

COLLATERAL ASSIGNMENT
SPLIT-DOLLAR LIFE INSURANCE AGREEMENT

THIS AGREEMENT, entered into as of this ____ day of _____, 1997 by and
between AMERICAN UNIVERSITY ("AU"), with an address at 4400 Massachusetts Avenue,
N.W., Washington, D.C., and BENJAMIN LADNER (the "Employee").

WITNESSETH:

WHEREAS, the Employee is employed as President by AU; and

WHEREAS, a mutually satisfactory employment relationship is in the best
interests of AU, its purpose and operation, and the Employee has affirmed a present intention to
continue as President of AU; and

WHEREAS, the Employee has acquired a life insurance policy issued by Chubb
LifeAmerica (the "Insurer") which is a single life variable life insurance policy on the life of the
Employee (the "Policy"), and which is described in Schedule A attached hereto and made a part
hereof; and

WHEREAS, AU wants to assist the Employee in providing valuable insurance
protection for Employee and his family, and is willing to advance the premiums due on the
Policy as a supplement to all other fringe benefits for the Employee, on the terms and conditions
set forth herein; and

WHEREAS, in connection herewith Employee will execute a collateral
assignment (the "Assignment") which shall, in part, secure the recovery of amounts described

herein in which AU shall become vested as a result of the amounts which it will pay toward the premiums on the Policy;

NOW THEREFORE, in consideration of the premiums and of the covenants and agreements herein set forth, for value received and intending to be legally bound, the parties agree as follows:

ARTICLE I

THE POLICY

1.01 The Policy will be issued to the Employee, who shall possess all incidents of ownership in and to the Policy. The Employee may exercise all ownership rights granted to the owner thereof by the terms of the Policy, except as otherwise provided in the Assignment and this Agreement.

1.02 The Employee shall make a collateral assignment to AU of certain rights, title and interest he holds in the Policy to secure the repayment to AU of premiums paid by it and as security for AU's interest in the Policy, through execution of the Assignment substantially in the form attached hereto as Schedule B, and delivery of such Assignment to the Insurer.

1.03 The Employee agrees that he shall take any further actions which may be necessary to cause the Policy to conform to the provisions of this Agreement and to the Assignment. The Employee and AU agree that the Policy shall be subject to the terms and conditions of this Agreement and the Assignment, and that the Assignment shall be filed with the Insurer.

1.04 While this Agreement and the Assignment are in force and effect, prior to the earlier of Employee's attainment of age 65 or termination of Employee's employment, neither

the Employee nor AU shall borrow against, sell, surrender, cancel or otherwise terminate the Policy without the other party's prior written consent. While this Agreement is in effect, and after Employee's attainment of age 65 or his termination of employment, Employee (or his assignee) may make cash withdrawals from, or borrow against, the Policy provided the cash value of the Policy at all times is at least equal to AU's interest in the Policy as described and determined under Article III.

1.05 AU agrees with the Employee that AU will release its rights under the Assignment upon payment by the Employee to AU of an amount equal to its interest as collateral assignee, determined under Article III, in the event of the death of the Employee, or under Article V, in the event the Agreement otherwise is terminated. AU shall have the authority, at any time, to release its interest as collateral assignee upon written notice to Employee. AU further agrees with the Employee that AU will release its interest as collateral assignee upon Employee's retirement, an involuntary termination of employment, a voluntary termination due to constructive discharge, or termination of employment due to disability.

1.06 Notwithstanding anything to the contrary in this Agreement, the Employee may, at any time, assign to any individual, trust or other organization all or certain rights, title and interest in the Policy and all or certain rights, options, privileges and duties created under this Agreement, subject to the Assignment. The Employee may exercise this right by executing a written transfer of ownership which recognizes the covenants and agreements of this Agreement and the Assignment. Thereafter, the Employee shall have no right, title or interest in and to the Policy to the extent assigned and all such rights shall be vested in and exercisable solely by such

assignee, who shall be bound by the obligations and duties of this Agreement and the Assignment.

ARTICLE II

PREMIUMS AND SELECTION OF INSURER

2.01 AU shall pay the Insurer all premiums listed on Schedule A. The annual payment shall be made on or before the Policy anniversary date. Schedule A, attached hereto and made a part of this Agreement, indicates the anticipated premiums. AU's obligations to pay future annual premiums shall cease as provided in Sections 2.02 and 5.01.

