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INCOME TAX PLANNING USING ESTATE PLANNING TECHNIQUES©

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INCOME TAX PLANNING USING ESTATE PLANNING TECHNIQUES©

I. THE PRIMARY IMPORTANCE OF GOALS-BASED PLANNING FOR THE SUCCESSFUL SUCCESSION OF THE FAMILY WEALTH IRRESPECTIVE OF THE STATUS OF THE TAX LAW.

A. The Importance of First Determining a Client's Goals That Determine the Estate Plan's Essential Strategies.

1. The Prevalence of Tax Driven Wealth Preservation Focus and Four Suggested Rules to Change the Priority of That Focus.

In assisting a client with achieving their goals the state of the tax law and how that affects the plan should not be the "tail that wags the dog." Certain tax-planning advisors assume that a combination of wealth preservation and tax reduction is the purpose of every estate and succession plan. All tax advisors from time to time have been guilty of that assumption.[1] Whenever owners and tax advisors gather to formulate a plan, inevitably their conversations focus extensively on tax issues. Something about the topic of tax planning, the prevalence of tax advisory literature, tax advisors' professional degrees and titles, how the meetings originate, and the expectations of the gathered parties combine to dictate this focus.[2]

Tax planner's habitual patterns of engaging in planning conversations that evolve into tax reduction conversations have resulted in the evolution of a conventional style of planning that can be referred to as *tax driven wealth preservation planning*. This planning style begins with advisors gathering relevant facts and recommending optimum legal structures. In most instances, the defining characteristics of the selected strategies and legal structures are their tax reduction and control retention characteristics. A danger in tax driven wealth preservation planning is its subtle power to enable money (and its conservation) to become the defining objective.

Through the years I have developed four personal rules for determining a client's goals and concerns with respect to the family's capital (as defined below): (1) try to ask open ended questions that give the client the opportunity to articulate his or her goals and concerns; (2) listen; (3) listen, and (4) listen.

2. Estate Plans Developed Around the Stewardship Purpose of the Family Wealth.

It is enlightening to contrast conventional *tax driven wealth preservation plans* with plans which have been formulated for clients who were initially asked (perhaps through the vehicle of many open-ended questions): "What is the purpose (or stewardship mission) of your family wealth?" A family's wealth, or capital, is more than its financial capital. A family's social capital and stewardship capital are also very important and interact with the family's financial capital.

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[1] I would like to thank Mike Allen of Allen ◊ Lottmann, P.C., in Tyler, Texas. Around 20 years ago Mike articulated these concepts to me. I have been a better advisor since.

[2] L. Paul Hood, Jr., "*From the School of Hard Knocks: Thoughts on the Initial Estate Planning Interview,*" 27 ACTEC Law Journal 297 (2002).

When planning conversations begin with open-ended questions to determine the purpose or mission of the family's capital, a different succession plan may emerge, and the priority of tax reduction can be expected to decline in status from the defining principle to an important collateral objective.

At an introductory stage, a dialogue about purpose or stewardship mission questions might evolve like this:

Question 1:	Do you want to save taxes? Answer: Yes.
Question 2:	Do you want to protect your wealth? Answer: Yes.
Question 3:	Do you want to preserve the same level of consumption? Answer: Yes.
Question 4:	Do you want to empower your children (or favorite charitable causes)? Answer: Yes.
Question 5:	Do you want to give your children (or charitable entities you create) options? Answer: Yes.
Question 6:	Do you want to give your children (or charitable entities you create) incentives? Answer: Yes.
Question 7:	Do you want to maintain control of investment decisions with respect to your wealth? Answer: Yes.
Question 8:	Do you want to maintain your flexibility (control) to change your mind about how and whom should have future stewardship of your wealth? Answer: Yes.
Question 9:	Which of these is most important? Typical Answer: (pause) That is the first time we have been asked that question. We'll need to think about it.

Members of my tax planning fraternity routinely start with good questions. But we sometimes tend to stop asking them too quickly (often after question #3), and we seldom ask question 9.

Questions of stewardship mission or the purpose of the family wealth are not raised lightly. They are the most important questions in the succession planning process. Their answers should govern every design decision.

3. Organizational Pattern of a Purpose-Based Estate Plan:

A hierarchical organizational pattern for a purpose-based estate plan is:

Purpose
The declared principles for the family's capital which determine the plan's essential characteristics

(having priority over)

Strategies
The alternative game plans for implementing the essential characteristics

(having priority over)

Legal Structures
The legal documents which embody and implement the essential characteristics

4. Compatibility of Strategies and Legal Structures with the Stated Purpose of the Family Wealth.

When an estate succession plan is organized around declared principles, the strategies and legal structures used to accomplish conventional tax planning are retained, but they are modified as necessary to make them compatible with the declared principles.

B. Once the Purpose and Use of the Family's Capital Has Been Determined, Strategies Should Be Developed to Maximize the Investment Risk-Adjusted, After-Tax Wealth That May be Applied to Those Purposes and Uses.

Almost all of the US population (estimates are 99.8%) do not have to worry about strategies that reduce transfer taxes. However, around 50% of the US population welcomes strategies that reduce income taxes on investments. There are strategies that reduce both the income taxes on capital and the transfer taxes on capital. Planning for those two taxes does not have to be, and should not be, an "either, or" exercise. The purpose of this paper is to discuss some of the strategies that reduce both taxes.

II. DEVELOPING WEALTH MANAGEMENT STRATEGIES TO ACCOMPLISH A CLIENT'S GOALS IN THE NEW TAX ENVIRONMENT.

A. Income Tax Versus Estate Tax: A New Paradigm? (It May Not Have to Be).[3]

1. Some of the Key Income Tax and Basis Rules.

a. Certain key basis rules.[4]

(1) Property acquired by purchase.

If property is purchased the basis will be its cost[5], unless the property is purchased by a grantor trust from the grantor. If property is purchased by a grantor trust from the grantor, the basis will be the basis that the grantor had in the assets and will be treated as if the sale had not occurred.[6]

(2) Property acquired by gift.

