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Dear Advisor,

We are pleased to provide you with a Policy Baseline Report™ on the enclosed life insurance policy. Thank you for choosing Insurance Trust Monitor, the industry's most comprehensive Trust Owned Life Insurance (TOLI) policy management and trust administrative maintenance program.

Insurance Trust Monitor (ITM) provides two distinct and necessary services for trusts owning life insurance policies:

Policy Review Services - ITM will provide a complete independent review of each life insurance policy and give the trustee a performance and risk rating assessment.

Trust Administration - ITM will provide a complete trust and policy administrative package including sending and tracking of annual gift notices and Crummey notices, collection and payment of insurance premiums and document review and safe keeping.

Insurance Trust Monitor utilizes and is powered by the InsuranceIQ™ System to perform its administrative duties and policy reviews. InsuranceIQ™ is a proprietary, web-based system from *Investment Scorecard, Inc.* that is used to manage and administer portfolios of life insurance policies. Insurance Trust Monitor is the exclusive provider of InsuranceIQ™ policy review services to the non-professional TOLI trustee and those seeking a one-time life insurance policy assessment.

For more information about ITM and its services, we invite you to contact us at 866.384.2766 or info@youritm.com. You can also visit the ITM website at www.youritm.com. We look forward to having the opportunity to provide additional services to you and your clients in the future.

Regards,

Insurance Trust Monitor, Inc.

**INVESTMENT
SCORECARD®**

CONFIDENTIAL

Policy Baseline Report™

| | |
|---|--------------------------------------|
| Completed For | InsuranceIQ Bank & Trust Demo |
| Policy Owner | Franklin Smith Trust |
| Client's Account Number for this Trust | 47-13107ILIT |
| Trustee | InsuranceIQ Bank & Trust Co. |
| Date Completed | 12/5/2006 |
| Scorecard ID | 027B-00246 |
| Insured | Franklin Smith |
| Insurance Carrier | Atlantic Financial Insurance Company |
| Policy Number | UL1051312 |
| Policy Status | In force |
| Overall Risk Rating | D - Weak |
| Next Policy Anniversary Date | 7/27/2007 |
| Action Items | Yes |
| Variances | Yes |

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Investment Scorecard Inc is an independent, fee-based consulting firm that does not engage in the sale of life insurance and has no preference towards any insurance carrier or product. The firm based the results of this Policy Baseline Report on information provided by third parties, including the client and insurance carrier, as well as illustrations and projections. Projected policy values are hypothetical in nature and are designed to illustrate how a policy might perform under a specific set of assumptions that are not guaranteed. Actual policy performance will vary due to changes in these assumptions. This report is not designed to provide a needs analysis or to establish the suitability of a particular policy for the policy owner as there are many factors that must be considered in determining if a life insurance policy is appropriate for a given individual, entity or situation. Investment Scorecard Inc does not provide legal, tax, financial planning or investment advice. You are encouraged to review your policy annually and to seek the advice of appropriate professional counsel.

INTRODUCTION

Life insurance policies being sold today are complex financial instruments that require ongoing review and policy management for a number of reasons, including:

- Policy features that offer the policy owner a variety of options and considerable flexibility.
- Few guarantees for continued coverage, even though many policies include guarantees for maximum expense or mortality charges and a minimum interest crediting rate.
- Changes throughout the life of the policy to credited interest rates, dividend scales and mortality and expense charges.
- Changes in the insurance carrier's financial condition that can affect its solvency and/or ability to pay its claims.
- Assumption of an existing policy through the merger or acquisition of one insurance carrier by another. If the assumption resulted as part of a rehabilitation plan for a failed insurance carrier, the insurance policy may have been restructured to include features that adversely affect its performance.
- Changes in the policy owner's financial condition or need for insurance that make the existing policy unsuitable or inadequate for its intended purpose.
- Changes in the insured's health or lifestyle that affect insurability.
- The availability of new insurance plans that offer improved performance or enhanced features.

For the trustee of an irrevocable life insurance trust ("ILIT"), initial and ongoing insurance carrier and policy reviews are critical as the trustee possesses fiduciary duties to the grantor of the trust as well as the trust's beneficiaries. For this reason, the trustee of the trust shown on the cover of this report has requested the completion of a Policy Baseline Report by Investment Scorecard Inc ("Investment Scorecard").

