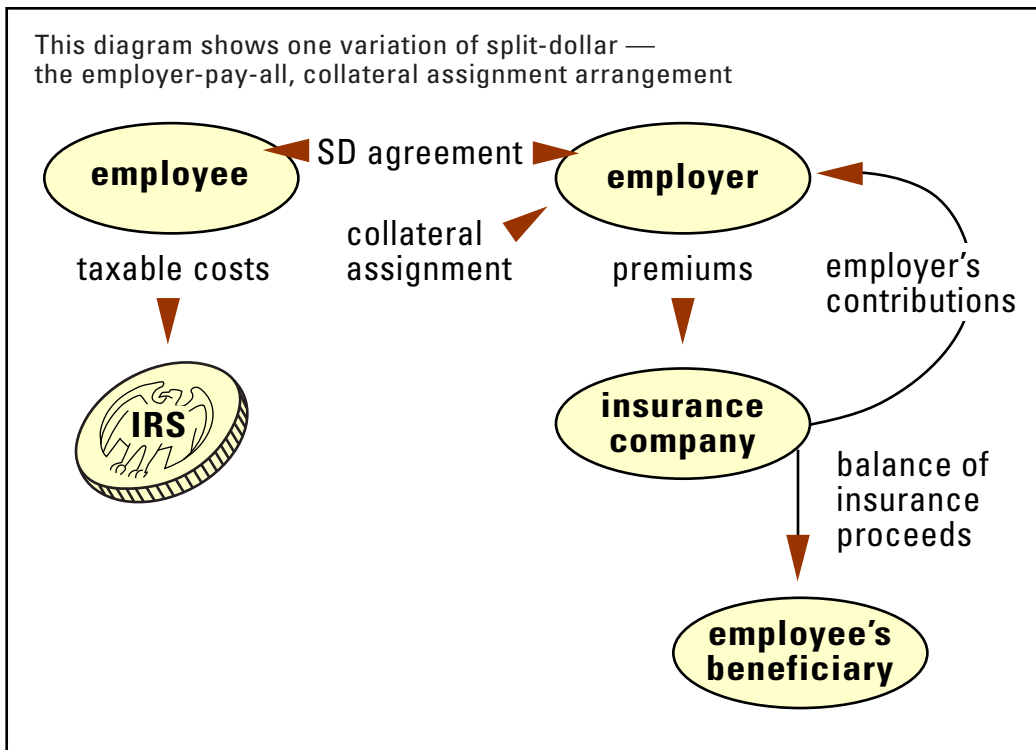


HOW SPLIT-DOLLAR ARRANGEMENTS FUNDED WITH LIFE INSURANCE WORK



The employee owns the policy and collaterally assigns it to the employer.

The employer pays all of the premiums.

The employee includes the taxable costs of the split-dollar arrangement in gross income.

At the employee's death, the employer recovers its total premiums paid or the cash value, depending on the arrangement. The balance of the proceeds are paid to the employee's beneficiary.

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