(a) The donor's basis is less than the property's fair market value at the time of gift.

The property's basis is equal to the donor's basis plus a portion of gift tax paid (if any) equal to the portion of the property's value consisting of appreciation over the donor's basis.[7]

(b) The donor's basis is greater than the fair market value of the donated property at the time of the gift.

(i) The basis for determining gain will be basis of the donor.[8]

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[3] I would like to thank my colleagues at Goldman Sachs who helped with many of the ideas expressed in this paper: Jeff Daly, Cliff Schlesinger, Karey Dye, Melinda Kleehamer, Michael Duffy, Cathy Bell and Jason Danziger. Many of the ideas generated in this paper also came from the fertile minds of my attorney friends, including: Carlyn McCaffrey, Ellen Harrison, David Handler, Jonathan Blattmachr, Richard Dees, Mickey R. Davis, Melissa J. Willms, Turney Berry, Jonathan Koslow and Dan Hastings. I would particularly like to thank Steve Gorin. Any reader interested in the subject matter of this paper should see, Gorin, "Structuring Ownership of Privately-Owned Businesses: Tax and Estate Planning Implications." Steve's treatise contains over 740 pages of materials and is available by emailing him at sgorin@thompsoncoburn.com.

[4] The President has proposed a fundamental change that would alter many of the rules discussed in this section. Under this change, beginning in 2016 the "stepped up" basis at death would be abolished and, in general, a gift or bequest of an appreciated asset other than to a surviving spouse or charity would result in the realization of gain. *See* Department of the Treasury, *General Explanations of the Administration's Fiscal Year 2016 Revenue Proposals,* pp. 156-157. If the proposal became law, many of the techniques described in this paper would need to be reevaluated.

[5] *See*, IRC Sec. 1012.

[6] *See*, Revenue Ruling 85-13, 1985-1 C.B. 184.

[7] *See*, IRC Secs. 1015(a) and 1015(d)(1)(A) as limited by 1015(d)(6). For gifts made prior to December 31, 1976, a larger adjustment to basis for gift tax paid may apply.

[8] *See*, IRC Secs. 1015(a) and 1015(d)(1)(A) as limited by 1015(d)(6).

(ii) The basis for determining loss will be the fair market value of the property at the time of gift.[9]

(iii) There is not any gain or loss, if the donee sells the property between the donor's basis and the fair market value of the property on the date of the gift.[10]

(3) Property acquired by a distribution from a trust or estate.

The beneficiary's basis will be the same as the trust or estate's basis adjusted for any gain or loss recognized on the distribution. The trust or estate could elect under IRC Sec. 643(e)(3) to treat the distribution as a sale for its fair market value.[11] Also, if the beneficiary receives the distribution of the property in satisfaction of a pecuniary bequest, the distribution will be treated as a sale.

(4) Property acquired by inheritance.

The basis of property acquired by inheritance will generally be the value used for Federal estate tax purposes. There are exceptions:

(i) The proceeds from receivables, which would have been income to the decedent during his lifetime upon its receipt. The future proceeds from these receivables are referred to as "income in receipt of a decedent."

(ii) On the death of a spouse who holds property as joint tenants, or tenants by the entirety with the other spouse, one-half of the property will be taxed in the decedent's estate and its basis will be adjusted to have the same value as determined for estate tax purposes and the remaining half will retain its basis.

(iii) On the death of an individual who jointly owns property with a person who is not a spouse, all of the property is included in that decedent's estate and the basis of the property will be adjusted to have the same value as determined for estate tax purposes (unless the surviving joint owner can show he contributed to the purchase of the property, in which case inclusion in the estate and the resulting basis adjustment are based on the percentage of the consideration paid to acquire the property that was furnished by the decedent).

(iv) Property that is subject to debt on which the decedent is not personally liable. The basis of the property may only be the net value of property (gross value of the property minus the debt), because that is how it will be reported for estate tax purposes.[12]

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[9] *See*, IRC Sec. 1015(a).

[10] *See*, IRC Sec. 1015(a).

[11] *See*, IRC Sec. 643(e).

[12] *See* the discussion in Section III C 3 e of this paper.

(v) Any property that a decedent received by gift within one year prior to death if the decedent bequeaths the property back to the donor. The decedent's pre-death basis in such property will carry over to the donor-legatee, as provided by IRC Sec. 1014(e):

Appreciated property acquired by decedent by gift within 1 year of death.

(1) In general.

In the case of a decedent dying after December 31, 1981, if –

(A) **appreciated property** was **acquired** by the decedent by **gift** during the 1-year period ending on the date of the decedent's death, and

(B) such property is **acquired from the decedent** by (or **passes from** the decedent to) the **donor** of such property (or the spouse of such donor), the basis of such property in the hands of such donor (or spouse) shall be the adjusted basis of such property in the hands of the decedent immediately before the death of the decedent.

(2) Definitions.

For purposes of paragraph (1) -

(A) Appreciated property

The term "appreciated property"' means any property if the fair market value of such property on the day it was transferred **to the decedent** by gift exceeds its adjusted basis.

(B) Treatment of certain property sold by estate

In the case of any appreciated property described in subparagraph (A) of paragraph (1) **sold** by the **estate** of the decedent or by a **trust** of which the decedent was the grantor, rules similar to the rules of paragraph (1) shall apply **to the extent** the donor of such property (or the spouse of such donor) is **entitled to the proceeds** from such sale. (Emphasis added).

b. Certain key partnership income tax and basis accounting rules.

(1) Generally, the contribution of low basis property to a partnership does not trigger gain, but it could.

The primary purpose of IRC Sec. 721 is to allow the formation of a partnership without the recognition of a taxable gain, thus encouraging the growth of new businesses. Many taxpayers have utilized the same concept in an effort to facilitate a sale through the diversification of their marketable investments. A simple example would be for two individuals to form a partnership with one individual contributing $100 of appreciated stock and the other individual contributing $100 of cash. If the partnership is economically a 50/50 arrangement between the partners, the effect of the formation is a sale of 50% of one partner's stock position to the other partner and the purchase of 50% of the stock position by the other partner. If transactions like this would be allowed, many taxpayers could escape the imposition of capital gains taxes on marketable security exchanges through structures that incorporated these concepts. Thus, certain tests were included in the Internal Revenue Code and the regulations that address these issues and preclude certain arrangements from achieving their disguised goals.