2.02 As provided in Schedule A, at the outset of this Agreement, AU shall pay an initial annual premium of \$184,000 on the Policy. AU will then continue to pay further annual premiums of \$103,000 until Employee attains age 65 provided, that AU may, in its sole discretion, cease payment of further premiums following Employee's termination of employment for any reason. Employee shall be responsible for any taxes due based on the value of the economic benefit attributable to the life insurance protection provided under this Agreement.

It is the intent of the parties that the face amount of the Policy permit an amount of death benefit to be paid to AU as provided in Article III of this Agreement. These provisions are intended to permit AU to recover an amount not less than the cost of the premiums it will pay under this arrangement. If the Policy becomes a claim by reason of the death of Employee, AU shall have an interest in the proceeds of the Policy equal to the amount specified in Section 3.01.

2.03 In order to facilitate the payment of premiums on the Policy, it is agreed that AU, in the first year and in each year thereafter for which a premium is due, will forward the premium then currently due and payable on the Policy directly to the Insurer.

2.04 The parties agree that in the event of the Insurer's insolvency or financial inability to pay contractually promised amounts, AU shall not be obligated to make any further payments under this Agreement other than any remaining premium payments contemplated in Article II.

ARTICLE III

INTEREST OF COLLATERAL ASSIGNEE

3.01 Upon the death of Employee at any time after the date the Policy is purchased, AU shall be entitled to receive from the Policy, or, at the option of Employee's estate pursuant to Section 5.02, from the Employee's estate, 100% (one hundred percent) of the actual premiums paid by AU towards the Policy.

ARTICLE IV

DEATH BENEFITS

4.01 In the event of the death of the Employee while this Agreement and the Assignment are in force and after the Policy has been purchased, AU's interest as described in and determined under Article III shall be the first interest satisfied from the proceeds of the Policy. AU may take any and all actions necessary to satisfy its interest from the Policy proceeds. The beneficiary or beneficiaries under the Policy shall be entitled to receive, after satisfaction of AU's interest as collateral assignee, the balance of the death benefit under the Policy. The Employee and AU agree that the beneficiary designation provision of the Policy shall conform to the provisions hereof.

4.02 It is the Employee's intention and it is agreed that no beneficiary shall have any right to reimbursement or contribution from the estate of the Employee with respect to the amount collected by AU under the Policy.

4.03 Upon the death of the Employee while this Agreement is in force, AU agrees, upon receipt of its interest as collateral assignee under Section 4.01 above, to take all steps required to release to the Policy beneficiary(ies) its (their) interest(s) in the balance of the proceeds.

ARTICLE V

TERMINATION OF AGREEMENT/SUSPENSION OF CONTRIBUTIONS

5.01 This Agreement shall automatically terminate upon the occurrence of any of the following events: (a) cessation of operations by AU; (b) borrowing against, sale, surrender, cancellation or other termination of the Policy by the Employee in violation of Section 1.04; (c) bankruptcy, receivership or dissolution of AU; (d) death of the Employee; or (e) termination of Employee's services with AU for circumstances described in the second sentence of Section 1.05. In addition, AU's obligation to make annual contributions to the Policy shall cease upon termination of Employee's services with AU for any reason. The Agreement shall continue in effect according to its terms until terminated as provided in the first sentence of this Section 5.01. In addition, the Employee may terminate this Agreement, by written notice to AU, effective as of the date of the notice.

5.02 If this Agreement is terminated under Section 5.01 or if the Employee dies and AU's interest under Article III is not promptly satisfied, the Employee (or Employee's estate) shall receive written notice from AU of his default. The Employee shall have the option for up

to 60 days from receipt of the notice to pay AU an amount sufficient to recover its interest in the Policy, provided that Employee shall have no obligation to make such payment if the default is (i) the result of Insurer's insolvency or other financial inability to pay, or (ii) cessation of operations by AU or dissolution of AU (other than bankruptcy). In the case of termination of the Agreement, AU's interest shall be determined under Article III. The Employee's obligation shall be limited to the Policy cash surrender value as determined on the date of termination if the termination is for a reason other than the Employee's death.

5.03 If the Employee fails to exercise the repayment option described in Section 5.02, AU may exercise any right it may have as collateral assignee, including seeking payment from the cash surrender value of the Policy. In this circumstance, at AU's request, the Employee shall execute any document or documents required by the Insurer to transfer the interest of the Employee in the Policy to the AU.

ARTICLE VI

MISCELLANEOUS PROVISIONS

6.01 The Insurer is not a party to this Agreement and payment of the death benefits under any Policy to the beneficiaries named in the Policy or other performance of its contractual obligations in accordance with the provisions of the Policy shall constitute a complete discharge to the Insurer from the actions, suits, claims and demands of all persons whatsoever.

