages summarize the policy projections assuming the Trust purchases the policies and the Split-Dollar plans are terminated.
 - Two scenarios are presented and projected assuming a 6% and an 8% gross rate of return.
 1. No additional premium payments.
 - The individual policies on Leon's life will require additional premium payments to maintain coverage to Leon's life expectancy and beyond.
 2. Additional premium payments to maintain the policies beyond life expectancy.
- ♦ Another issue to consider is the best use of the \$5,000,000 Security Life of Denver individual policy on Leon's life.
 - Projections are presented which compare:

Maintaining the \$5,000,000 Security Life of Denver policy versus re-allocating the Security Life of Denver policy values into the other two individual policies on Leon's life.

LEON and DEBRA BLACK

MALE / CURRENT AGE 61 and FEMALE / CURRENT AGE 58

- After Purchase and Termination of Split-Dollar Plan, Face Amount Reduced to Initial Death Benefit
- Projected Premium Outlays Maintain Life Insurance Coverage as Indicated

PREMIUM OPTION:**No Premiums****Annual Premium Payments to Maintain Coverage****SECOND-TO-DIE POLICIES**

	Initial Death Benefit Coverage	Split-Dollar Advance December 2012	Net Cash Surrender Value December 2012
John Hancock's Majestic Variable Estate Protection 98 Policy [REDACTED]	30,000,000	4,622,974	5,040,644
AXA Equitable's Survivorship Incentive Life Policy [REDACTED]	25,000,000	2,627,947	2,638,570
New York Life's Survivorship Variable Universal Life Policy [REDACTED]	20,000,000	2,514,929	3,073,203
Prudential's Survivorship Preferred Policy # [REDACTED]	20,000,000	2,304,955	2,727,668
Pacific Life's Select Estate Preserver Policy # [REDACTED]	5,010,000	424,480	457,929
Totals:	100,010,000	12,495,285	13,938,013

Net Death Benefit @ Life Expectancy	Coverage Until
44,973,432	2055 (Debra's Age 100+)
25,000,000	2047 (Debra's Age 92)
20,000,000	2046 (Debra's Age 91)
20,000,000	2044 (Debra's Age 89)
5,010,000	2046 (Debra's Age 91)
114,983,432	

Annual Premium Starting 2013	Pay Yrs	Total Additional Premium Outlay	Net Death Benefit @ Life Expectancy	Coverage Until
0		0	44,973,432	2055 (Debra's Age 100+)
(205,246)	3.1	(627,256)	25,000,000	2055 (Debra's Age 100+)
(196,080)	1.9	(376,935)	20,000,000	2051 (Debra's Age 96)
(179,595)	4.5	(813,380)	20,000,000	2051 (Debra's Age 96)
(33,218)	5.3	(176,905)	5,010,000	2055 (Debra's Age 100+)
(614,139)		(1,994,476)	114,983,432	

To Maintain Coverage to Debra's Age 95+

INDIVIDUAL POLICIES

	Initial Death Benefit Coverage	Split-Dollar Advance December 2012	Net Cash Surrender Value December 2012
Prudential's Variable Universal Life Policy # [REDACTED]	30,000,000	6,108,212	4,504,233
AXA Equitable's Incentive Life Policy # [REDACTED]	15,000,000	3,172,980	2,019,619
Security Life of Denver's Firstline II Policy # [REDACTED]	5,000,000	1,180,138	576,483
Totals:	50,000,000	10,461,330	7,100,335
GRAND TOTALS:	150,010,000	22,956,615	21,038,348

Net Death Benefit @ Life Expectancy	Coverage Until
2025 (Leon's Age 74)	
Assuming No Premiums, Death Benefit Coverage is NOT Maintained to Leon's Life Expectancy (Age 85)	
2027 (Leon's Age 76)	
2018 (Leon's Age 67)	
0	
114,983,432	

Annual Premium Starting 2013	Pay Yrs	Total Additional Premium Outlay	Net Death Benefit @ Life Expectancy	Coverage Until
(502,335)	9.3	(4,666,015)	30,000,000	2038 (Leon's Age 87)
(264,894)	13.0	(3,443,622)	20,669,058	2038 (Leon's Age 87)
(113,694)	24.0	(2,728,651)	5,000,000	2038 (Leon's Age 87)
(880,923)		(10,838,288)	55,669,058	
(1,495,062)		(12,832,764)	170,652,490	