Subchapter K of the Internal Revenue Code indicates that, in general, no gain or loss shall be recognized to a partnership or to any of its partners in the case of a contribution of property to the partnership in exchange for an interest in the partnership.[13] However, if the entity is considered an "investment company," then a taxable sale is deemed to occur.[14] The partners in the partnership must determine if a taxable contribution has occurred via the existence of an investment company. In general, an investment company includes an entity that owns stock, bonds, foreign currencies, REITS and other marketable securities.[15]

The Treasury Regulations further detail the definition of an investment company to include entities where the formation results, directly or indirectly, in diversification of the transferors' interests, and more than 80 percent of its value in assets (excluding cash and nonconvertible debt obligations from consideration) that are held for investment and are readily marketable stocks or securities, or interests in regulated investment companies or real estate investment trusts.[16]

(2) Certain partnership tax accounting rules must be navigated to make sure a partnership is not being used as a vehicle for a disguised sale.

Another area of potential taxpayer abuse involves the concept of a partnership formed to specifically disguise a sale where the investment company rules do not apply. A simple example would be for two individuals to form a partnership with one individual contributing $100 of a non-marketable asset through the ownership of two entities and the other individual contributing $100 of cash. If the partnership is economically a 50/50 arrangement between the ultimate partners, the effect of the formation is again a sale of 50% of one owner's asset to the other partner and the purchase of 50% of the asset by the other partner. Because the asset is not marketable, IRC Sec. 721 does not apply and the formation is not considered a taxable event. However, if the partnership acquired the interest of the second partner by delivering the non-marketable asset, the result would be the receipt of the asset by the second partner without the imposition of a tax and the retention of the cash by the original owner of the non-marketable asset through the partnership. In effect, the original owner would have sold the asset for cash yet not recognized any capital gain until the partnership is ultimately liquidated. In an effort to preclude such disguised sale planning opportunities IRC Secs. 704(c), 737 and 707 were included in subchapter K.

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13 *See* IRC Sec. 721(a).

14 *See* IRC Sec. 721(b).

15 *See* IRC Sec. 351(e).

16 Treas. Reg. §1.351-1(c)(1).

In essence, IRC Secs. 704(c) and 737 prevent the distribution of an appreciated asset to one partner that was originally contributed by another partner during a seven-year period.[17] Another way to view the section is that if a partnership exists for more than seven years, or five years if established prior to June 9, 1997, then the IRS probably will view the partnership as having a business purpose other than the disguised sale of an asset.

Besides the seven-year rule of IRC Secs. 704(c) and 737, there is the so-called two-year rule under the regulations of IRC Sec. 707.[18] If a partner transfers property to a partnership and receives money or other consideration, the transfers are presumed to be a sale. Due to the specificity of the two-year rule, a properly structured partnership could avoid the application of a disguised sale if the assets remain within the partnership for an appropriate length of time.

(3) Certain partnership income tax accounting rules exist to determine if a tax is imposed on a partner who liquidates his or her partnership interest.

At some point in the future, the partners may wish to realize the economic benefits of their investment through the distribution of partnership assets or the liquidation of their interest in the partnership. IRC Secs. 731 and 732 address the taxation of such transactions.

Generally, gain will not be recognized to a partner, except to the extent that any money distributed exceeds the adjusted basis of such partner's interest in the partnership immediately before the distribution.[19]

Because of the ease of liquidity related to marketable securities, the IRS has increasingly viewed such instruments as cash. Within the context of a partnership, IRC Sec. 731(c) was added to the Internal Revenue Code. In effect, marketable securities, if deemed to be money, can cause taxable gain, if the fair market value of the distributed securities exceeds the withdrawing partner’s tax basis in the partnership.[20] As with many areas of the tax law, there are always exceptions to the rules. If a partnership meets the definition of an investment partnership, then it is excepted from the capital gain issue created by IRC Sec. 731(c).

As noted in the discussion in Section IX A 3 c of this paper, the receipt of marketable securities will not be considered cash, if the partnership is an investment partnership. The general rule for qualifying as an investment partnership is the ownership of marketable investments and never engaging in an actual trade or business other than investing.[21]

(4) Certain partnership tax accounting rules exist to determine a partner’s basis in non-cash assets he or she receives.

The basis in the asset distributions or distributions in liquidation of a partner’s interest is subject to the tax rules outlined in IRC Sec. 732.

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17 *See* IRC Secs. 704(c)(1)(B), 737(a), and 737(b).

18 *See* Treas. Reg. §1.707-3(c).

19 *See* IRC Sec. 731(a).

20 *See* IRC Sec. 731(c).

21 *See* IRC Sec. 731(c)(3)(C)(i).

Under IRC Sec. 732, if a partner receives an asset distribution from a partnership, the partner receives the asset subject to a carryover of the partnership's cost basis, and if the partner receives an asset distribution in liquidation of his interest, then the partner will attach his partnership interest cost basis to the assets received in liquidation.[22] The regulations highlight an example illustrating the result.[23]

(5) Existing anti-abuse tax accounting rules.

Regardless of the form of a transaction, the IRS added regulations under IRC Sec. 701 (Anti-Abuse Rules) that address the substance of a partnership and could cause a tax result derived from a partnership transaction to be negated, if the IRS views the structure as a mechanism to reduce the overall tax burden of the participating partners.

(6) If there is a change in the outside basis of a partnership interest, because of a sale or a death of a partner, that could effect the inside basis of the partnership assets.