Investment Scorecard INC

Investment Scorecard is an independent consulting firm specializing in the review and management of individual life insurance policies. A full range of services are provided by a team of caring, dedicated and experienced professionals with over 50 combined years of life insurance industry experience in:

- Home Office Operations, including Claims, Underwriting and Policy Administration
- Policy and Financial Analysis
- Marketing of Insurance Products
- Review and Analysis of Trust Owned and Other Individual Life Insurance Policies

In addition, members of the Investment Scorecard team hold professional industry designations, such as the:

- Chartered Life Underwriter (CLU)
- Fellow, Life Management Institute (FLMI)
- Associate Life and Health Claims (ALHC)

The company provides advisory services only and does not engage in the sale of life insurance or endorse any life insurance carrier or product.

RISK RATING DEVELOPMENT

The Policy Baseline Report is designed to assist the trustee in meeting the regulatory requirements for annual reviews of TOLI policies and identifying whether a policy may require further attention due to policy performance issues or variances between information provided by the trustee and that provided by the carrier. In completing the Policy Baseline Report, Investment Scorecard performs a number of functions to evaluate a TOLI policy that includes:

- Securing information about the policy and the necessary illustrations from the insurance carrier.
- Reviewing information about the policy provided by both the insurance carrier and the trustee. This will include the "as sold" illustration, when available.
- Establishing a baseline for performance against which future performance may be evaluated.
- Determining whether Carrier and Policy Criteria have been met.
- Determining what, if any, adjustments need to be made to the policy's premiums to have the policy endow at maturity.
- Comparing the existing policy to a similar plan available from another carrier meeting the established Carrier Criteria. (*Performed only if the policy receives a Risk Rating of D or F, is a term plan or at the request of the trustee for policies receiving other ratings.*)
- Providing policy management action items for the trustee's consideration.

The overall Risk Rating shown on the cover of this report is determined by a proprietary methodology that takes into consideration the following factors:

- The Carrier Profile as determined by the established Carrier Criteria.
- Whether or not, based on current assumptions, the policy will endow at maturity or will continue coverage to maturity on those policies providing for the continuation of the full face value of the policy after the contractual maturity date under an Extended Maturity provision.
 - Maturity is the contractually specified maximum age at which a life insurance policy will continue to provide coverage. Upon maturity, if the insured is still alive, the net cash surrender value may be paid to the policy owner. The net cash surrender value equals the gross cash value plus the cash value of riders and dividends less outstanding policy loans and other policy indebtedness. Some companies are now allowing or have amended existing policies to allow for coverage to continue beyond the contractual maturity date at either the full face value or a modified amount.
 - The term "endow" is defined as the gross cash value at maturity equaling the initial face amount of the base policy. Because a trust, and especially an ILIT, may not be funded until either the death of the insured or the policy's maturity, trust held life insurance policies are oftentimes sold with a premium that will allow the policy to endow at maturity should the insured live to that age. And, since dividend scales, cost of insurance (or, mortality) and interest crediting rates are not guaranteed and can and do change throughout the life of a policy, the amount of out of pocket premiums required to have a policy continue to provide coverage, let alone endow at maturity will change over time.
- The amount of any outstanding policy loans and what percent of the policy's gross cash value is collateralized by loans.
 - Policy loans are a liability to the trust and can adversely affect the performance of a policy.
 - Many participating plans allow for a lower dividend scale to be applied to policies with outstanding loans. Likewise, many flexible premium and interest sensitive policies allow for the portion of the policy's cash value that is being used as collateral for a policy loan to earn a lower interest crediting rate.
 - Interest is charged on policy loans. If the interest is not paid, it is added to the outstanding loan balance, and the interest is then compounded.
 - If the amount of the outstanding loan balance exceeds the policy's cash value, the policy may be subject to a "surrender squeeze" or a forced surrender or lapse of the policy. As a result, the trust could incur a tax liability.
- Whether or not, based on current assumptions, coverage will continue until the insured's projected life expectancy as determined by the 2001 Commissioners' Standard Ordinary Mortality Table.
 - It should be understood that the projected life expectancy is for the general public at large and does not take into consideration the insured's family history, medical condition, lifestyle or other factors affecting the individual's life expectancy.
- Policy features, such as No Lapse Guarantees and whether premiums are currently being paid with automatic premium loans.

Upon completion of the rating process, one of the following letter grades is assigned:

A - Excellent B - Good C - Fair D - Weak F - Poor U - Unable To Rate

The rating process is **not** designed to provide a needs analysis or to establish the suitability (explained in the next section) of a particular policy for a trust.

