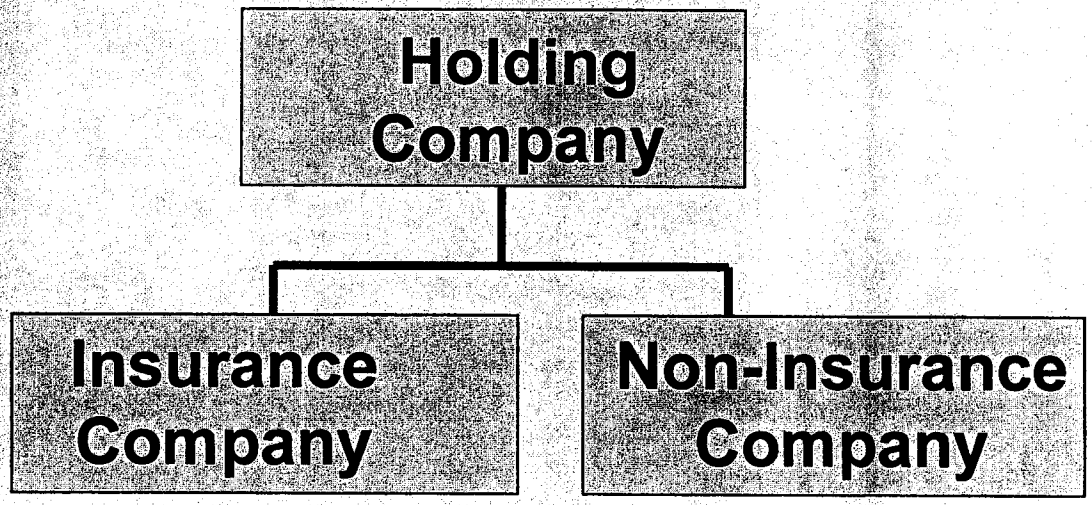
Insurance Stuffing
Actual Case Study

- The parent corporation transfers patents and trademarks from Company B to its insurance subsidiary.
- The royalty income, which was never related to premiums received or investment of premiums, is now reported by the insurance subsidiary and is no longer taxed for corporate license tax purposes.
- The insurance subsidiary still pays the same amount of premium tax as they did before the transfer of patents and trademarks from Company B.

SENATE TAXATION
EXHIBIT NO. 5
DATE 1.28.09
BILL NO. SB211

Insurance Stuffing: Before

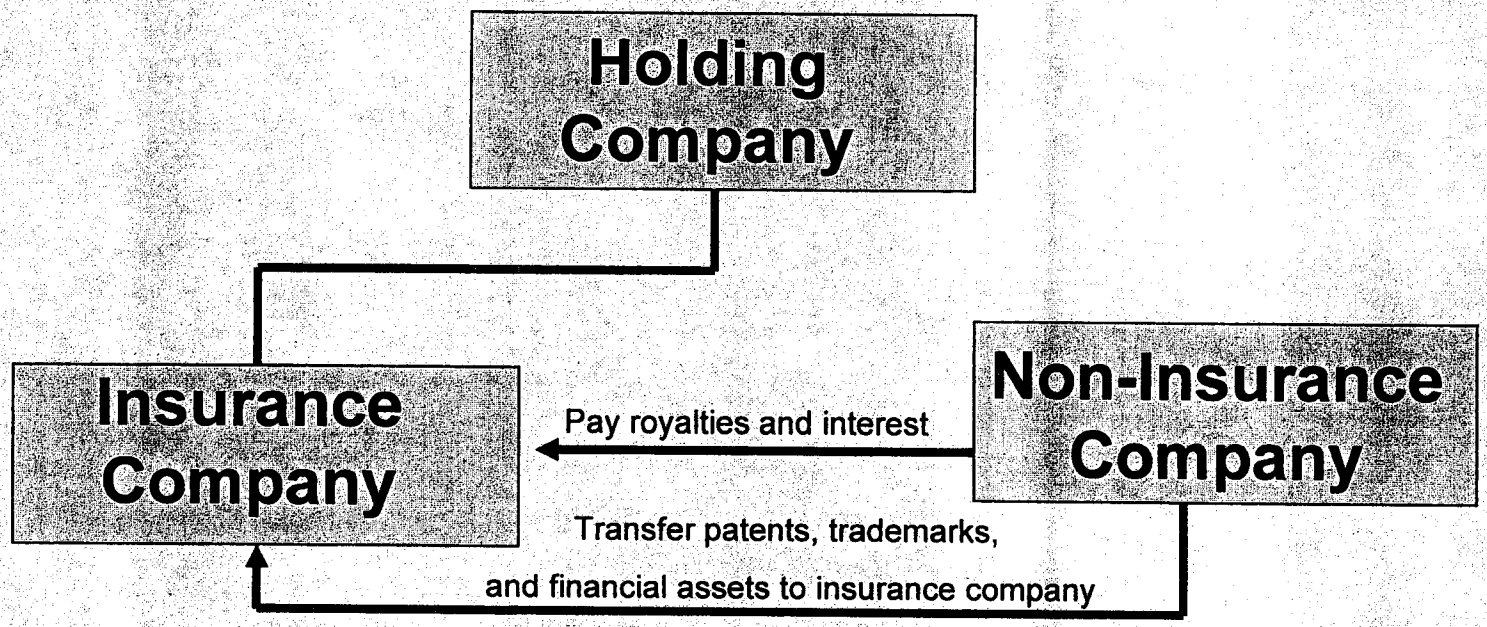
Elects premium tax treatment = no corporate tax



No Commingling of Assets

Result: Premium Tax and Corporate Tax

Insurance Stuffing: After



Result: Same Premium Tax and Eliminate the Corporate Tax