If timely election is not made by the partnership (or a distribution and election by the distributee partner under IRC Sec. 732(d)), the death of a partner or a sale of a partnership interest, does not affect the inside basis of the assets held by the partnership at the time of the partner's death or sale. See IRC Secs. 754 and 743(a). However, under those circumstances, if that partnership interest is later completely liquidated the estate of successor partner takes a basis in the distributed assets equal to the basis in the partnership interest.

2. If Lifetime Basis Enhancing Strategies Are Not Used, From a Tax Perspective, at What Assumed Growth Rate is it Better to Use a Lifetime Transfer Strategy With a Low Basis Asset in Comparison to Retaining the Asset Until Death?

Consistent with a private investor's stewardship goals, wealth management strategies should be developed. One component, sometimes a key component, in developing a wealth management strategy for the private investor is the development of a tax efficient strategy that implements the investor's stewardship goals. The development of tax efficient strategies may change for certain assets because estate tax rates and capital gains tax rates have become much closer than they have been for more than a decade. For some taxpayers the combined state and federal capital gains taxes, the effect of the Pease limitation (or "stealth" tax), and the new 3.8% tax under IRC Sec. 1411 (referred to in this paper as the "health care tax") can exceed the transfer tax (after consideration of the transfer tax exemption), particularly for negative basis property. As noted above, the only nice "tax" factor about death is that the taxpayer receives a step-up in basis with respect to the taxpayer's low or negative basis assets. That step-up in basis will not occur if that asset is not subject to a lifetime basis enhancing strategy and is not subject to estate taxes in the taxpayer's estate because the taxpayer used a gifting and/or selling strategy to remove that asset from estate taxation. Another factor that did not exist in the past is that a taxpayer's unified credit to be applied against transfer taxes increases each year with inflation.

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22 *See* IRC Secs. 732(a)(1) and 732(b).

23 *See* Treas. Reg. §1.732-1(b).

Simplistically, if an asset will be sold immediately after a taxpayer's death if the tax result is the only factor (of course, it is rare that the tax result is the only factor), and if lifetime basis enhancing strategies are not used, the decision to subject a low basis asset to a lifetime transfer strategy to a non-grantor trust, in order to save future estate taxes, or to hold the asset in order to receive a step-up in basis, is determined by a taxpayer's assumption of how fast a low basis asset will increase in value in the future. There is not an exemption protecting the assessment of a capital gains tax on the sale of an asset. There are substantial exemptions protecting the assessment of a transfer tax. The amount of tax that you would pay by gifting the asset now is the gift tax paid now (if any) plus the capital gains tax paid upon a sale at death. The amount of tax that you would pay by bequeathing the low basis asset at death is the estate tax paid at death. There is a growth rate where the taxpayer will pay the same taxes whether the taxpayer gives the asset now, or at the taxpayer's death. If the taxpayer assumes a growth rate will be higher than that breakeven growth rate, then it is more tax efficient to gift the asset now. If the taxpayer assumes a growth rate is lower than that breakeven growth rate, then it is more tax efficient to bequeath the asset at death and receive the stepped-up basis. The assumed growth rate is a function of the taxpayer's assumed life expectancy times the assumed annual growth rate of the asset. A taxpayer's assumption as to the estate tax exemption that will be available at death is based on the taxpayer's assumption as to the growth of the exemption caused by inflation and whether that future exemption growth will be used by the taxpayer's other assets anyway. For instance, if the taxpayer will have other low basis assets that will use the growth of the assumed estate tax exemption, that should be reflected in the taxpayer's analysis of whether to make a lifetime transfer of the asset or hold it until death. The determination of the breakeven growth rate can be expressed by the following formula:[24]

Breakeven Growth Rate During the Taxpayer's Life Expectancy =

$$\frac{\text{Capital Gain Rate(Gift Value} - \text{Basis)} + \text{Gift Tax Rate(Gift Value} - \text{Remaining Gift Tax Exemption)} - \text{Estate Tax Rate(Gift Value} - \text{Estate Tax Exemption at Death)}}{\text{Value of Gift (Estate Tax Rate} - \text{Capital Gains Rate)}}$$

Consider the following example:

Example 1: Is it Better for a Private Investor Who Owns a Low Basis Asset That Will Not Be Sold During His Lifetime, But Will Be Sold On His Death, to Give That Asset Away to His Family Now, or Hold That Asset Until His Death?

Danny Lowbasis owns $5,340,000 in shares of a near zero basis stock that he is confident he will not sell during his lifetime, but his family would sell immediately after his death. Danny has $5,340,000 in gift tax exemption remaining. Danny believes he has a 15-year life expectancy. Danny also believes the estate tax exemption will increase to $7,540,000 by the time of his death (because of an assumed inflation rate of 2.5%).

Danny is willing to give his family that amount of the stock that will not generate gift taxes or $5,340,000 of the stock, if it saves future estate taxes greater than the future income taxes and health care taxes that will accrue because of the loss of the step-up in basis at death on the gifted shares. Danny asks his planner, Ima Mathgeek, at what assumed annual rate of appreciation

[24] I would like to thank Kelly Hellmuth of McGuire Woods who generously allowed me to publish her formula.

during his lifetime does it make sense to give $5,340,000 of the stock away to his family as opposed to holding the stock and bequeathing the stock to his family.

Under the above formula, if a gift to a non-grantor trust is contemplated, if a taxpayer has a 15-year life expectancy, if after the gift that taxpayer will not have any other assets in which an increased estate tax exemption could be used, and if the taxpayer lives in a state without an income tax (e.g., Texas), the breakeven growth rate over a 15-year period for gifting a zero basis asset is determined under the above formula is as follows:

$$\frac{.25(\$5{,}340{,}000)+.40(0)-.40(\$5{,}340{,}000-\$7{,}540{,}000)}{\$5{,}340{,}000(.15)} = \frac{\$1{,}335{,}000+\$880{,}000}{\$801{,}000} = 276.54\%$$

On a compounded annualized basis 276.54%, over a 15-year period, is equal to a per annum growth rate of 9.24%. Please see the spreadsheet analysis in Schedule 1. If a taxpayer lives in California, under those assumptions, the compounded annualized breakeven growth rate is 21.89% for gifting a zero basis asset. See also the spreadsheet analysis in attached Schedule 2.