To Maintain Coverage to Leon's Age 86+

(Please Turn the Page Over for Important Disclosures)

- ☐ Life expectancies from policy inception are based on appropriate mortality assumptions: Joint life expectancy is 45 years (Debra's Age 88); Leon's life expectancy is 38 years (His Age 85).
- ☐ This is an illustration and is not intended to predict actual performance. Variable Universal Life Insurance policy values shown are not guaranteed. Please refer to the complete in force illustrations and appropriate product prospectus for detailed information, including illustrated policy performance assuming 0.00% Hypothetical Gross Rate of Return and Guaranteed (Maximum) Policy Charges.
- ☐ For split-dollar plans placed prior to January 28, 2002, recent IRS notices do not directly address the potential taxation of the executive's cash value after the corporation has recovered its share of the premium advances. Please consult your tax advisor for further guidance.

LEON and DEBRA BLACK

MALE / CURRENT AGE 61 and FEMALE / CURRENT AGE 58

- After Purchase and Termination of Split-Dollar Plan, Face Amount Reduced to Initial Death Benefit
- Projected Premium Outlays Maintain Life Insurance Coverage as Indicated

PREMIUM OPTION:**No Premiums****Annual Premium Payments to Maintain Coverage****SECOND-TO-DIE POLICIES**

	Initial Death Benefit Coverage	Split-Dollar Advance December 2012	Net Cash Surrender Value December 2012
John Hancock's Majestic Variable Estate Protection 98 Policy # [REDACTED]	30,000,000	4,622,974	5,040,644
AXA Equitable's Survivorship Incentive Life Policy # [REDACTED]	25,000,000	2,627,947	2,638,570
New York Life's Survivorship Variable Universal Life Policy # [REDACTED] 500 858	20,000,000	2,514,929	3,073,203
Prudential's Survivorship Preferred Policy # [REDACTED]	20,000,000	2,304,955	2,727,668
Pacific Life's Select Estate Preserver Policy # [REDACTED]	5,010,000	424,480	457,929
Totals:	100,010,000	12,495,285	13,938,013

Net Death Benefit @ Life Expectancy	Coverage Until
30,000,000	2055 (Debra's Age 100+)
	2041 (Debra's Age 86)
Assuming No Premiums, Death Benefit Coverage is <u>NOT</u> Maintained to Joint Life Expectancy (45 Years)	
	2039 (Debra's Age 84)
	2039 (Debra's Age 84)
	2041 (Debra's Age 86)
30,000,000	

Annual Premium Starting 2013	Pay Yrs	Total Additional Premium Outlay	Net Death Benefit @ Life Expectancy	Coverage Until
To Maintain Coverage to Debra's Age 95+				
0		0	30,000,000	2055 (Debra's Age 100+)
(205,246)	20.5	(4,208,518)	25,000,000	2055 (Debra's Age 100+)
(196,080)	17.2	(3,380,604)	20,000,000	2051 (Debra's Age 96)
(179,595)	24.8	(4,450,280)	20,000,000	2051 (Debra's Age 96)
(33,218)	39.0	(1,295,502)	5,010,000	2052 (Debra's Age 97)
(614,139)		(13,334,904)	100,010,000	

INDIVIDUAL POLICIES

	Initial Death Benefit Coverage	Split-Dollar Advance December 2012	Net Cash Surrender Value December 2012
Prudential's Variable Universal Life Policy # [REDACTED]	30,000,000	6,108,212	4,504,233
AXA Equitable's Incentive Life Policy # [REDACTED]	15,000,000	3,172,980	2,019,619
Security Life of Denver's Firstline II Policy # [REDACTED]	5,000,000	1,180,138	576,483
Totals:	50,000,000	10,461,330	7,100,335
GRAND TOTALS:	150,010,000	22,956,615	21,038,348

Net Death Benefit @ Life Expectancy	Coverage Until
	2024 (Leon's Age 73)
Assuming No Premiums, Death Benefit Coverage is <u>NOT</u> Maintained to Leon's Life Expectancy (Age 85)	
	2025 (Leon's Age 74)
	2018 (Leon's Age 67)
0	
30,000,000	