6.02 The Agreement shall be executed in duplicate, each copy of which shall serve as an original for all purposes, but both copies shall constitute but one and the same Agreement.

6.03 This Agreement shall be binding upon the parties hereto, the heirs, administrators, executors, successors, and assigns, and the parties hereto covenant and agree that they themselves and their heirs, executor, administrators, successors, and assigns will execute any and all instruments, releases, assignments and consent that may be required of them in accordance with the provisions of this Agreement.

6.04 This Agreement may be amended or modified in whole or in part at any time and from time to time by a written instrument executed by the parties hereto.

6.05 All headings set forth in this Agreement are intended for convenience only and shall not control or affect the meaning, construction or effect of this Agreement or of any of the provisions thereof.

6.06 No beneficiary under the Policy shall obtain any vested right to have this Agreement continued in force during the lifetime of the Employee.

6.07 This Agreement, and the rights of the parties hereunder, shall be governed by, and construed according to, the laws of the District of Columbia.

IN WITNESS WHEREOF, Employee has hereunto set their hand and the AU has caused this Agreement to be executed for it by an authorized officer this ____ day of _____, 1997 effective as of the same day and year first above-written.

BENJAMIN LADNER

AMERICAN UNIVERSITY

By: _____

Title:

Witness:

SCHEDULE A

**SPLIT-DOLLAR
LIFE INSURANCE AGREEMENT
BETWEEN
AMERICAN UNIVERSITY
AND
BENJAMIN LADNER**

DATED AS OF _____, 1997 .

Insurance Policy Data:

Insured:	Benjamin Ladner
Policy's Contract Date:	<u>April 27</u>
Policy Year:	<u>1997</u>
Initial Death Benefit:	\$2,960,494
Initial Annual Premium:	\$ 184,000

ANNUAL PREMIUMS:

\$184,000 in 1997; \$103,000
for 9 years thereafter
(subject to Section 5.01)

SCHEDULE B

COLLATERAL ASSIGNMENT AGREEMENT

This Assignment is made and entered into effective as of _____, 1997 by the undersigned as the owner (the "Owner") of Life Insurance Policy Number _____ ("Policy") issued by Chubb LifeAmerica (the "Insurer"), upon the life of the Owner.

WHEREAS, the Owner is a valued executive employee of American University (the "Assignee"), and the Assignee wishes to retain him in its employ;

WHEREAS, as an inducement to the Owner's continued employment, the Assignee has agreed to pay all of the premiums due on the Policy, as more specifically provided for in a certain Split-Dollar Life Insurance Agreement entered into between the Owner and the Assignee dated as of _____, 1997 (the "Agreement"); and

WHEREAS, in consideration of the Assignee agreeing to make the premium payments, the Owner agrees to grant the Assignee a security interest in the Policy as collateral security.

NOW, THEREFORE, the Owner hereby assigns, transfers and sets over to the Assignee the following specific rights in the Policy, subject to the following terms and conditions:

1. This Assignment is made, and the Policy is to be held, as collateral security for all liabilities of the Owner to the Assignee, whether now existing or hereafter arising, pursuant to the terms of the Agreement.

2. The Assignee's interest in the Policy shall be strictly limited to:

(a) The right to be paid the Assignee's portion of the death benefit in the event of the death of the Owner;

(b) The right to receive an amount equal to the lesser of (i) the entire cash surrender value of the Policy, or (ii) the cumulative premiums paid under the Policy (which right may be realized by Assignee's borrowing against the Policy subject to the Owner's written consent while the Agreement is in full force and effect, or receiving a portion of the death benefit under the Policy, in accordance with the terms of the Agreement); and

(c) The right to receive an amount equal to any federal or state withholding taxes that Assignee may be required to deduct and collect in connection with the Policy and the Agreement.

3. Owner has given certain ownership rights in the Policy to Nancy B. Ladner, Owner's spouse ("Spouse") in a Declaration of Joint Ownership (the "Declaration"). Pursuant to the Declaration, Owner hereby irrevocably designates Spouse to act with Owner in connection with the exercise of Owner's rights under the Policy. In addition, at the written direction of Owner and Spouse, an agent ("Agent") may be designated as having authority to act on behalf of Owner and Spouse with respect to the Insurer. Owner and Spouse may at any time remove any Agent by written notice to Insurer and Agent.