However, very few taxpayers can afford to give away all of their assets. If you assume the taxpayer will have enough low basis assets at death to offset the anticipated increase in estate tax exemption, even if a gift is made, this will change the breakeven growth rate. To determine the breakeven growth rate under those circumstances, in order to isolate the breakeven growth rate for a particular asset, it may be necessary to assume the projected estate tax exemption will be equal to the current gift tax exemption. Under the above assumptions, if you assume the taxpayer could use the estate tax exemption that exists at death against other low basis assets, the Texas breakeven annualized compounded growth rate for gifting a zero basis asset is 6.76% and the California breakeven annualized compounded growth rate for gifting a zero basis asset is 19.12%. See the analysis in Schedules 3 and 4.

The above analysis would suggest, to a certain extent, from a tax perspective, current planning should be more specific by asset.

3. There May Be Non-tax Factors, Such as Risk-adjusted Investment Considerations, Which Make Holding a Low Basis Asset Until Death for the Basis Step-up Disadvantageous.

As noted above, non-tax factors such as asset protection planning, planning for future stewardship considerations, and planning for later years post retirement may override tax considerations.

Risk adjusted investment considerations may also override the tax considerations. There may be a significant inherent investment risk in not diversifying out of a large single asset that is part of one asset class, into multiple assets held in many different asset classes.

Consider the following table that ranks ten asset classes by pre-tax returns, and risk or volatility, from the time period 2001-2013, and ranks each asset class by returns for each year from 2004 to 2013.

Table 1

Asset Class Returns – As of December 31, 2013

2001 - 2013		Returns									
Returns (Ann.)	Vol (Std. Dev.)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
MLPs 16.0%	REITs 24.6%	REITs 33.2%	Emerging Market Equity 34.5%	REITs 36.0%	Emerging Market Equity 39.8%	Investment Grade Munis 4.2%	Emerging Market Equity 79.0%	MLPs 35.9%	MLPs 13.9%	Emerging Market Equity 18.6%	US Small Cap 38.8%
Emerging Market Equity 12.5%	Emerging Market Equity 23.5%	Emerging Market Equity 26.0%	Non-US Equity 14.0%	Emerging Market Equity 32.6%	EM Local Debt 18.1%	EM Local Debt -5.2%	MLPs 76.4%	REITs 28.1%	REITs 9.4%	High Yield Munis 18.1%	US Large Cap 32.4%
EM Local Debt 10.2%	US Small Cap 20.2%	EM Local Debt 23.0%	REITs 13.8%	Non-US Equity 26.9%	MLPs 12.7%	Hedge Funds -21.4%	High Yield Munis 32.7%	US Small Cap 26.9%	High Yield Munis 9.2%	Non-US Equity 17.9%	MLPs 27.6%
REITs 9.7%	Non-US Equity 18.0%	Non-US Equity 20.7%	High Yield Munis 8.7%	MLPs 26.1%	Non-US Equity 11.6%	High Yield Munis -27.0%	Non-US Equity 32.5%	Emerging Market Equity 19.2%	Investment Grade Munis 7.6%	REITs 17.1%	Non-US Equity 23.3%
US Small Cap 8.2%	MLPs 16.0%	US Small Cap 18.3%	Hedge Funds 7.5%	US Small Cap 18.4%	Hedge Funds 10.3%	US Small Cap -33.8%	REITs 28.5%	EM Local Debt 15.7%	US Large Cap 2.1%	EM Local Debt 16.8%	Hedge Funds 8.8%
Non-US Equity 6.5%	US Large Cap 15.3%	MLPs 16.7%	MLPs 6.3%	US Large Cap 15.8%	US Large Cap 5.5%	MLPs -36.9%	US Small Cap 27.2%	US Large Cap 15.1%	EM Local Debt -1.8%	US Small Cap 16.3%	REITs 1.2%
US Large Cap 5.4%	EM Local Debt 12.0%	US Large Cap 10.9%	EM Local Debt 6.3%	EM Local Debt 15.2%	Investment Grade Munis 4.8%	US Large Cap -37.0%	US Large Cap 26.5%	Non-US Equity 8.2%	US Small Cap -4.2%	US Large Cap 16.0%	Investment Grade Munis -0.3%
High Yield Munis 5.3%	High Yield Munis 7.4%	High Yield Munis 10.5%	US Large Cap 4.9%	High Yield Munis 10.7%	US Small Cap -1.6%	REITs -39.2%	EM Local Debt 22.0%	High Yield Munis 7.8%	Hedge Funds -5.7%	MLPs 4.8%	Emerging Market Equity -2.3%
Investment Grade Munis 4.3%	Hedge Funds 5.1%	Hedge Funds 6.9%	US Small Cap 4.6%	Hedge Funds 10.4%	High Yield Munis -2.3%	Non-US Equity -43.1%	Hedge Funds 11.5%	Hedge Funds 5.7%	Non-US Equity -11.7%	Hedge Funds 4.8%	High Yield Munis -5.5%
Hedge Funds 3.7%	Investment Grade Munis 3.3%	Investment Grade Munis 2.9%	Investment Grade Munis 1.7%	Investment Grade Munis 3.7%	REITs -17.6%	Emerging Market Equity -53.2%	Investment Grade Munis 7.2%	Investment Grade Munis 3.1%	Emerging Market Equity -18.2%	Investment Grade Munis 3.6%	EM Local Debt -9.0%

Source: Datastream, Bloomberg, JP Morgan Dataquery.

Annualized Volatility and Returns since July 2001 through December 31, 2013. Indices: Investment Grade Municipal Bonds – Barclays Capital Municipal 1-10; Municipal High Yield – Barclays Capital Municipal High Yield; EM Local Debt – JP Morgan EM Local Debt (GBI EM); US Large Cap – S&P 500; US Small Cap Equity – Russell 2000; Non-US Equity – MSCI EAFE; Emerging Market Equity – MSCI Emerging Markets; Hedge Funds – HFRI Fund of Funds Composite; REITs – Dow Jones Wilshire REITs; MLPs – Alerian MLP.