Annual Premium Starting 2013	Pay Yrs	Total Additional Premium Outlay	Net Death Benefit @ Life Expectancy	Coverage Until
To Maintain Coverage to Leon's Age 86+				
(502,335)	17.6	(8,866,212)	30,000,000	2038 (Leon's Age 87)
(264,894)	17.0	(4,503,198)	15,346,917	2037 (Leon's Age 86)
(132,716)	24.0	(3,185,178)	5,000,000	2038 (Leon's Age 87)
(899,945)		(16,554,588)	50,346,917	
(1,514,084)		(29,889,492)	150,356,917	

(Please Turn the Page Over for Important Disclosures)

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- ☐ For split-dollar plans placed prior to January 28, 2002, recent IRS notices do not directly address the potential taxation of the executive's cash value after the corporation has recovered its share of the premium advances. Please consult your tax advisor for further guidance.

LEON BLACK

INDIVIDUAL LIFE INSURANCE POLICIES

- Re-allocation of \$5,000,000 Security Life of Denver Policy

LEON and DEBRA BLACK

MALE / CURRENT AGE 61 and FEMALE / CURRENT AGE 58

- After Purchase and Termination of Split-Dollar Plan, Face Amount Reduced to Initial Death Benefit
- Projected Premium Outlays Maintain Life Insurance Coverage as Indicated

PREMIUM OPTION:**No Premiums****Annual Premium Payments to Maintain Coverage**

	Initial Death Benefit Coverage	Split-Dollar Advance December 2012	Net Cash Surrender Value December 2012	Net Death Benefit @ Life Expectancy	Coverage Until	Annual Premium Starting 2013	Pay Yrs	Total Additional Premium Outlay	Net Death Benefit @ Life Expectancy	Coverage Until
Maintain All 3 Policies										
Prudential's Variable Universal Life Policy # [REDACTED]	30,000,000	6,108,212	4,504,233	Assuming No Premiums, Death Benefit Coverage is NOT Maintained to Leon's Life Expectancy (Age 85)	2025 (Leon's Age 74)	(502,335)	9.3	(4,666,015)	30,000,000	2038 (Leon's Age 87)
AXA Equitable's Incentive Life Policy # [REDACTED]	15,000,000	3,172,980	2,019,619		2027 (Leon's Age 76)	(264,894)	13.0	(3,443,622)	20,669,058	2038 (Leon's Age 87)
Security Life of Denver's Firstline II Policy # [REDACTED]	5,000,000	1,180,138	576,483		2018 (Leon's Age 67)	(113,694)	24.0	(2,728,651)	5,000,000	2038 (Leon's Age 87)
Totals:	50,000,000	10,461,330	7,100,335		0	(880,923)		(10,838,288)	55,669,058	

To Maintain Coverage to Leon's Age 86+

Reallocate Security Life Policy ^①

	Initial Death Benefit Coverage	Split-Dollar Advance December 2012	Net Cash Surrender Value December 2012	Net Death Benefit @ Life Expectancy	Coverage Until	Annual Premium Starting 2013	Pay Yrs	Total Additional Premium Outlay	Net Death Benefit @ Life Expectancy	Coverage Until
Prudential's Variable Universal Life Policy # [REDACTED]	30,000,000	6,108,212	4,504,233	Assuming No Premiums, Death Benefit Coverage is NOT Maintained to Leon's Life Expectancy (Age 85)	2027 (Leon's Age 76)	(502,335)	7.2	(3,626,570)	30,000,000	2038 (Leon's Age 87)
AXA Equitable's Incentive Life Policy # [REDACTED]	15,000,000	3,172,980	2,019,619		2029 (Leon's Age 78)	(264,894)	11.0	(2,913,834)	20,651,609	2038 (Leon's Age 87)
Security Life of Denver's Firstline II Policy # [REDACTED]										
Totals:	45,000,000	9,281,192	6,523,852	0		(767,229)		(6,540,404)	50,651,609	

To Maintain Coverage to Leon's Age 86+

Assumes policy is surrendered and cash surrender value of \$576,000 is reallocated to the Prudential and AXA Individual policies.

① \$576,000 Cash Surrender Value of the Security Life Policy reallocated to the Prudential and AXA Individual Policies. \$346,000 was allocated to the Prudential policy and \$230,000 was allocated to the AXA Policy.

