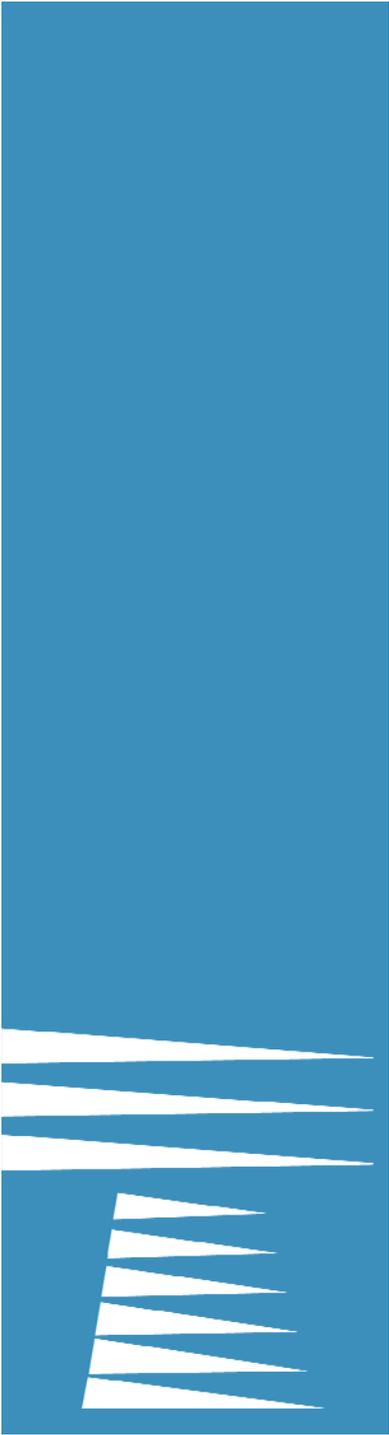


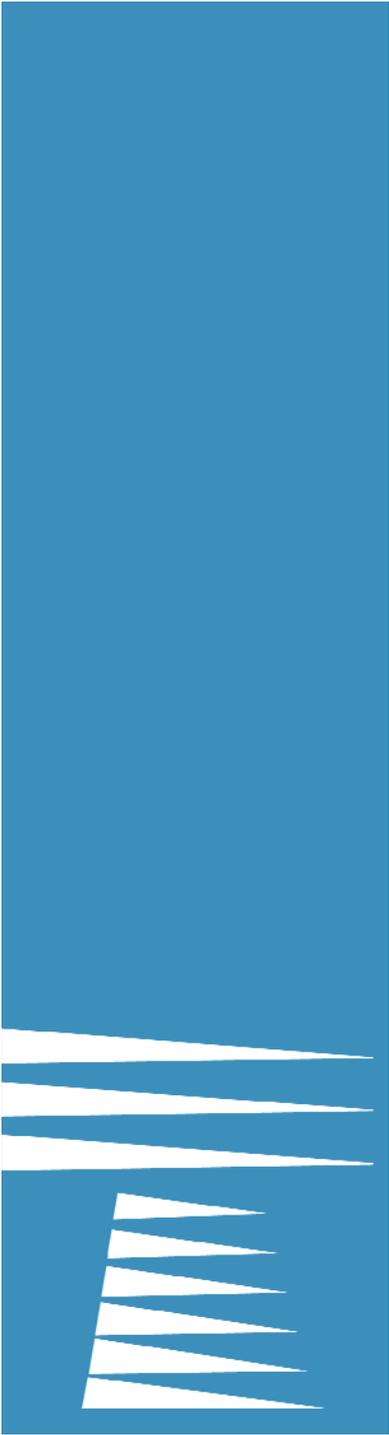
TARLOW BREED
HART & RODGERS, P.C.
Counsellors at Law

BUSINESS TRANSITION WORKSHOP

FOUR BUSINESS SUCCESSION WAR STORIES



- **WAR STORY NO. 1**



XYZ PRINTING CORP.
\$5 MILLION FMV

FACTS:

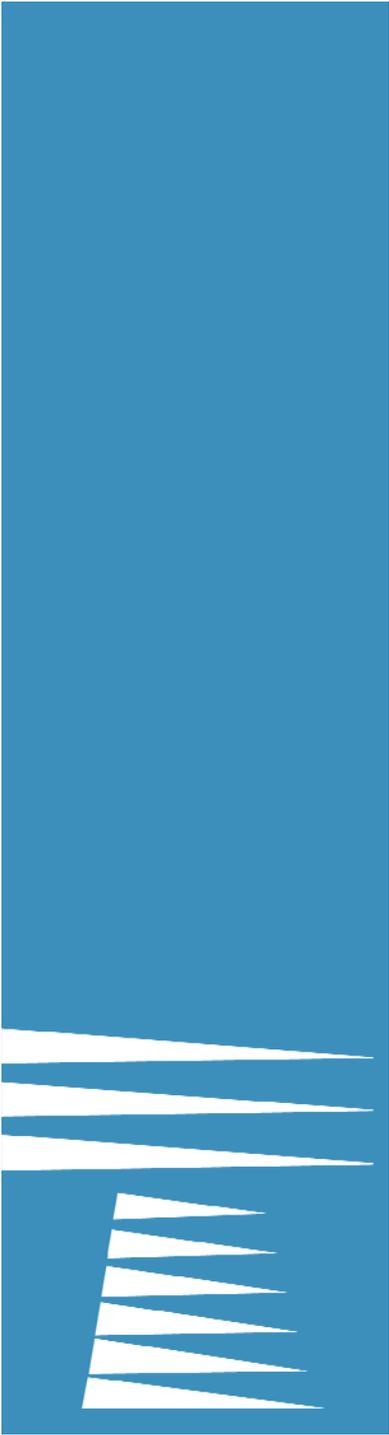
1. JOE JONES (AGE 65) IS THE SOLE OWNER OF XYZ CORPORATION.
2. JOHN SMITH IS KEY EMPLOYEE, RESPONSIBLE FOR SALES AND CONTROLS 50% OF REVENUES.

OBJECTIVE:

1. JOE WANTS TO RETIRE IN 5 YEARS & SELL HIS BUSINESS TO JOHN SMITH FOR \$5,000,000.
2. JOE IS WILLING TO HAVE FUTURE PROFITS USED TO PAY A PORTION OF THE PURCHASE PRICE.