For example, "master limited partnerships" ranked first in pre-tax returns from 2001-2013, and were ranked the fifth most volatile class from 2001-2013. "Non-US equity" ranked sixth in pre-tax returns from 2001-2013, but were ranked the third most volatile class from 2001-2013. Also, as the above table demonstrates, depending upon the investment year, an asset class may significantly differ in its "return" ranking. For instance, "master limited partnerships" was the top performing asset class by pre-tax return from 2010-2011, but ranked only eighth in 2012. Obviously, the volatility of any single asset in an asset class may be considerably greater than the asset class volatility. Hence, depending upon a taxpayer's life expectancy, the non-tax argument for selling an asset to diversify and improve a taxpayer's risk adjusted return is generally there.

4. The Capital Gains Tax Advantage of a Step-up at Death May Be Unimportant, if the Asset is a Legacy Asset That Will Not Be Sold By the Taxpayer's Heirs.

Another consideration is whether or not a low basis asset will be sold by a taxpayer's family after the taxpayer's death. If the family views the asset as a "legacy" asset that will never be sold, then income tax considerations are not relevant and transfer tax considerations are paramount. Under those circumstances transfer planning for that asset is more important, even if the above formula indicates transfer planning should not be utilized.

5. Taking All of the Above Factors Into Account, When Should a Gifting Strategy for a Low Basis Asset Be Considered?

Gift planning should be considered for a low basis asset for a client who is projected to have a taxable estate unless **all** of the following factors exist: (i) the above formula (see Section II A 2 of this paper) indicates gift planning should not be utilized, (ii) the taxpayer thinks it will be unlikely he will ever wish to sell that asset because of its investment risk, (iii) non-tax considerations such as asset protection planning, planning for future stewardship and cash flow planning for retirement do not exist; (iv) the taxpayer is convinced that his family will sell that asset immediately after his death; and (v) if it is unlikely a lifetime basis enhancing strategy will be used. Those assets and situations do exist, but it is respectfully submitted that those assets and situations are rare (e.g., negative basis real estate that is well positioned to keep its value and the taxpayer's family will sell it immediately after his death.)

While it may be rare that transfer planning for a wealthy client's low basis assets should not be considered, it is rarer still that a client would also not wish to consider lifetime income tax planning and basis enhancing strategies that are consistent with transfer tax saving strategies.

B. Why Wealth Management Strategies, Including Investment Management Strategies, Are Entirely Different for the Private Wealth Investor in Comparison to the Institutional Investor and Why Tax Management Strategies Are an Important Consideration for the Private Wealth Investor.

1. Congress Gives the Private Investor Significant After Tax Subsidies for his Equity Investments in Comparison to His Fixed Income Investments.

A key income tax factor that affects wealth management strategy of a private investor's portfolio, in comparison to construction of an institutional investor's portfolio, is the significant degree Congress subsidizes an equity investment (which may have a low basis in comparison to value) in comparison to a fixed income investment (which generally has a high basis in comparison to value):

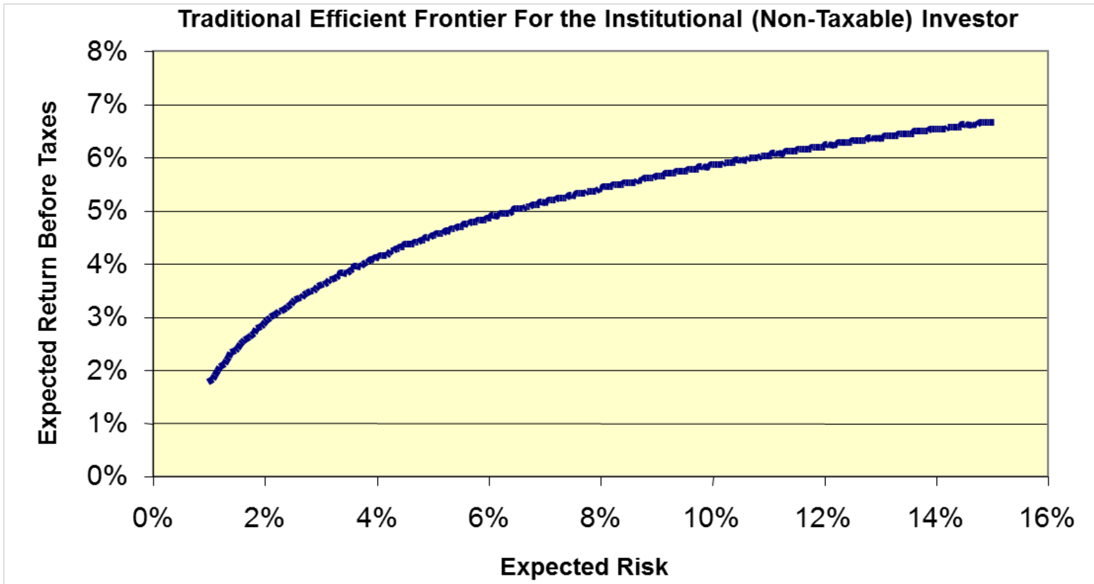
(i) substantially lower rates of taxation;

(ii) the private investor, under the tax laws, may choose when he realizes taxable income on any equity investment (turnover rate), but cannot when he owns a taxable bond investment; and

(iii) the private investor may determine how much of an equity investment's unrealized income is ever taxed (e.g., the private investor could bequeath the equity investment to a charity).