- Life expectancies from policy inception are based on appropriate mortality assumptions: Leon's life expectancy is 38 years (His Age 85).
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MALE / CURRENT AGE 61 and FEMALE / CURRENT AGE 58

- After Purchase and Termination of Split-Dollar Plan, Face Amount Reduced to Initial Death Benefit
- Projected Premium Outlays Maintain Life Insurance Coverage as Indicated

PREMIUM OPTION:**No Premiums****Annual Premium Payments to Maintain Coverage**

	Initial Death Benefit Coverage	Split-Dollar Advance December 2012	Net Cash Surrender Value December 2012	Net Death Benefit @ Life Expectancy	Coverage Until	Annual Premium Starting 2013	Pay Yrs	Total Additional Premium Outlay	Net Death Benefit @ Life Expectancy	Coverage Until
Maintain All 3 Policies										
Prudential's Variable Universal Life Policy # [REDACTED]	30,000,000	6,108,212	4,504,233	Assuming No Premiums, Death Benefit Coverage is <u>NOT</u> Maintained to Leon's Life Expectancy (Age 85)	2024 (Leon's Age 73)	(502,335)	17.6	(8,866,212)	30,000,000	2038 (Leon's Age 87)
AXA Equitable's Incentive Life Policy # [REDACTED]	15,000,000	3,172,980	2,019,619		2025 (Leon's Age 74)	(264,894)	17.0	(4,503,198)	15,346,917	2037 (Leon's Age 86)
Security Life of Denver's Firstline II Policy # [REDACTED]	5,000,000	1,180,138	576,483		2018 (Leon's Age 67)	(132,716)	24.0	(3,185,178)	5,000,000	2038 (Leon's Age 87)
Totals:	50,000,000	10,461,330	7,100,335	0		(899,945)		(16,554,588)	50,346,917	

To Maintain Coverage to Leon's Age 86+

Reallocate Security Life Policy ^①

Prudential's Variable Universal Life Policy # [REDACTED]	30,000,000	6,108,212	4,504,233	Assuming No Premiums, Death Benefit Coverage is <u>NOT</u> Maintained to Leon's Life Expectancy (Age 85)	2025 (Leon's Age 74)	(502,335)	14.7	(7,389,405)	30,000,000	2038 (Leon's Age 87)
AXA Equitable's Incentive Life Policy # [REDACTED]	15,000,000	3,172,980	2,019,619		2027 (Leon's Age 76)	(264,894)	15.0	(3,973,410)	15,300,277	2037 (Leon's Age 86)
Security Life of Denver's Firstline II Policy # [REDACTED]										
Totals:	45,000,000	9,281,192	6,523,852	0		(767,229)		(11,362,815)	45,300,277	

To Maintain Coverage to Leon's Age 86+

Assumes policy is surrendered and cash surrender value of \$576,000 is reallocated to the Prudential and AXA Individual policies.

① \$576,000 Cash Surrender Value of the Security Life Policy reallocated to the Prudential and AXA Individual Policies. \$346,000 was allocated to the Prudential policy and \$230,000 was allocated to the AXA Policy.

- Life expectancies from policy inception are based on appropriate mortality assumptions: Leon's life expectancy is 38 years (His Age 85).
- This is an illustration and is not intended to predict actual performance. Variable Universal Life Insurance policy values shown are not guaranteed. Please refer to the complete in force illustrations and appropriate product prospectus for detailed information, including illustrated policy performance assuming 0.00% Hypothetical Gross Rate of Return and Guaranteed (Maximum) Policy Charges.
- For split-dollar plans placed prior to January 28, 2002, recent IRS notices do not directly address the potential taxation of the executive's cash value after the corporation has recovered its share of the premium advances. Please consult your tax advisor for further guidance.