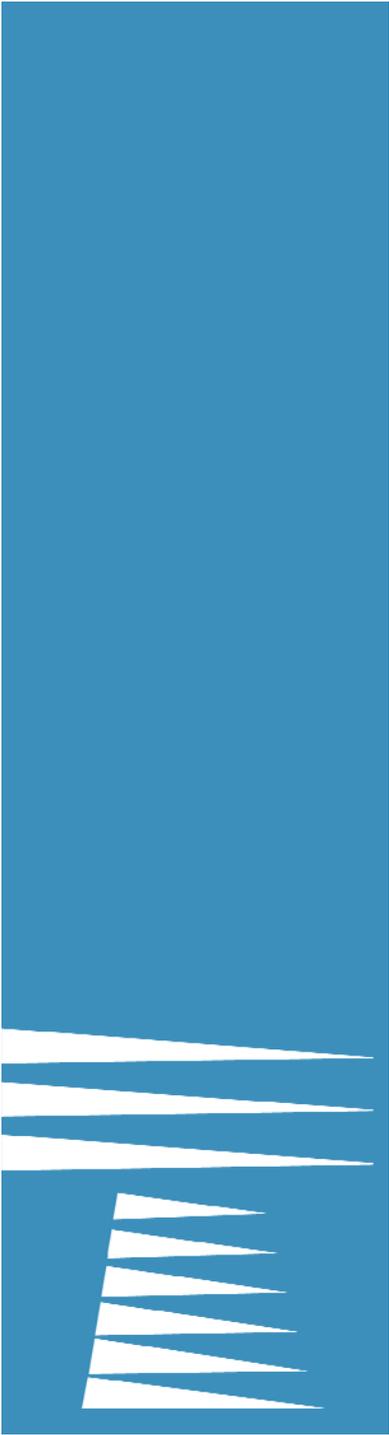
THE PLAN:

1. ADOPT DEFERRED COMPENSATION AGREEMENT FOR JOE JONES. FUND AGREEMENT AT THE RATE OF \$300,000 PER YEAR FOR 5 YEARS.
2. EXECUTE STOCK PURCHASE AGREEMENT WITH JOHN SMITH AND CORPORATION. BUYOUT PRICE IS \$3,500,000 PAYABLE OVER 10 YEARS BEGINNING IN 6TH YEAR OF AGREEMENT.
3. JOHN SMITH GUARANTIES 50% OF THE \$3,500,000 NOTE FROM CORPORATION TO JOE JONES. NOTE ALSO SECURED BY CORPORATE ASSETS AND STOCK PLEDGE.
4. JOHN SMITH WILL PURCHASE 2% OF THE CORPORATION STOCK FUNDED VIA SALARY REDUCTION DURING THE NEXT 5 YEARS.
5. LIFE INSURANCE CONTRACT USED AS FUNDING VEHICLE FOR DEFERRED COMPENSATION PLAN.
6. CORPORATION ALSO PURCHASES \$3,500,000 LIFE INSURANCE POLICY TO FUND DEATH BUYOUT.
7. IMPLEMENT MARITAL DEDUCTION/CREDIT SHELTER TRUST PLANNING (ASSET PROTECTION, ESTATE GST TAX PLANNING).

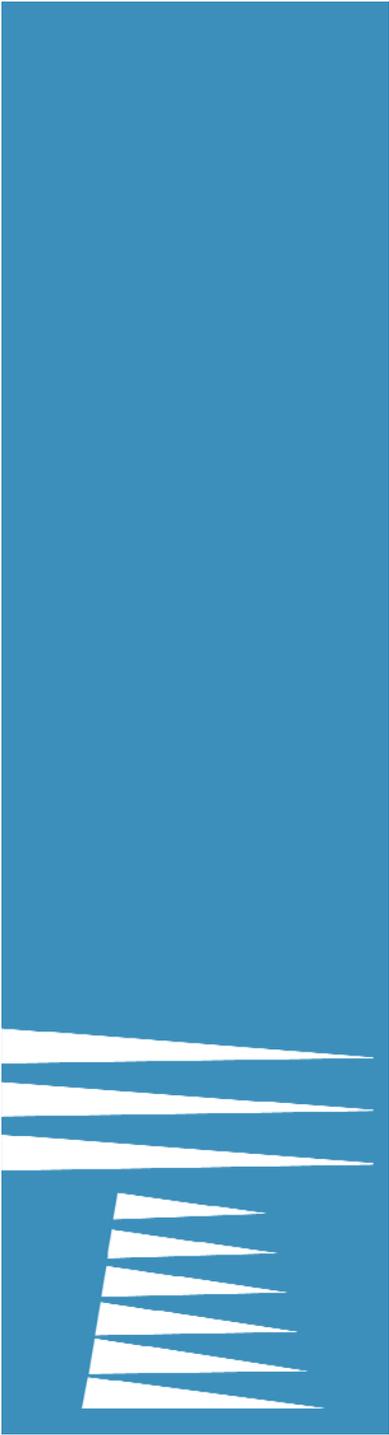


RESULTS:

1. \$1,500,000 OF PURCHASE PRICE MADE TAX DEDUCTIBLE (BUT CONVERTED TO ORDINARY INCOME).
2. JOHN SMITH ABLE TO ACQUIRE CORPORATION VIA "BOOTSTRAP" REDEMPTION AS SOLE REMAINING SHAREHOLDER FOLLOWING CORPORATE REDEMPTION OF JOE'S STOCK.
3. JOE HAS SECURITY FOR DEFERRED PURCHASE PRICE.



- **WAR STORY NO. 2**



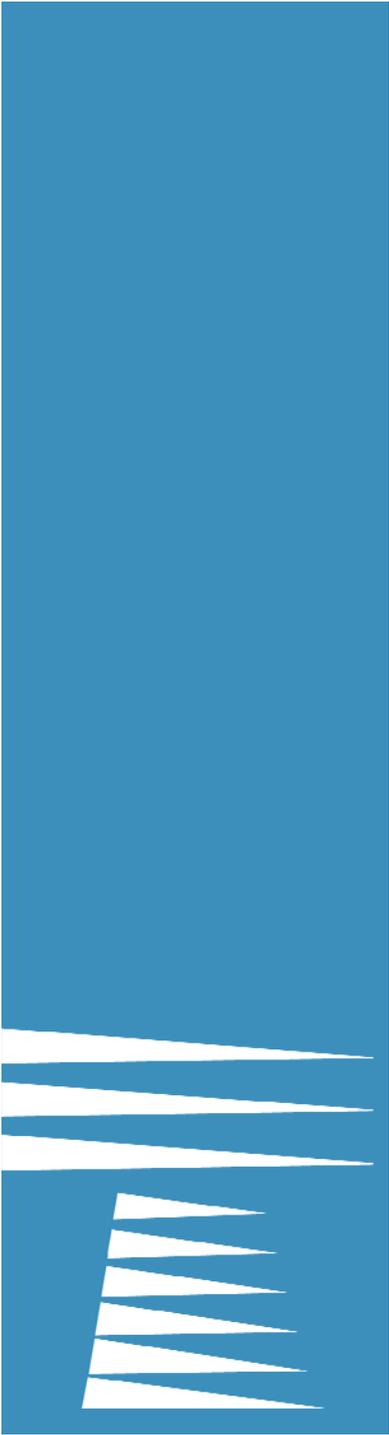
XYZ SERVICE CORPORATION
\$4M FMV

BBB REALTY TRUST
\$1M FMV

AAA REALTY TRUST
\$1M FMV

FACTS:

1. JOHN SMITH & JACK JONES OWN 50% OF ALL ENTITIES.
2. CORPORATION OWNS LIFE INSURANCE POLICIES:
 - TWO \$1 MILLION TERM POLICIES ON EACH STOCKHOLDER
 - TWO \$1 MILLION WHOLE LIFE POLICIES ON EACH STOCKHOLDER CSV = \$150,000 / \$225,000

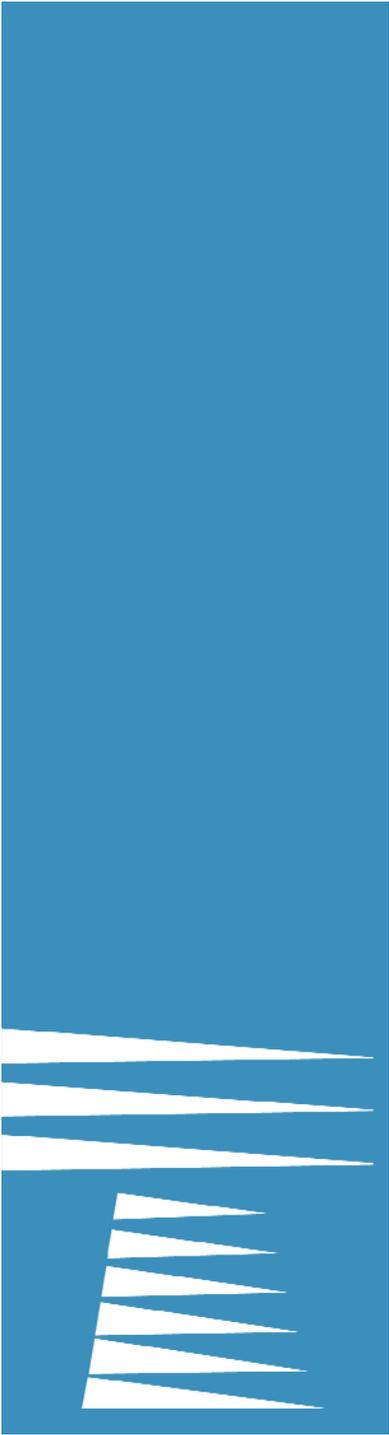


OBJECTIVES:

1. BUY OUT DECEASED OWNER AT \$3.0 MILLION.
2. PROVIDE FOR SURVIVING SPOUSE; PROTECT CHILDREN'S INHERITANCE

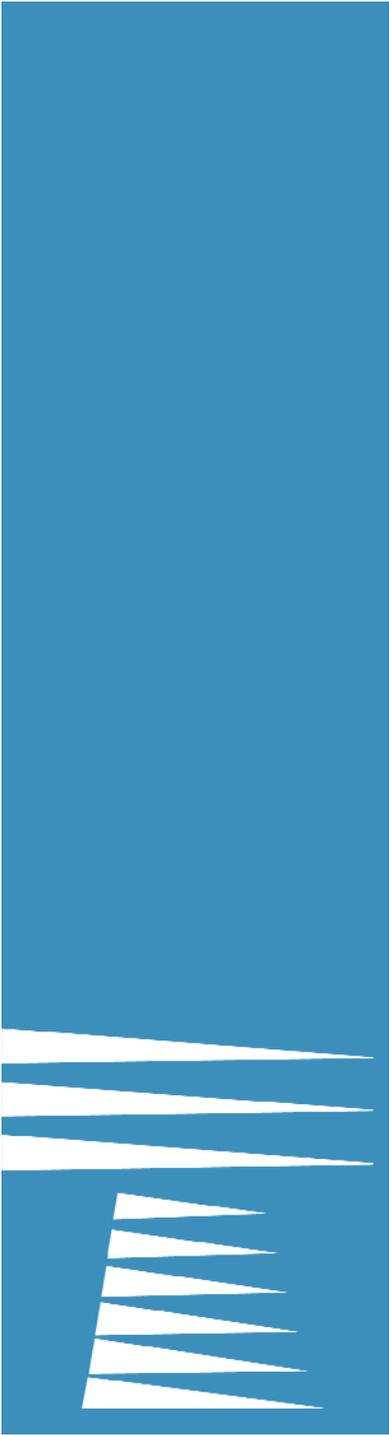
THE PLAN:

1. DRAFT "OWNERS' AGREEMENT - A CROSS PURCHASE AGREEMENT APPLICABLE TO ALL ENTITIES @ \$2 MILLION PURCHASE PRICE.
2. DISTRIBUTE THE \$1M WHOLE LIFE CONTRACTS TO SHAREHOLDERS FOR CROSS PURCHASE FUNDING.
3. DISTRIBUTE THE \$1M TERM CONTRACTS TO SHAREHOLDERS FOR RETRANSFER TO IRREVOCABLE TRUST ("ILIT") WITH GENERATION SKIPPING PROVISIONS.
4. FORM FAMILY LIMITED LIABILITY COMPANY FOR EACH REALTY TRUST; BEGIN DISCOUNTED GIFTING PROGRAM / WATCH OUT FOR TRANSFER FOR VALUE RULE.
5. IMPLEMENT MARITAL DEDUCTION / CREDIT SHELTER TRUSTS WITH GENERATION SKIPPING PROVISIONS.

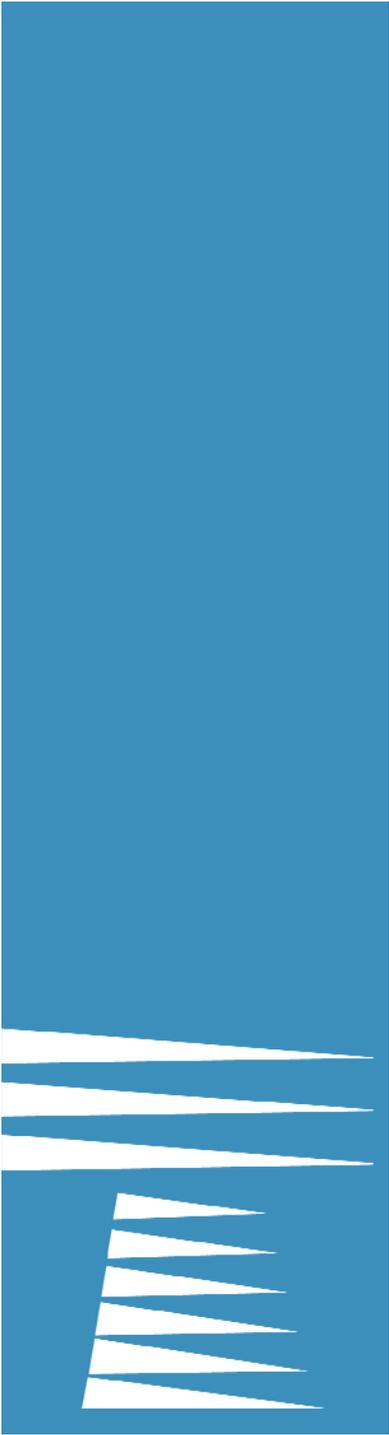


RESULTS:

1. ACHIEVED SIMULTANEOUS BUYOUT OF ALL BUSINESS ASSETS IN THE EVENT OF A SHAREHOLDER'S DEATH.
2. REDUCED TAXABLE ESTATE BY \$1 MILLION VIA ILIT & REDUCED PURCHASE PRICE.
3. REDUCED TAXABLE ESTATE BY 35% OF ALL LIMITED LIABILITY COMPANY GIFTS.
4. AVOIDED TRANSFER FOR VALUE RULE.
5. PROVIDED STEP UP IN BASIS FOR SURVIVING SHAREHOLDER.
6. PROTECTED ASSETS FOR SPOUSE & CHILDREN.