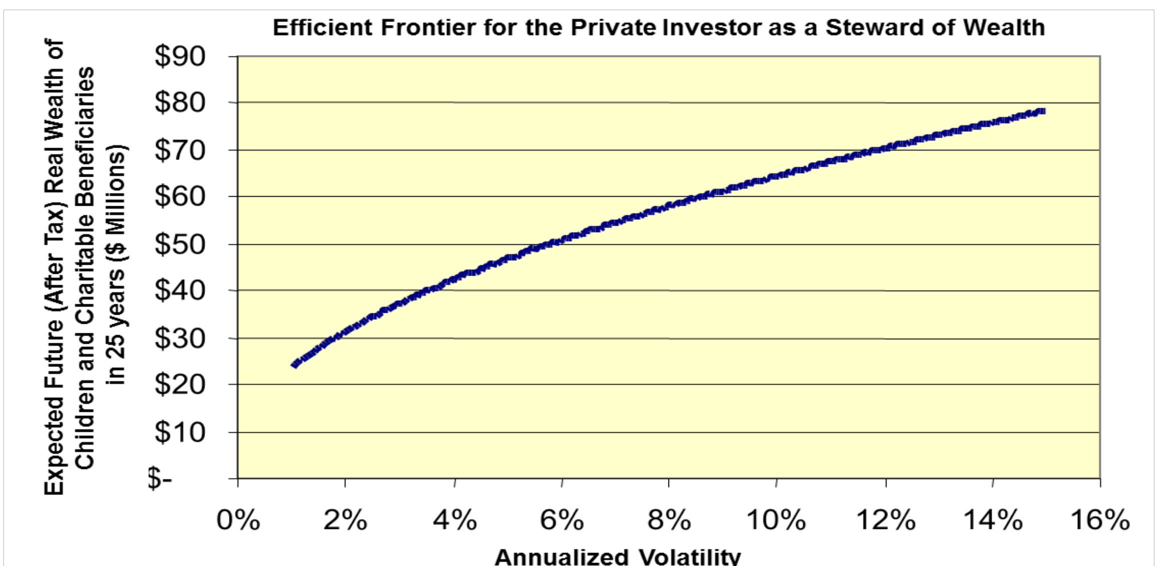
2. What is the Efficient Investment Frontier for the Private Investor? (Hint: It is Probably Not What You Learned in Finance Class.)

The traditional efficient frontier, illustrated below, will not work for the private investor, who pays taxes, like it does for the institutional investor that does not pay taxes. This is because gross return does not equal wealth for the taxable private investor due to income taxes, health care taxes and transfer taxes.



For illustrative purposes only
*Chart reproduced from *Modern Investment Management* by Bob Litterman and the Quantitative Resources Group of Goldman Sachs Asset Management (2003)

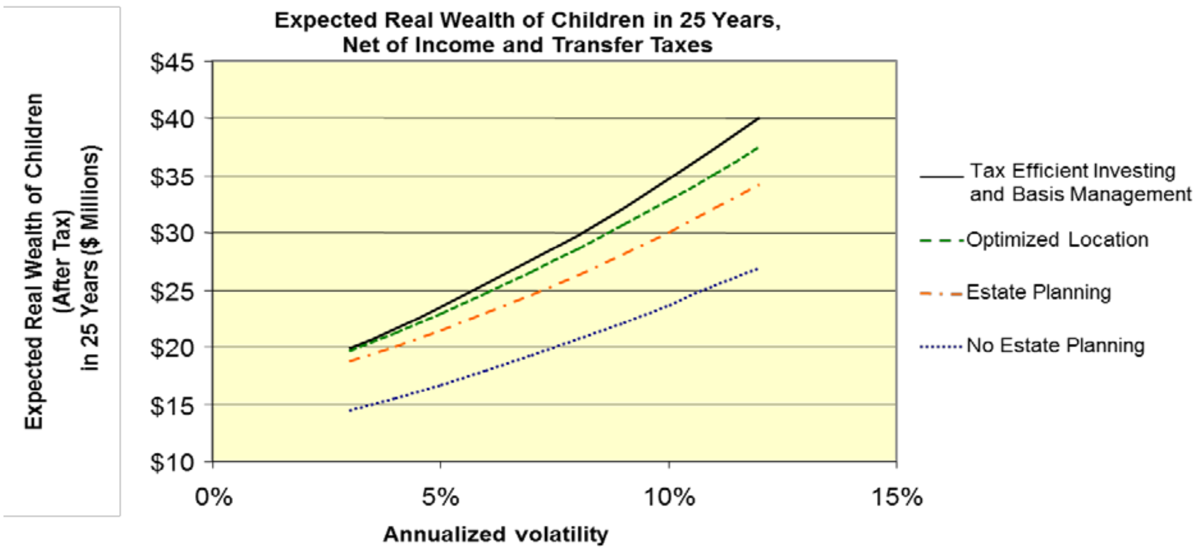
Instead, the efficient frontier of the private investor, who views himself as a steward of wealth, is a comparison of the expected future after-tax real wealth the investor's beneficiaries will receive in comparison to expected after-tax real wealth risk of the wealth management strategies, as illustrated below.



For illustrative purposes only
*Chart reproduced from *Modern Investment Management* by Bob Litterman and the Quantitative Resources Group of Goldman Sachs Asset Management (2003)

3. What are the Key Components of Structuring a Wealth Management Strategy for a Private Investor?

A wealth management strategy for a private investor involves much more than constructing an investment strategy. A wealth management strategy involves estate and income tax planning that is consistent with the private investor's stewardship goals, optimized location of asset classes in the tax-advantaged entities the private investor has created, and the use of income tax efficient investing and basis enhancing strategies when possible. A sample efficient frontier for the private investor, as a steward of wealth, is illustrated below.



For illustrative purposes only

*Chart reproduced from *Modern Investment Management* by Bob Litterman and the Quantitative Resources Group of Goldman Sachs Asset Management (2003)

C. The Purposes of This Paper: Explore Wealth Management Strategies That Utilize a Combination of Effective Estate Planning Strategies, Optimized Location of Asset Classes in Family Entities and Basis Enhancing Strategies to Decrease Both Income Taxes and Transfer Taxes on a Net Basis.

The question this paper will address is: are there transfer tax management strategies for low basis assets (perhaps in conjunction with basis enhancing strategies and asset location strategies), that do not sacrifice income tax and health care tax considerations? If so, what are some of the best strategies we see? There are many strategies that focus only on income tax and the health care tax. The purpose of this paper is to generally focus on strategies that also address the transfer tax.