SUITABILITY

Suitability refers to the appropriateness of a life insurance policy or other investment for a given individual or entity in light of that individual's or entity's specific circumstances and needs. Investment Scorecard does not attempt to address suitability through the Policy Baseline Report process as there are a number of factors that must be considered in determining if a life insurance policy is appropriate for a trust. These include, but are not limited to:

- Performance of the existing policy.
- The insured's health.
- The grantor's risk tolerance level.
- The grantor's financial condition and ability to pay the required premiums.
- The grantor's ability and desire to maintain the trust as it was originally established and/or revised.
- The intended purpose of the trust.
- The trustee's willingness to continue in the role of trustee.
- Whether or not the original reasons for owning the policy still exist.
- Whether or not the existing policy can meet any changes to the needs of the trust.

SAMPLE

CARRIER PROFILE¹

In determining whether or not a life insurance policy is to be continued, it is important to evaluate the carrier periodically to ensure that the carrier continues to meet the following minimum criteria:

Insurer Financial Strength Ratings Criteria: *The life insurance company must hold a minimum rating of "A" with AM Best and two additional secure ratings from Fitch, Moody's or Standard and Poor's, if rated by these companies.*

Insurer Admitted Asset Ranking Criteria: *The life insurance company must be ranked within the top 150 insurance companies in terms of its admitted assets.*

As of 12/5/2006, **Atlantic Financial Life Insurance Company's** profile was as follows:

| | |
|---|--------------|
| Year of Incorporation | 1903 |
| Company Type | Stock |
| Independent Rating Services | |
| AM Best | A+ |
| Standard & Poor's | AA |
| Moody's | Aa3 |
| Fitch | AA |
| Weiss | B+ |
| VitalSigns Comdex Ranking | 93 |
| Admitted Assets (thousands) | \$12,683,297 |
| Admitted Asset Ranking ² | 69 |
| Total Invested Assets (thousands) | \$10,423,174 |
| Highest Quality Bonds | 57.7% |
| Bonds | 79.2% |
| Real Estate | 0.3% |
| Mortgages | 13.9% |
| Problem Mortgages | 0.0% |
| Net Yield on Mean Invested Assets (5 Year Avg) ³ | 7.3% |
| 3 Year Average Lapse Ratio | 9.6% |

PROFILE RESULTS:

| | |
|---|----------------|
| Insurer Financial Strength Ratings | Meets Criteria |
| Insurer Admitted Asset Ranking | Meets Criteria |

POLICY PROFILE***Account Information:***

| | |
|----------------------------------|---|
| Current Insurance Carrier | Atlantic Financial Life Insurance Company |
| Carrier Contact | Pamela Jones |
| Telephone Number | (800) 555-1234 |
| Agent of Record | Not Provided |
| Agent's Telephone Number | Not Provided |
| Policy Number | UL1051312 |

Relationships:**Insured**

| Name | Gender | Issue Age | Current Age | Underwriting Risk Class |
|----------------|--------|-----------|-------------|-------------------------|
| Franklin Smith | Male | 62 | 73 | Preferred |

Policy Owner

| Trust Account No. | Name | Tax ID Number |
|-------------------|----------------------|---------------|
| 47-13107ILIT | Franklin Smith Trust | 11-1111102 |

Primary Beneficiary

| Name | Percentage | Minor | Irrevocable |
|--|------------|-------|--------------|
| Not Confirmed: Franklin Smith Trust Dated 08/08/1995 | 100% | No | Not Provided |

Is Policy Assigned?

No

Assignee Name

Not Applicable

Is policy subject to a Split Dollar Agreement?

No

Coverage Description:

| | |
|---|----------------|
| Generic Base Plan of Insurance | Universal Life |
| Death Benefit Option | Level |
| Issue Date | 7/27/1995 |
| Riders & Supplemental Benefits | None |

Premiums:

| | |
|--|-------------------|
| Scheduled Premium and Frequency | \$39,694 Annually |
| Premium Paid to Date | 7/27/2007 |
| Total Premiums Paid on Policy⁴ | \$476,328 |
| Date of Last Premium Payment | Not Provided |
| Amount of Last Premium Payment | Not Provided |
| Planned Premium Suspension | Not Provided |
| When? | Not Applicable |
| Grace Period | Not Provided |
| Modified Endowment Contract | No |

Dividends:

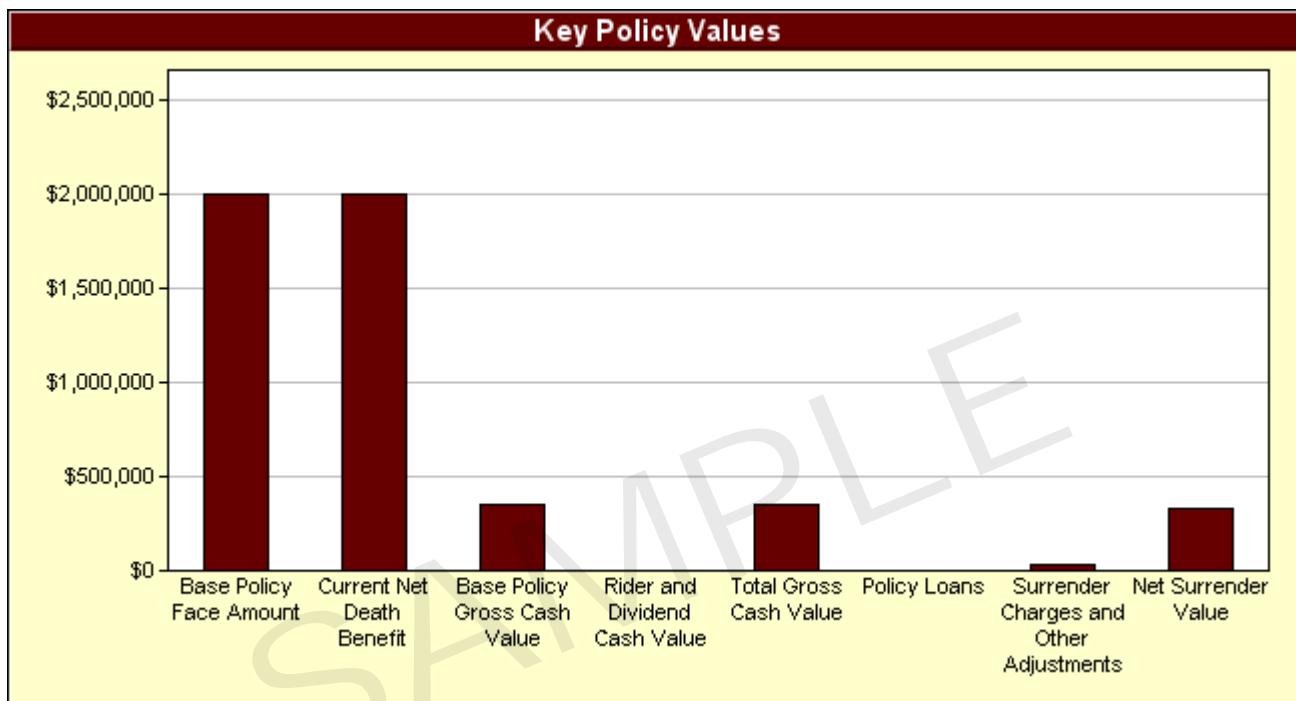
| | |
|------------------------------|----------------|
| Participating Policy? | No |
| Dividend Option? | Not Applicable |

Interest Crediting Rates:

| | |
|---|-------|
| Current Interest Crediting Rate | 4.50% |
| Contractually Guaranteed Minimum Interest Crediting Rate | 4.00% |
| Interest Crediting Rate at Issue | 7.15% |

POLICY VALUES

| | |
|--|-------------|
| Values Shown As Of | 8/3/2006 |
| Base Policy Face Amount | \$2,000,000 |
| Current Net Death Benefit⁵ | \$2,000,000 |
| Base Policy Gross Cash Value | \$355,035 |
| Rider and Dividend Cash Value | \$0 |
| Total Gross Cash Value | \$355,035 |
| Policy Loans | \$0 |
| Surrender Charges and Other Adjustments | \$28,580 |
| Net Surrender Value | \$326,455 |

**POLICY VALUE RATIOS**

Based on the current interest crediting and mortality (cost of insurance) rate assumptions and assuming all premiums are paid as scheduled, no loans or withdrawals are taken, and no existing loans are increased other than as assumed in Projected Performance.