- **WAR STORY NO. 3**

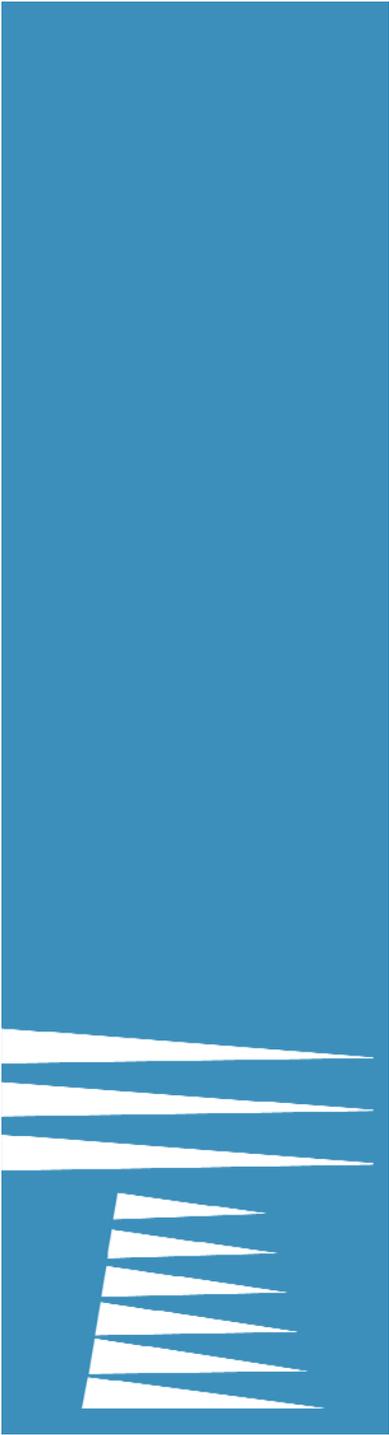


XYZ SALES CORPORATION
\$2M FMV

AAA REALTY TRUST
\$2M FMV

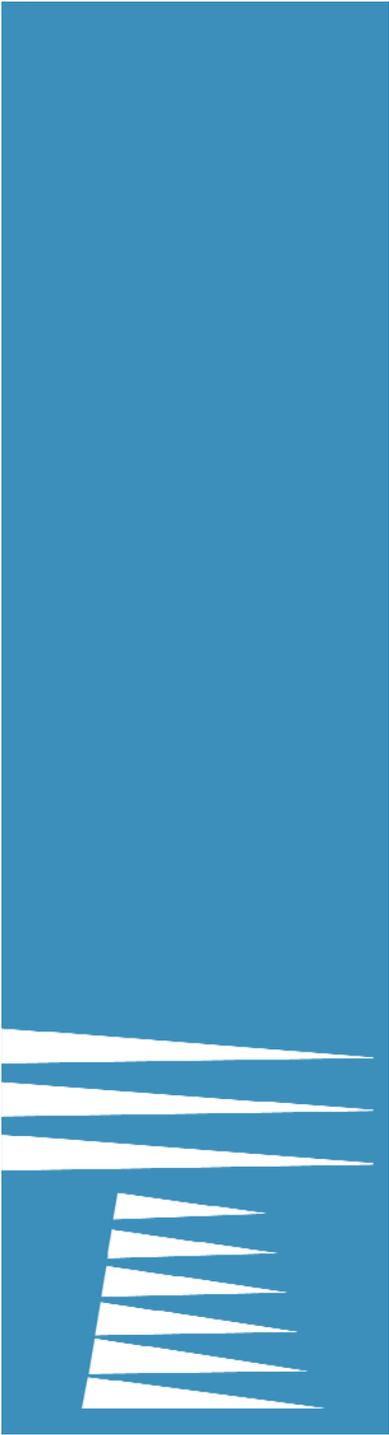
FACTS:

1. JOHN SMITH OWNS 100% OF ALL ENTITIES.
2. THREE ADULT CHILDREN, ONLY ONE SON, JOHN, JR., IS ACTIVE IN THE BUSINESS.
3. CORPORATION OPERATES OUT OF LAND & BUILDING HELD BY REALTY TRUST.



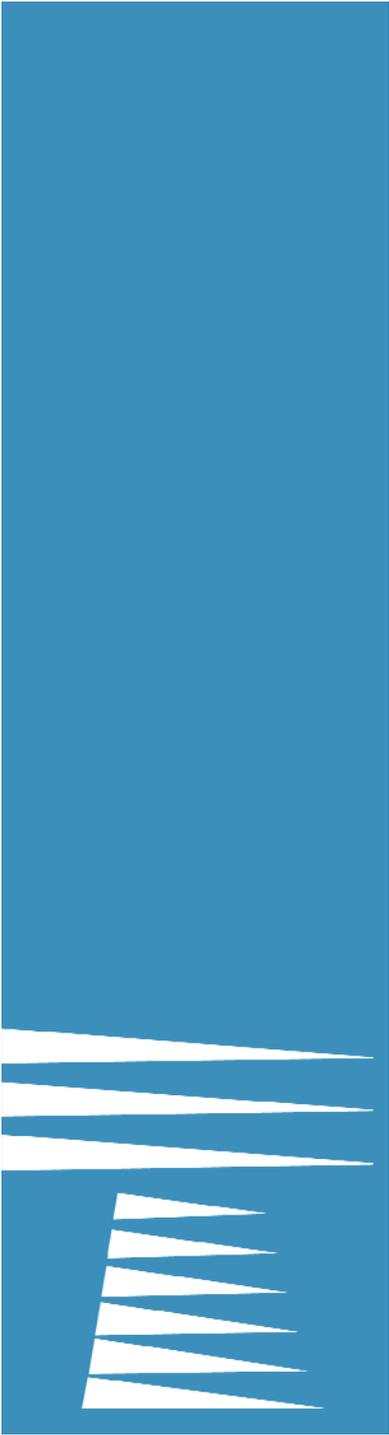
OBJECTIVES:

1. PROVIDE FOR SURVIVING SPOUSE.
2. ENSURE THAT THE BUSINESS PASSES TO JOHN.
3. ACHIEVE EQUAL TREATMENT AMONG CHILDREN.



THE PLAN:

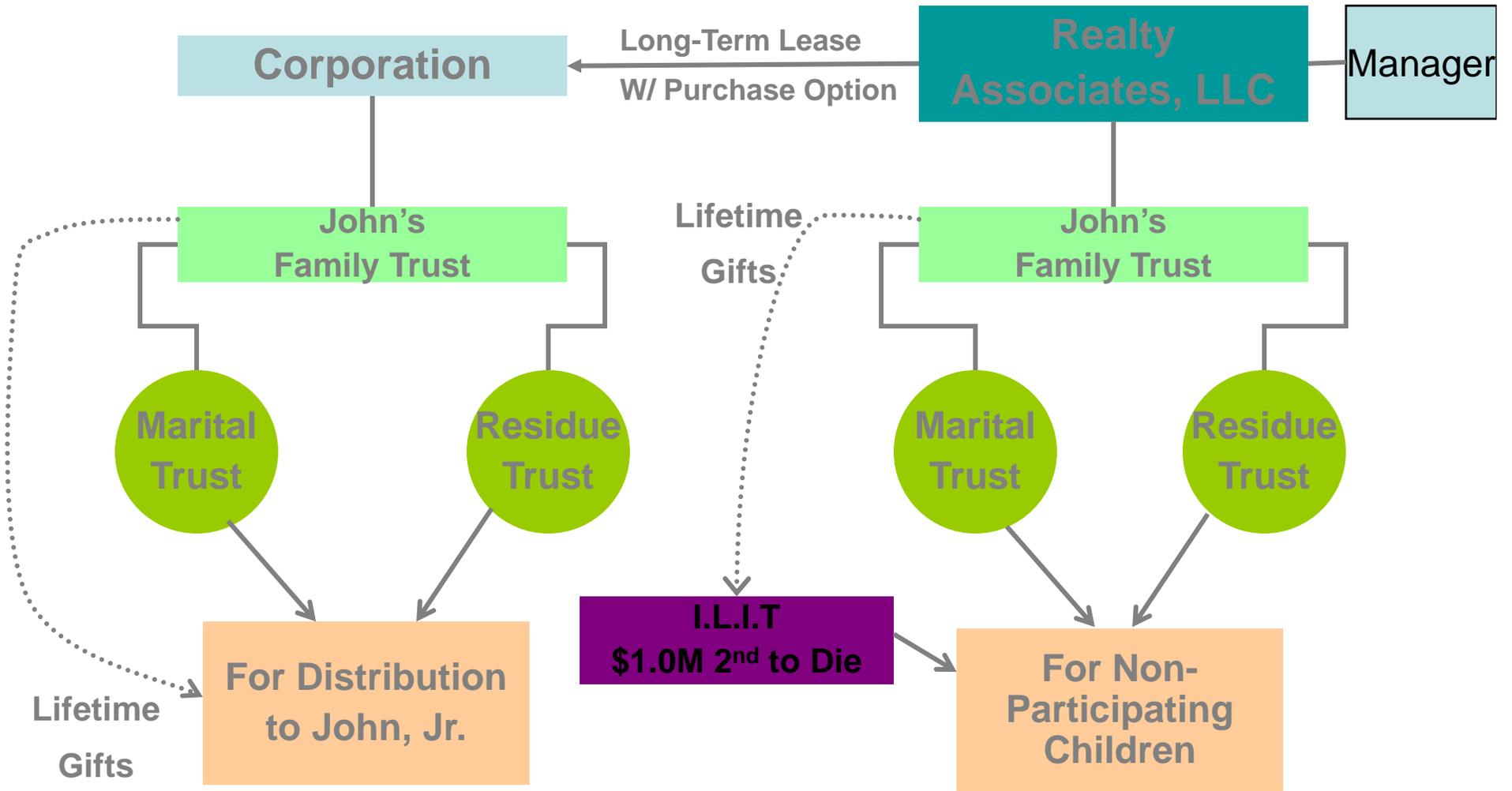
1. PREPARE MARITAL DEDUCTION / CREDIT SHELTER TRUSTS WITH BUSINESS SUCCESSION PROVISIONS; JOHN VOTES CORPORATE STOCK IN EVENT OF DAD'S DEATH.
2. TRANSFER REAL ESTATE TO A NEW LIMITED LIABILITY COMPANY ("LLC"). INITIALLY, FATHER AND MOTHER ARE SOLE MEMBERS AND MANAGERS. LLC GIFTING PROGRAM TO CHILDREN IS BEGUN.
3. LONG TERM LEASE (25 YEARS) EXECUTED LEASING THE PROPERTY FROM THE LLC TO THE CORPORATION AT FAIR MARKET RENT. CORPORATION HAS OPTION TO BUY.
4. FAMILY TRUST SPECIALLY ALLOCATES CORPORATE STOCK TO JOHN AS PART OF HIS EQUAL INHERITANCE; 99% OF LLC INTERESTS TO OTHER CHILDREN, 1% TO JOHN.
5. \$1 MILLION SECOND-TO-DIE LIFE INSURANCE POLICY PURCHASED TO EQUALIZE INHERITANCE OF NON-PARTICIPATING CHILDREN.
[ALTERNATIVE: NO NEW INSURANCE, BUT HAVE STOCK INHERITED BY NONPARTICIPATING CHILDREN SUBJECT TO IMMEDIATE REDEMPTION.]
6. JOHN BECOMES SOLE MANAGER OF LLC FOLLOWING PARENTS' DEATHS.
7. LLC INTERESTS GIFTED TO NEW IRREVOCABLE TRUST.

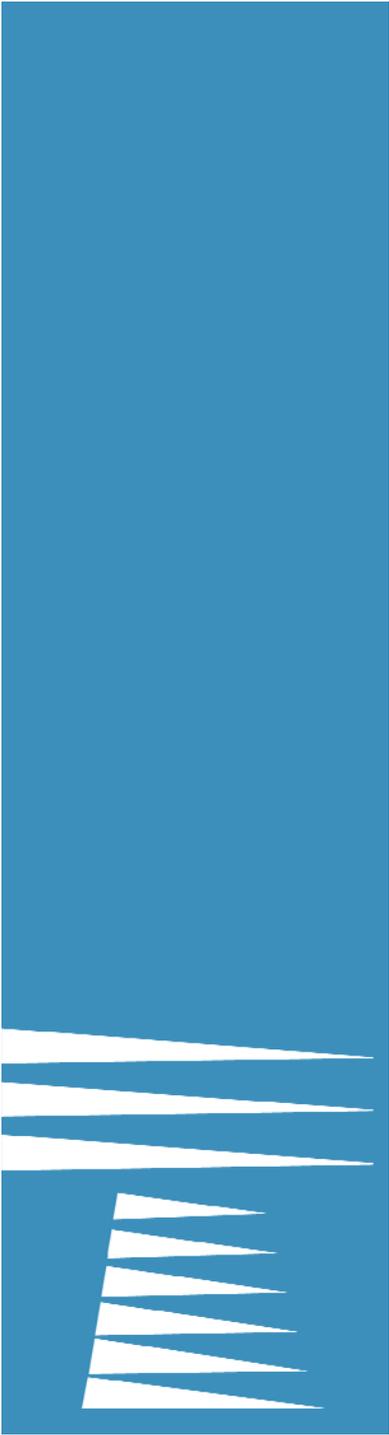


RESULTS:

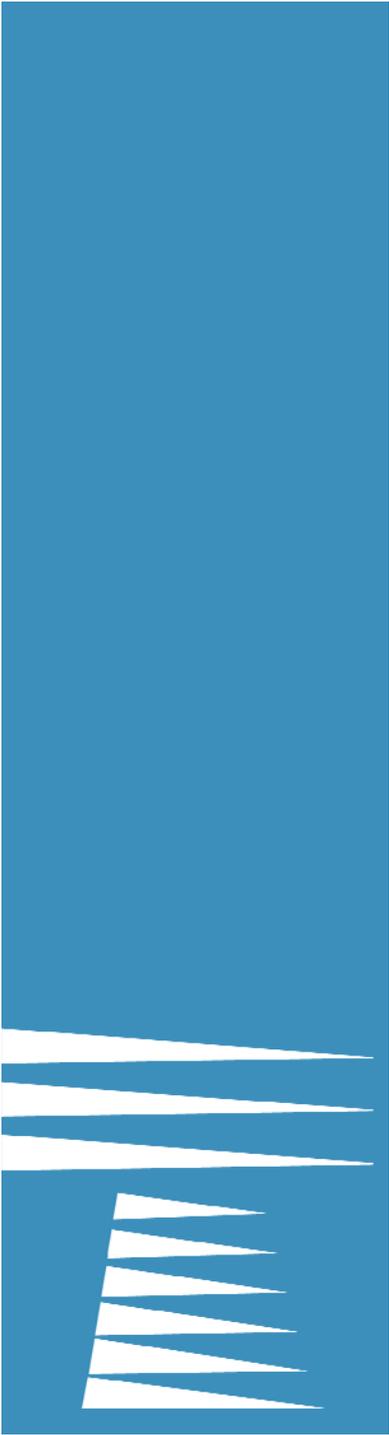
1. ACHIEVED EQUAL TREATMENT OF CHILDREN: \$2M TO JOHN VIA CORPORATE STOCK. \$1M REAL ESTATE LLC INTEREST & \$1M CASH TO OTHER CHILDREN [OR, \$1.667 TO EACH CHILD IF NO NEW INSURANCE ACQUIRED].
2. BUSINESS OPERATIONS AT CURRENT LOCATION ASSURED DUE TO LONG TERM LEASE. OPTION TO BUY PROVIDES ADDITIONAL PROTECTION.
3. JOHN, AS MANAGER, HAS CONTROL OVER PROPERTY.
4. NON-PARTICIPATING CHILDREN RECEIVE RENTAL INCOME FROM THE LLC IN ADDITION TO CASH.

AFTER





- **WAR STORY NO. 4**



OBJECTIVES:

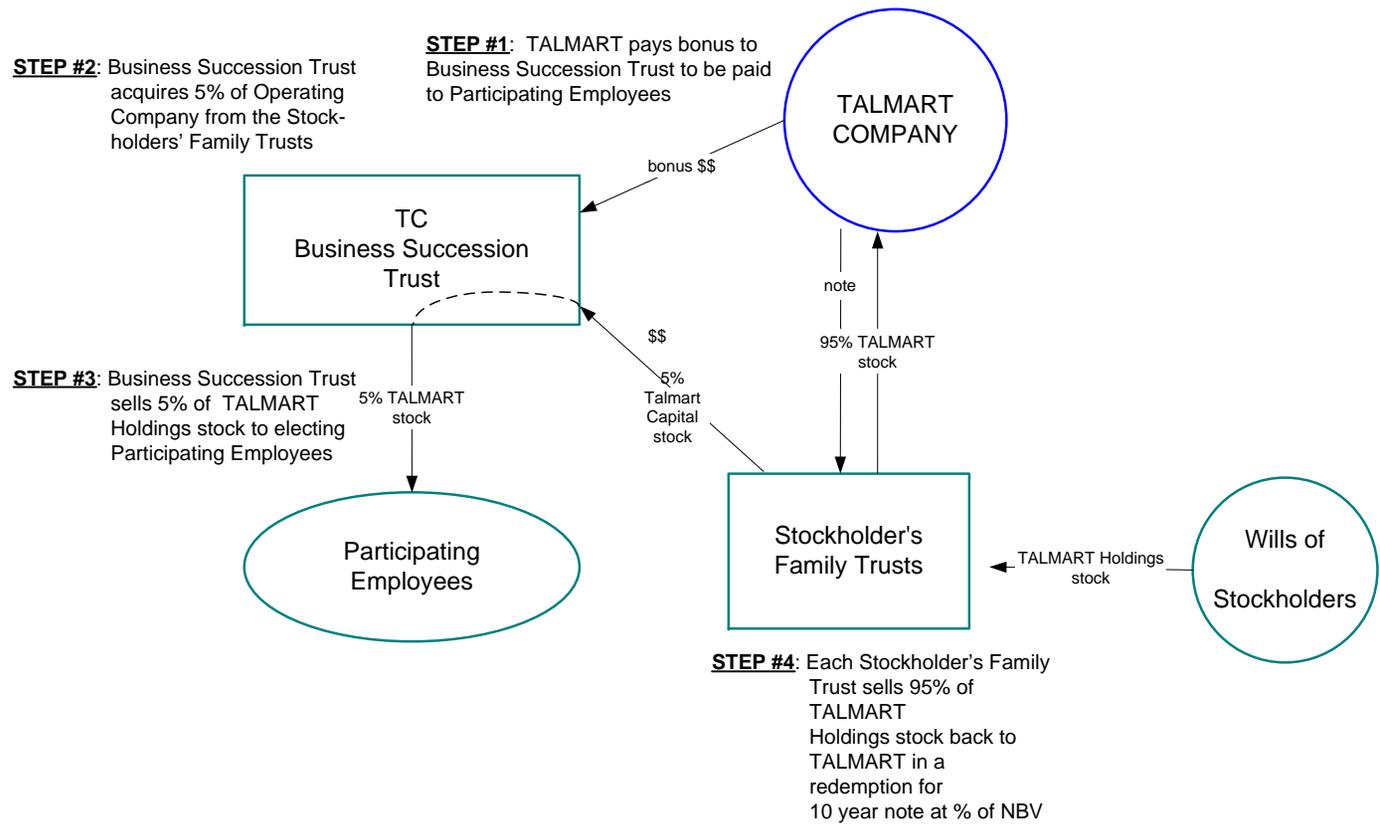
1. SELL BUSINESS TO SELECT GROUP OF KEY EXECUTIVES UPON DEATH OF FOUNDER.
2. ALLOW FLEXIBILITY TO CHANGE OR MODIFY THE PLAN.
3. PERMIT LEVERAGED BUYOUT, WITH INSTALLMENT PAYOUT PAID FROM FUTURE EARNINGS.
4. PROVIDE SECURITY FOR INSTALLMENT PAYMENTS TO FAMILY MEMBERS.