LEON and DEBRA BLACK

Premium Cash Flows

			Second-To-Die Policies		Individual Policies ¹		Total	
			Policy	Face Amount	Policy	Face Amount		
			John Hancock Policy # [REDACTED]	\$30,000,000	Prudential Policy # [REDACTED]	\$30,000,000		
			AXA Equitable Policy # [REDACTED]	\$25,000,000	AXA Equitable Policy # [REDACTED]	\$15,000,000		
			New York Life Policy # [REDACTED]	\$20,000,000	Total Face Amount: \$45,000,000			
			Prudential Policy # [REDACTED]	\$20,000,000				
			Pacific Life Policy [REDACTED]	\$5,010,000				
			Total Face Amount:	\$100,010,000				
Year	His Age	Her Age	Annual Outlay	Death Benefit	Annual Outlay	Death Benefit	Annual Outlay	Death Benefit
2013	61	58	614,139	100,010,000	767,229	47,270,739	1,381,368	147,280,739
2014	62	59	598,914	100,010,000	767,229	47,507,920	1,366,143	147,517,920
2015	63	60	418,059	100,010,000	767,229	47,748,310	1,185,288	147,758,310
2016	64	61	224,331	100,010,000	767,229	47,990,885	991,560	148,000,885
2017	65	62	128,218	100,010,000	767,229	48,273,911	895,447	148,283,911
2018	66	63	10,815	100,010,000	767,229	48,559,742	778,044	148,569,742
2019	67	64	0	100,010,000	767,229	48,858,841	767,229	148,868,841
2020	68	65	0	100,010,000	375,119	49,188,616	375,119	149,198,616
2021	69	66	0	100,010,000	264,894	49,523,035	264,894	149,533,035
2022	70	67	0	100,010,000	264,894	49,860,710	264,894	149,870,710
2023	71	68	0	100,010,000	264,894	50,199,530	264,894	150,209,530
2024	72	69	0	100,010,000	0	50,537,398	0	150,547,398
2025	73	70	0	100,010,000	0	50,601,990	0	150,611,990
2026	74	71	0	100,010,000	0	50,651,609	0	150,661,609
2027	75	72	0	100,010,000	0	50,651,609	0	150,661,609
2028	76	73	0	100,010,000	0	50,651,609	0	150,661,609
2029	77	74	0	100,010,000	0	50,651,609	0	150,661,609
2030	78	75	0	100,010,000	0	50,651,609	0	150,661,609
2031	79	76	0	100,010,000	0	50,651,609	0	150,661,609
2032	80	77	0	100,010,000	0	50,651,609	0	150,661,609
2033	81	78	0	100,010,000	0	50,651,609	0	150,661,609
2034	82	79	0	100,010,000	0	50,651,609	0	150,661,609
2035	83	80	0	100,010,000	0	50,651,609	0	150,661,609
2036	84	81	0	100,487,385	0	50,651,609	0	151,138,994
2037	85	82	0	101,959,977	0	50,651,609	0	152,611,586
2038	86	83	0	103,522,781	0	50,651,609	0	154,174,390
2039	87	84	0	105,181,078	0	0	0	105,181,078
2040	88	85	0	106,937,917	0	0	0	106,937,917
2041	89	86	0	108,795,245	0	0	0	108,795,245
2042	90	87	0	110,754,790	0	0	0	110,754,790
2043	91	88	0	112,817,711	0	0	0	112,817,711
2044	92	89	0	114,983,432	0	0	0	114,983,432
2045	93	90	0	117,248,023	0	0	0	117,248,023
Total Outlay			\$1,994,476		\$6,540,404		\$8,534,880	
PV of Cash Flow @ 6.00%			1,849,218		5,260,322		7,109,540	

¹ The Security Life of Denver Policy # [REDACTED] is surrendered and the \$576,000 Cash Surrender Value is reallocated to the Prudential and AXA Equitable Individual policies. \$346,000 was allocated to the Prudential Policy # [REDACTED] and \$230,000 was allocated to the AXA Equitable Policy # [REDACTED]

Life expectancies from policy inception are based on appropriate mortality assumptions: Joint life expectancy is 45 years (Debra's Age 88); Leon's life expectancy is 38 years (His Age 85).