| | Duration | Projected Out of Pocket Premiums | Projected Gross Cash Value (A) | Projected Gross Death Benefit (B) | Cash Value to Death Benefit Ratio (A/B) |
|-------------------------------|----------|----------------------------------|--------------------------------|-----------------------------------|---|
| Current | | | \$355,035 | \$2,000,000 | 17.75% |
| Life Expectancy | 11 Years | \$396,940 | \$423,037 | \$2,000,000 | 21.15% |
| Year Illustration Ends | 17 Years | \$635,104 | \$0 | \$0 | Not Provided |
| Maturity | 27 Years | Lapse | Lapse | Lapse | Lapse |

BASELINE PROFILE

Unless indicated otherwise, this Baseline Profile was based on the following assumptions:

| | |
|--|--|
| Current Premiums | \$39,694.00 Annually |
| Premium Assumptions | Premiums continue to be paid out of pocket by policy owner |
| Current Interest Crediting Rate* | 4.50% |
| Mortality (Cost of Insurance) Rate Assumptions* | Current* |

Continuation of Coverage

| | |
|--|-------------|
| 1. Continuation of coverage to maturity is expected to | Not Occur |
| 2. Projected Gross Cash Value at Maturity | \$0 (Lapse) |
| 3. Projected Gross Death Benefit at Maturity | \$0 (Lapse) |

Endowment

| | |
|---|--|
| 1. At maturity age 100, this policy is projected to | Lapse in approximately 17 years |
| 2. With respect to maturity, the policy is currently | Under Funded |
| 3. The premium required to have the policy endow at maturity is | \$70,642 Annually or a 77.97% change in current premium |

Life Expectancy

| Name | Gender | Current Age | Projected Life Expectancy ⁶ |
|---|--------|-------------|--|
| Franklin Smith | Male | 73 | 11.4 Years |
| Continuation of coverage under this policy to life expectancy is projected to | | | Occur |

No Lapse Guarantee

| | |
|---|----------------|
| 1. Does the policy include a No Lapse Guarantee Provision? | No |
| 2. Is the No Lapse Guarantee still in effect? | Not Applicable |
| 3. Duration of No Lapse Guarantee | Not Applicable |
| 4. The premium funding required to maintain the No Lapse Guarantee Provision is | Not Applicable |
| 5. With respect to maintaining the No Lapse Guarantee, the current premiums are | Not Applicable |

Policy Loans

| | |
|---|------------|
| 1. As of the date of this report, the outstanding loan balance is | Acceptable |
| 2. Percent of gross cash value collateralized by loan balance | 0.00% |

Extended Maturity

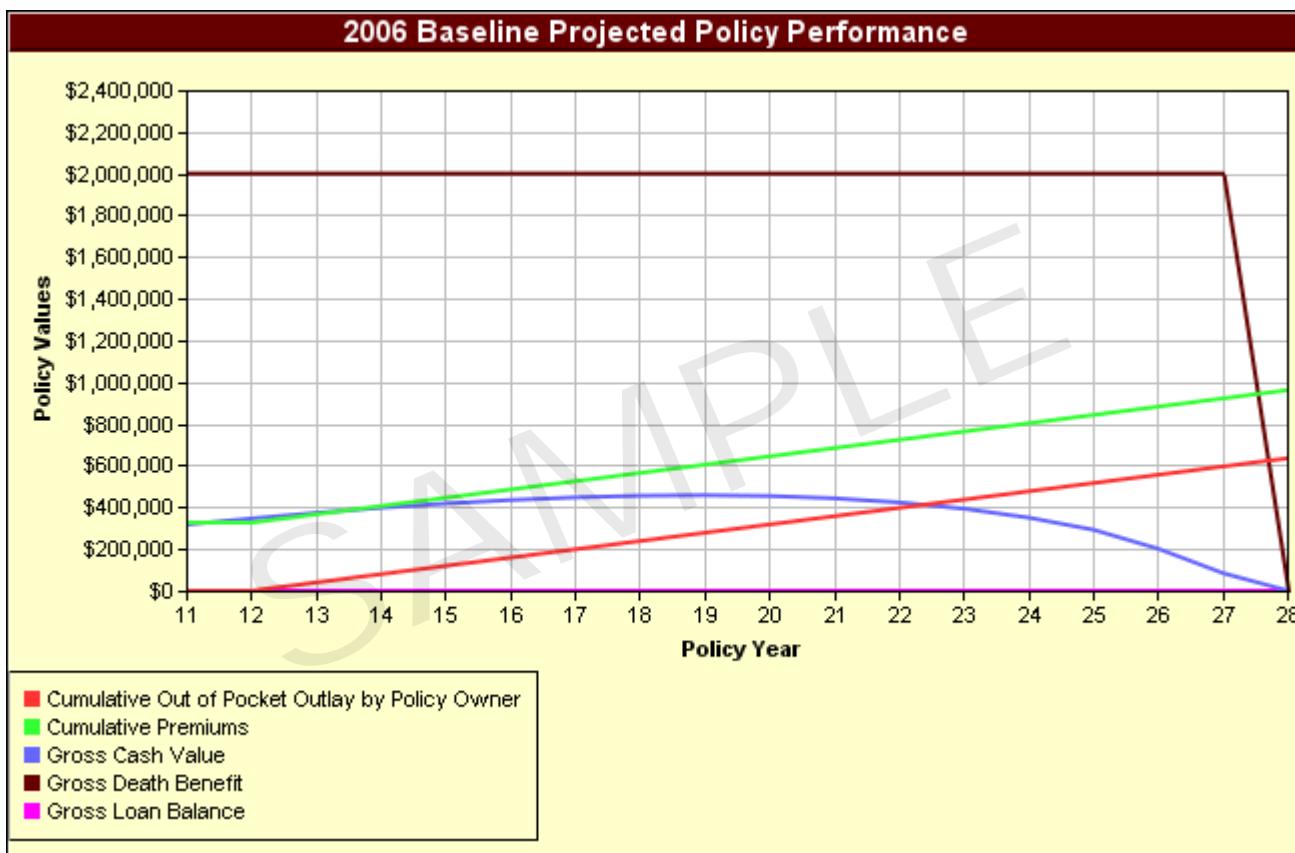
| | |
|--|----------------------------|
| 1. Does the insurance carrier or policy allow for continuation of coverage beyond the contractual date or age of maturity? | Yes |
| 2. The amount of coverage continued after maturity is | Net Cash Value at Maturity |