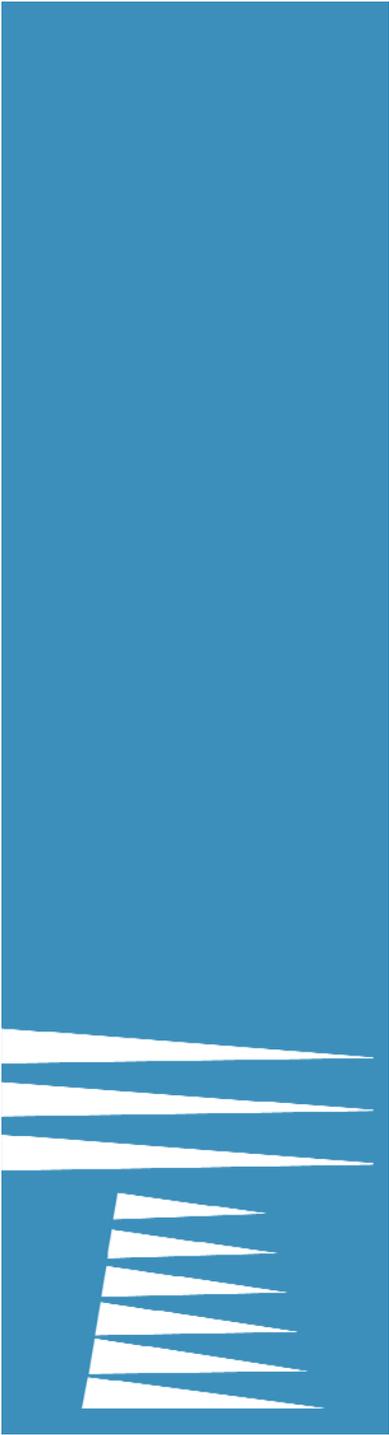
THE PLAN:

1. MEMORANDUM OF UNDERSTANDING SIGNED BY COMPANY, BUSINESS SUCCESSION TRUST (“BST”), AND SOLE STOCKHOLDER. STOCKHOLDER RESERVES RIGHT TO AMEND OR REVOKE.
2. UPON DEATH OF STOCKHOLDER, COMPANY DECLARES \$2M DIVIDEND. BUSINESS SUCCESSION TRUST THEN ACQUIRES 5% OF COMPANY STOCK FROM STOCKHOLDER’S ESTATE.
3. TRUSTEE OF BST SELLS THE 5% STOCK TO THE DESIGNATED **KEY EMPLOYEES** AS SET FORTH IN THE MOU. KEY EMPLOYEES RECEIVE CASH BONUS FROM COMPANY TO FUND ACQUISITION.
4. THE COMPANY THEN **REDEEMS** THE REMAINING 95% OF THE STOCK FROM THE ESTATE IN EXCHANGE FOR THE COMPANY’S **10 YEAR NOTE**. KEY EMPLOYEES ARE NOW THE ONLY **STOCKHOLDERS**.
5. THE PURCHASE PRICE OF THE 95% REDEEMED STOCK IS SET AT 75% OF FAIR MARKET VALUE (% OF BOOK VALUE FORMULA).
6. EACH KEY EMPLOYEE MUST EXECUTE A **NONRECOURSE GUARANTY** OF HIS SHARE OF THE INSTALLMENT NOTE AND AN EMPLOYMENT AGREEMENT.
7. 100% OF THE ASSETS OF THE COMPANY ARE PLEDGED AS COLLATERAL FOR THE INSTALLMENT NOTE.
6. TRUSTEES OF BUSINESS SUCCESSION TRUST POSSESS SEAT ON BOARD OF DIRECTORS UNTIL NOTE IS PAID IN FULL.