6.00% Gross Rate of Return

Assuming 6.00% Hypothetical Gross Rate of Return & Current Policy Charges

LEON and DEBRA BLACK

Premium Cash Flows

			Second-To-Die Policies		Individual Policies ¹		Total	
			Policy	Face Amount	Policy	Face Amount		
			John Hancock		Prudential			
			Policy # [REDACTED]	\$30,000,000	Policy [REDACTED]	\$30,000,000		
			AXA Equitable		AXA Equitable			
			Policy # [REDACTED]	\$25,000,000	Policy [REDACTED]	\$15,000,000		
			New York Life					
			Policy # [REDACTED]	\$20,000,000				
			Prudential					
			Policy # [REDACTED]	\$20,000,000				
			Pacific Life Policy					
			# [REDACTED]	\$5,010,000				
			Total Face Amount:	\$100,010,000	Total Face Amount:	\$45,000,000		
Year	His Age	Her Age	Annual Outlay	Death Benefit	Annual Outlay	Death Benefit	Annual Outlay	Death Benefit
2013	61	58	614,139	100,010,000	767,229	47,239,362	1,381,368	147,249,362
2014	62	59	614,139	100,010,000	767,229	47,426,916	1,381,368	147,436,916
2015	63	60	614,139	100,010,000	767,229	47,610,661	1,381,368	147,620,661
2016	64	61	614,139	100,010,000	767,229	47,789,174	1,381,368	147,799,174
2017	65	62	614,139	100,010,000	767,229	47,999,925	1,381,368	148,009,925
2018	66	63	614,139	100,010,000	767,229	48,204,472	1,381,368	148,214,472
2019	67	64	614,139	100,010,000	767,229	48,412,671	1,381,368	148,422,671
2020	68	65	614,139	100,010,000	767,229	48,641,025	1,381,368	148,651,025
2021	69	66	614,139	100,010,000	767,229	48,862,659	1,381,368	148,872,659
2022	70	67	614,139	100,010,000	767,229	49,075,549	1,381,368	149,085,549
2023	71	68	614,139	100,010,000	767,229	49,276,950	1,381,368	149,286,950
2024	72	69	614,139	100,010,000	767,229	49,464,139	1,381,368	149,474,139
2025	73	70	614,139	100,010,000	767,229	49,638,877	1,381,368	149,648,877
2026	74	71	614,139	100,010,000	767,229	49,803,010	1,381,368	149,813,010
2027	75	72	614,139	100,010,000	621,609	49,936,611	1,235,748	149,946,611
2028	76	73	614,139	100,010,000	0	50,034,938	614,139	150,044,938
2029	77	74	614,139	100,010,000	0	49,822,426	614,139	149,832,426
2030	78	75	465,303	100,010,000	0	49,548,737	465,303	149,558,737
2031	79	76	418,059	100,010,000	0	49,206,072	418,059	149,216,072
2032	80	77	418,059	100,010,000	0	48,785,783	418,059	148,795,783
2033	81	78	316,411	100,010,000	0	48,280,948	316,411	148,290,948
2034	82	79	212,813	100,010,000	0	47,688,925	212,813	147,698,925
2035	83	80	212,813	100,010,000	0	47,001,860	212,813	147,011,860
2036	84	81	212,813	100,010,000	0	46,211,354	212,813	146,221,354
2037	85	82	173,218	100,010,000	0	45,300,277	173,218	145,310,277
2038	86	83	33,218	100,010,000	0	30,000,000	33,218	130,010,000
2039	87	84	33,218	100,010,000	0	0	33,218	100,010,000
2040	88	85	33,218	100,010,000	0	0	33,218	100,010,000
2041	89	86	33,218	100,010,000	0	0	33,218	100,010,000
2042	90	87	33,218	100,010,000	0	0	33,218	100,010,000
2043	91	88	33,218	100,010,000	0	0	33,218	100,010,000
2044	92	89	33,218	100,010,000	0	0	33,218	100,010,000
2045	93	90	33,218	100,010,000	0	0	33,218	100,010,000
Total Outlay			\$13,135,596		\$11,362,815		\$24,498,411	
PV of Cash Flow @ 6.00%			7,647,755		7,834,202		15,481,957	

¹ The Security Life of Denver Policy # [REDACTED] is surrendered and the \$576,000 Cash Surrender Value is reallocated to the Prudential and AXA Equitable Individual policies. \$346,000 was allocated to the Prudential Policy # [REDACTED] and \$230,000 was allocated to the AXA Equitable Policy # [REDACTED]

Life expectancies from policy inception are based on appropriate mortality assumptions: Joint life expectancy is 45 years (Debra's Age 88); Leon's life expectancy is 38 years (His Age 85).