PROJECTED PERFORMANCE

In evaluating the performance of a life insurance policy, it is oftentimes helpful to compare the actual policy performance against an established baseline of projected performance. The following graph provides this baseline with respect to projected cash values and death benefits. Actual performance in subsequent years will be charted against this baseline and will vary from that shown due to changes in the assumptions used to generate this projection, which was based on the assumptions shown below.

The Cumulative Out of Pocket Outlay by Policy Owner does not include premiums paid to date. The Cumulative Premiums include the current cash surrender value.

| | |
|--|--|
| Illustration Dated | 7/19/2006 |
| Premium Payment Assumptions | Premiums continue to be paid out of pocket by policy owner |
| Current Interest Crediting Rate* | 4.50% |
| Mortality (Cost of Insurance) Rate Assumptions* | Current* |



* Current interest crediting rates, dividend scales and current mortality rates are not guaranteed and are subject to change over time.

GENERAL PLAN DESCRIPTION

The following is a general discussion of the base life insurance policy. You are encouraged to review the actual policy for specific information regarding this policy, its design, functionality, provisions and terms and conditions of coverage.

Universal life plans, also known as flexible premium adjustable life insurance, are considered to be a permanent plan of insurance and are designed to offer the policy owner the ability to purchase one policy that can be modified throughout the life of the insured to meet changing insurance needs. The policy owner is given considerable flexibility as to the death benefit option (level and increasing), amount of coverage (increases subject to evidence of insurability) and the timing, duration, frequency and amount of premium payments. Due to this flexibility, the policy owner can manage the policy to be more like term insurance by paying the minimum premium required to maintain the life insurance coverage, or the policy can be managed to be a whole life policy developing significant cash values and providing coverage for the life of the insured. However, there's a caveat: changes to any of the previously listed parts of the policy will ultimately affect policy performance. Changes to the policy and/or the amount of premium paid on the policy may also be limited by the policy, the carrier, or by regulations governing life insurance.

Policy performance and the continuation of coverage on universal life policies are not guaranteed as both are directly dependent upon a number of factors including premiums paid, interest crediting rates and mortality (cost of insurance) rates. The policies provide for a guaranteed minimum interest crediting rate. However, the insurance carrier may credit the policy with a higher interest crediting rate that may be changed periodically as stated in the contract. The policies are also subject to a number of charges including monthly deductions to pay the insurance costs and expense charges associated with the life insurance protection. The rates used to calculate the monthly deductions are similar to those used for term life insurance and are subject to change up to the contractually guaranteed maximum rates. In addition, the policy may be subject to a premium expense charge (front end load) and surrender charges (back end load). Surrender charges are assessed upon termination of the policy during the first 10 or 20 policy years after issuance or an increase in coverage. They may also be assessed upon a partial surrender (withdrawal) or a reduction in coverage.