TALMART BUSINESS SUCCESSION PLAN

Plan Structure



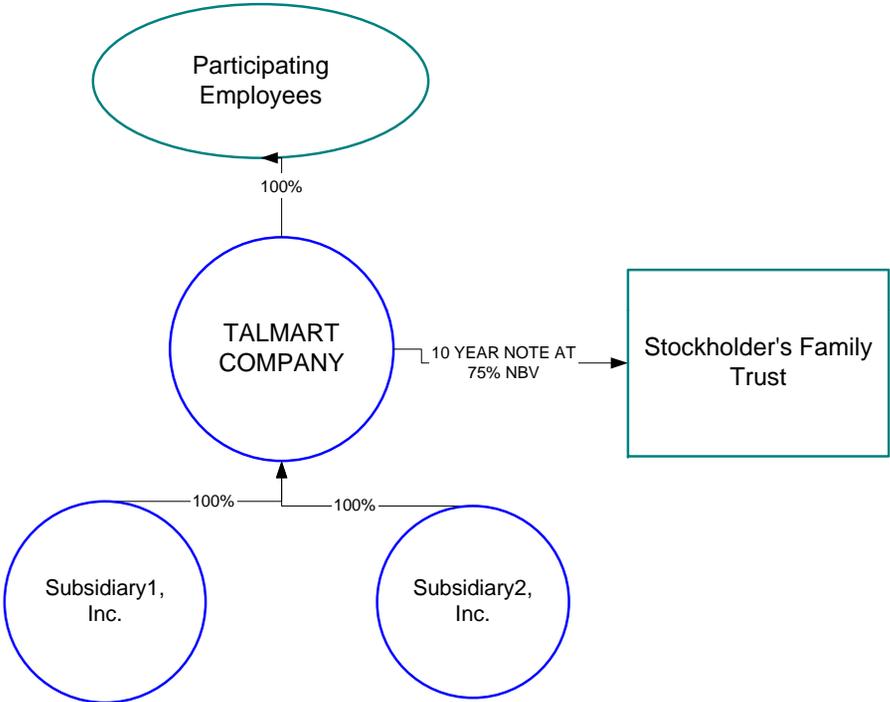


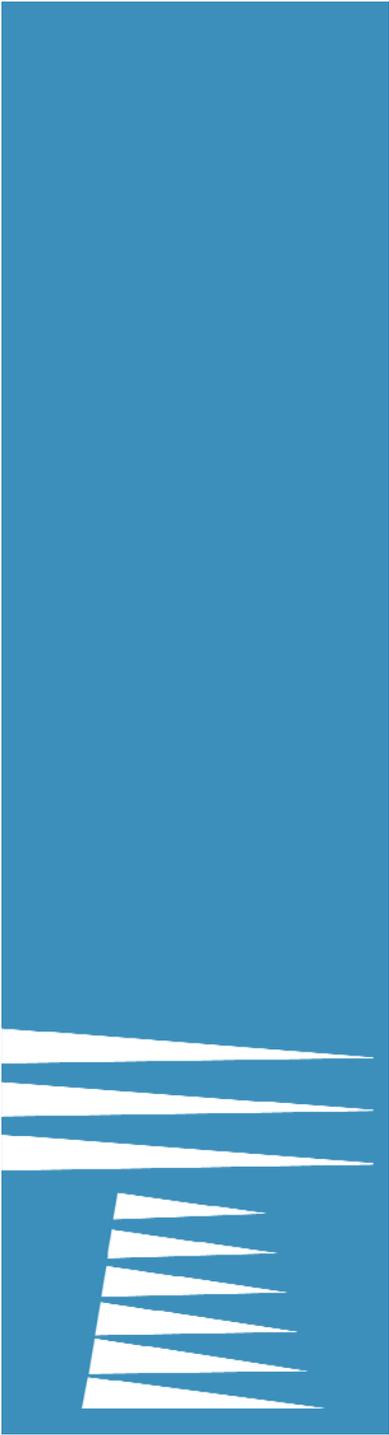
RESULTS:

1. ACHIEVED (SOME) IMMEDIATE LIQUIDITY.
2. AVOIDED POTENTIAL DRAMATIC LOSS OF VALUE (EXPOSURE TO BONDING COMPANY, BANK DEBT, LOSS OF KEY CUSTOMERS) DUE TO KEY EMPLOYEE RESIGNATIONS, REALIZING SIGNIFICANT VALUE FOR FAMILY.
3. PROTECTED LIQUIDATION VALUE TO FAMILY VIA ASSETS PLEDGED AS COLLATERAL AND SHAREHOLDER GUARANTIES.

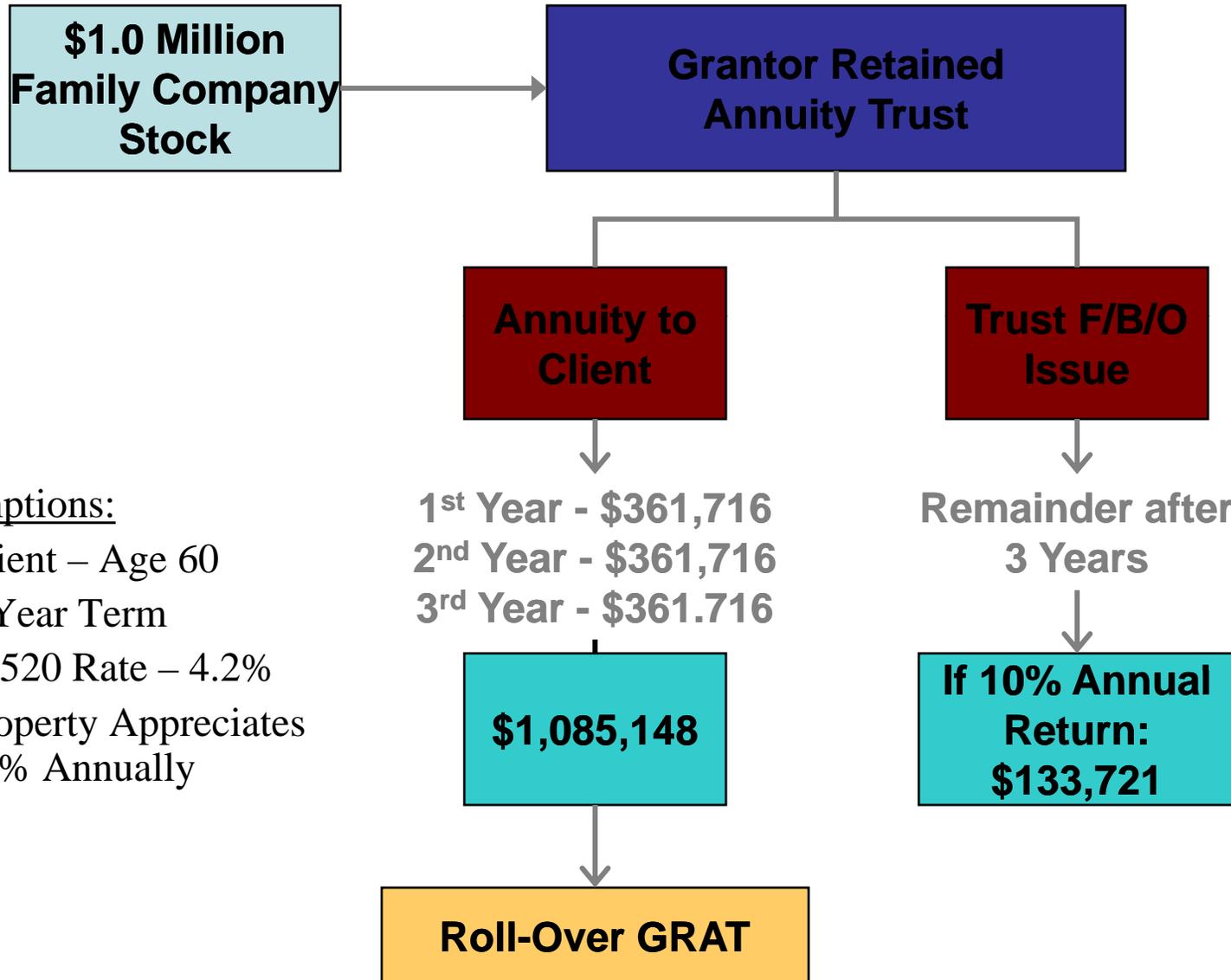
TALMART COMPANY BUSINESS SUCCESSION PLAN

Post Plan Ownership Structure



- 
- BUSINESS TRANSITION
USING GRANTOR
RETAINED INTEREST
TRUSTS (“GRATs”)

Business Transition using “Zero-Out” GRAT



Assumptions:

- Client – Age 60
- 3 Year Term
- §7520 Rate – 4.2%
- Property Appreciates 10% Annually

Summary of Zero-Out GRAT

Annual Annuity:	\$361,716 (for 3 years)
Value of Retained Interest:	\$999,999
Taxable Gift of Remainder:	\$1.00

Economic Schedule

Year	Beginning Principal	10.00% Growth	Annual Income	Annual Payment	Remainder
1	\$1,000,000	\$100,000	\$0	\$361,716	\$738,284
2	\$738,284	\$73,828	\$0	\$361,716	\$450,396
3	\$450,396	\$45,040	\$0	\$361,716	\$133,720
Summary:	\$1,000,000	\$218,868	\$0	\$1,085,148	\$133,720