4. The Owner and Spouse shall retain all incidents of ownership in the Policy, except as otherwise limited by the Agreement or as otherwise assigned by Owner. The Insurer is only authorized to recognize (and is fully protected in recognizing) the exercise of any ownership rights by Agent on behalf of Owner and Spouse so long as the instrument by which Owner purports to exercise his ownership rights is signed by the Assignee; provided that, the consent of Assignee is not needed if the Owner and Spouse wish to change the beneficiary under the Policy. The Insurer shall not be responsible to ensure that the actions of Agent or the Owner conform to the Agreement.

5. If the Policy is in the possession of the Assignee, the Assignee shall, upon request, forward the Policy to the Insurer without unreasonable delay, for endorsement of any designation or change of beneficiary or the exercise of any other right reserved by the Owner, or by Owner and Spouse.

6. (a) Assignee shall be entitled to exercise its rights under the Agreement by delivering a notice to Insurer requesting either (1) a nonrecourse policy loan equal to the amount to which Assignee is entitled under the Agreement or (2) the payment to the Assignee of that portion of the death benefit under the Policy to which the Assignee is entitled under the Agreement. So long as the notice is also signed by Agent, Insurer shall pay or loan the specified amounts to Assignee without the need for any additional documentation.

(b) Except to the extent otherwise required by subsection (a), the Insurer is hereby authorized to recognize the Assignee's claims to rights hereunder without investigating (1) the reason for such action taken by the Assignee; (2) the validity or the amount of any of the liabilities of the Owner to the Assignee under the Agreement; (3) the existence of any default therein; (4) the giving of any notice required therein; or (5) the application to be made by the Assignee of any amounts to be paid to the Assignee. The receipt of the Assignee for any sums received by it shall be a full discharge and release therefor to the Insurer.

7. Assignee shall be under no obligation to pay the principal of or interest on any loans or advances on the Policy, whether or not obtained by the Assignee, or any other charges on the Policy.

8. Upon the full payment of the liabilities of the Owner to the Assignee pursuant to the Agreement, the Assignee shall execute an appropriate release of this Assignment.

9. The Assignee shall have the right to request of the Insurer and/or the Owner notice of any action taken with respect to the Policy by the Owner.

10. In the event of any conflict between the provisions of this Assignment and the Agreement, with respect to the Policy or the rights of collateral security on the Policy, the provisions of this Assignment shall prevail.

IN WITNESS WHEREOF, the Owner has executed this Assignment this ____ day of _____, 1997, effective as of the day and year first above written.

WITNESS:

Benjamin Ladner, Owner

Date: _____

DECLARATION OF JOINT OWNERSHIP

I have entered into a collateral assignment split dollar agreement dated _____, 1997 with American University (the "Agreement"), and executed a collateral assignment dated _____, 1997 (the "Assignment") in connection with an insurance policy purchased from Chubb LifeAmerica (the "Insurer").

Of the initial premium paid by American University of \$184,000, my wife, Nancy B. Ladner ("Spouse"), shall be considered as owner of any interest I may have to the extent of \$50,000, as adjusted for investment earnings and not losses. If still married and my spouse predeceases me during the term of this agreement, this Declaration of Joint Ownership is null and void. She may instruct the Insurer as to the investment of such portion, and during her lifetime no distribution of such portion shall be made without her written authorization. Spouse's written authorization shall also be required for any policy loan relating to her interest in the Policy. Likewise, during my lifetime, my written authorization shall be required for any policy loan or distribution of the remaining portion.

It is the intent of American University to pay an annual premium of \$103,000 per year beginning in the second year, until termination of employment, and my Spouse shall be considered as owner of any interest I may have to the extent of \$50,000 of each premium payment, as adjusted for investment earnings and not losses. No expenses or mortality charges shall be allocable against Spouse's interest in the Policy. If at some future date American University releases its interest in the premiums it has advanced, Spouse shall be considered owner of the cash value of the policy to the extent of her proportionate interest at that time, reduced by the income and employment taxes allocable to such amount.

My Spouse and I shall have access to our respective ownership interests in the policy for withdrawals and loans, subject to the interest of American University, and each shall provide the

other with any written consents or acknowledgments that may be required to effectuate the foregoing.

I have designated Spouse as beneficiary of my interest under the policy. During Spouse's lifetime, Spouse's written consent to any change in beneficiary designation shall be required unless this Declaration of Joint Ownership is null and void as a result of my spouse's premature death (as per the provision provided in paragraph two (2) of page one (1) of the Declaration of Joint Ownership agreement).

Date: _____

Benjamin Ladner

I have read the above instructions, the Agreement, and the Assignment, am in full agreement with the above instructions, and agree to the terms and obligations set forth in these instructions.

Date: _____

Nancy B. Ladner