The premiums on a universal life plan are flexible. The policy owner may pay more or less than the schedule premium, or no premium at all provided the policy maintains a sufficient cash surrender value to pay the monthly deductions and expense charges. Paying additional premiums on universal life policies do not guarantee the policy will develop the desired cash values or will continue to provide coverage for the desired period of time due to the non-guaranteed current interest crediting and mortality rates. Many carriers now offer no lapse guarantee riders or include no lapse guarantee provisions to assist in maintaining coverage regardless of the policy's performance.

Whether or not a universal life policy will endow at maturity is directly dependent upon the current interest crediting rate, the rates used for calculating the monthly deductions and the premiums paid. The term "endow" refers to the gross cash value of the base whole life policy equaling the specified amount of coverage provided by the base policy at maturity. Maturity is the contractually specified maximum age of the primary insured at which coverage will be provided under the policy. If the insured remains alive at maturity, the net cash surrender value is oftentimes paid to the policy owner. The net cash surrender value equals the gross cash value less any surrender charges, outstanding policy loans and accrued interest, as well as other outstanding policy indebtedness. Surrender charges may also be assessed up to the maximum term provided by the policy upon increasing coverage, but only with respect to any amount attributable to the increased amount of coverage.

VARIANCES

| | <i>Client Provided</i> | <i>Carrier Provided</i> |
|---------------------------------|--|---|
| Owner Name | Franklin Smith Trust Dated 08/08/1995 | Franklin Smith Trust |
| Primary Beneficiary Name | Franklin Smith Trust Dated 08/08/1995 | Not Confirmed: Franklin Smith Trust Dated 08/08/1995 |

ANALYST'S NOTES

- The carrier did not complete our Policy Review Questionnaire and provided their Verification of Coverage instead. This is resulting in several fields being "not provided."
- Based on the current interest rate, insurance and expense charges, and the continued payment of \$39,694 annually, this policy is projected to lapse prior to maturity. To have the policy endow at maturity, thereby allowing the trust to be fully funded should the insured live until then, out of pocket premiums would need to be increased significantly. However, paying the premium required to have the policy endow will result in more being paid than would ever be recovered under the policy. Thus, the policy is rated D-Weak.
- It may be possible to secure a newer policy providing more efficient use of cash values and premium dollars along with secondary guarantees protecting against premature lapse in the event of non-performance and allowing for continuation of coverage beyond maturity.

ACTION ITEMS

- **ALERT – NEED TO INCREASE PREMIUMS HAS BEEN DETERMINED** Contact Grantor and request an increase in the funds being gifted to allow the policy to endow at maturity, or if policy includes an extended maturity provision allowing for the continuation of full coverage, to allow policy values to be sustained until maturity of contract. See the Report Profile for the additional premium required to sustain policy.

If the Grantor is unable or unwilling to comply with your request, consider the following options after completing a suitability questionnaire or meeting directly with the Grantor and/or Trust Beneficiaries

1. **Reduce the amount of coverage.**
2. **Replace the existing policy.**
3. **If the insured's health has deteriorated to a level that another policy is not available or the cost of another policy is prohibitive, take appropriate steps to maintain existing policy.**
4. **Determine if policy is a candidate for a life settlement.**
5. **Resign as trustee.**

SAMPLE

ENDNOTES

- 1 Carrier Profile Information provided by VitalSigns.
- 2 As of Year End 2005. AM Best, 2006 Best's Insurance Reports - Life/Health, Oldwick NJ.
- 3 Industry Average = 6.73%
- 4 Total Premiums Paid on Policy may be net of any dividends credited to policy as dividends are considered a return of premium. Reporting varies by insurance carrier.
- 5 Current Net Death Benefit equals the base policy face value plus any death benefits due under any riders, supplementary benefits, dividend options, and death benefit options less any outstanding loans, accrued interest, other policy indebtedness, and distributions from cash value.
- 6 Projected Life Expectancy has been determined using the 2001 Commissioners' Standard Ordinary Mortality Table and is for the general public at large. It does not take into consideration the insured's family history, medical condition, lifestyle or other factors affecting the individual's life expectancy.

SAMPLE