The paper will focus on planning strategies that lower the taxpayer's potential transfer taxes and reduce the net tax effect a sale of any assets subject to estate planning may have, including: various borrowing, location, disregarded entity, grantor trust, QSST, DSUE, mixing bowl and charitable planning strategies. The paper will also explore various strategies that reduce a complex trust's income taxes, indirectly benefit grantor GST trusts with a Roth IRA conversion, and enhance the basis of a surviving spouse's assets.

III. USING WEALTH MANAGEMENT AND ASSET CLASS LOCATION STRATEGIES WITH GRANTOR TRUSTS TO LOWER A DONOR FAMILY'S TOTAL NET INCOME AND TRANSFER TAXES.

A. Contributing and/or Selling Assets to a Grantor Trust.

1. The Technique.

A taxpayer could contribute a low basis asset to an intentionally defective grantor trust that does not pay income taxes or health care taxes. The taxpayer will pay the income taxes and health care taxes associated with any taxable income earned by the trust. If the grantor trust sells a low basis asset, the taxpayer will pay less estate tax, because his estate is liable for the income taxes and health care taxes associated with that sale. A trust that does not pay income taxes and health care taxes will grow much faster than a trust that does pay income taxes and health care taxes. Any growth by the grantor trust's assets will escape future estate taxes. Stated differently, depending on one's tax perspective, when a taxpayer uses grantor trusts, that taxpayer is using income taxes and health care taxes to subsidize the payment of transfer taxes or vice versa.

Consider the following example.

Example 2: Is it Better for a Taxpayer Who Owns a Low Basis Asset: (i) to Engage in Discount and Grantor Trust Planning and Then Sell the Low Basis Stock and Reinvest in a Diversified Portfolio; (ii) to Immediately Sell That Asset and Hold the Diversified Portfolio Until Death Without Any Lifetime Planning; or (iii) to Hold That Low Basis Asset Until the Taxpayer's Death and Diversify After His Death?

Danny Diversified asks his planner, Ima Mathgeek, to assume that he owns $2,500,000 in a diversified portfolio and $45,340,000 in a zero basis marketable stock that pays a 1% dividend. Danny assumes the diversified portfolio will grow at 7.4% pre-tax with 0.6% of the return being taxed at ordinary rates, 2.4% of the return being tax-free and 4.4% of the return being taxed at long-term capital gains rates with a 30% turnover. If Danny engages in estate planning, he will form a single member FLLC with 1% managing member interests and 99% non-managing member interests. In the planning alternative it is assumed Danny gifts $5,340,000 of the non-managing interests in the FLLC to a grantor trust and sells the rest of the non-managing interests to the grantor trust for a note. It is assumed that the non-managing interests in the FLLC will have a valuation discount of 35%. All of the low basis stock owned by the FLLC will be sold after the planning is completed. The trustee of the grantor trust will reduce the note with part of the cash proceeds in order that Danny can pay his income taxes.

Secondly, Danny asks Ima to assume the same facts, except Danny sells the zero basis asset and invests in a diversified portfolio, but does not do any further planning.

Finally, Danny asks Ima to assume that he does not sell the zero basis stock, or do any planning, and that his family sells the asset after his death.

Danny will need about $300,000 a year (inflation adjusted) for his consumption needs. Danny assumes that during this 15-year period the diversified portfolio will earn 7.4% before taxes with .6% of the return being taxed at ordinary rates, 2.4% of the return being tax-free and 4.4% of the return will be taxed at long-term capital gains rates with a 30% turnover. Danny assumes the single stock, if he does not sell it, will always have a 1% dividend rate.

Ima Mathgeek makes the calculations (see the spreadsheet attached as Schedule 5a-d) and concludes the following:

(i) If Danny lives in Texas, if Danny engages in the estate planning assumed above, if the diversified portfolio performs as assumed above (7.4% annual return before taxes), if Danny and/or the planning entity sells the single stock, and if Danny then lives 15 years, the single stock must earn 7.9% (including dividends) or more annually to outperform the planning and diversification strategy (see Schedule 5a). However, if Danny lives in California, under those same facts, the single stock must earn 6.38% or more annually to outperform the planning and diversification strategy (see schedule 5b).

(ii) If Danny lives in Texas, if Danny does **not** engage in any lifetime estate planning, and if the diversified portfolio performs as assumed above (7.4% annual return before taxes) after Danny sells the single stock, and if Danny then lives 15 years, the single stock must earn 4.6% (including dividends) or more annually to outperform the diversification strategy (see Schedule 5b). However, if Danny lives in California, under those same facts, the single stock must earn 3.37% (including dividends) or more annually to outperform the diversification strategy (see Schedule 5d).

The above example illustrates the power of using a grantor trust, estate freeze and discounting strategy that is a "wrapper" around a diversification wealth management strategy. Even with added immediate capital gains taxes, and the lost investment opportunity cost of those taxes with the lifetime diversification of the zero basis stock, there are **less** overall taxes with the estate planning wrapper (assuming similar pre-tax earnings) than with the hold and sell after death strategy, in a low tax state, unless the single stock has an annual 6.76% ($\frac{7.9-7.4}{7.9}$) **improvement** in pre-tax return performance over the diversified portfolio. While the above example indicates that in high tax states Danny's descendants pay less in taxes if he holds zero basis stock until death if the stock grows at certain rates of return, that is only part of the story. As noted above, from Danny's perspective there is greater asset protection, and there is less investment risk with the diversified equity portfolio, that may more than compensate for any difference in the after-tax rate of return from not diversifying. Stated differently, for many clients the relevant measure is not the after-tax rate of return, but the after-tax investment risk rate of return coupled with non-tax factors such as asset protection.

This example also illustrates the folly of only looking at a simple gift strategy, without also considering the power of grantor trusts, leveraging and discounting, in deciding if it is better to give a low basis asset or to hold an asset until death as this paper did in Example 1.

2. Advantages of the Technique.

a. Tax advantage.

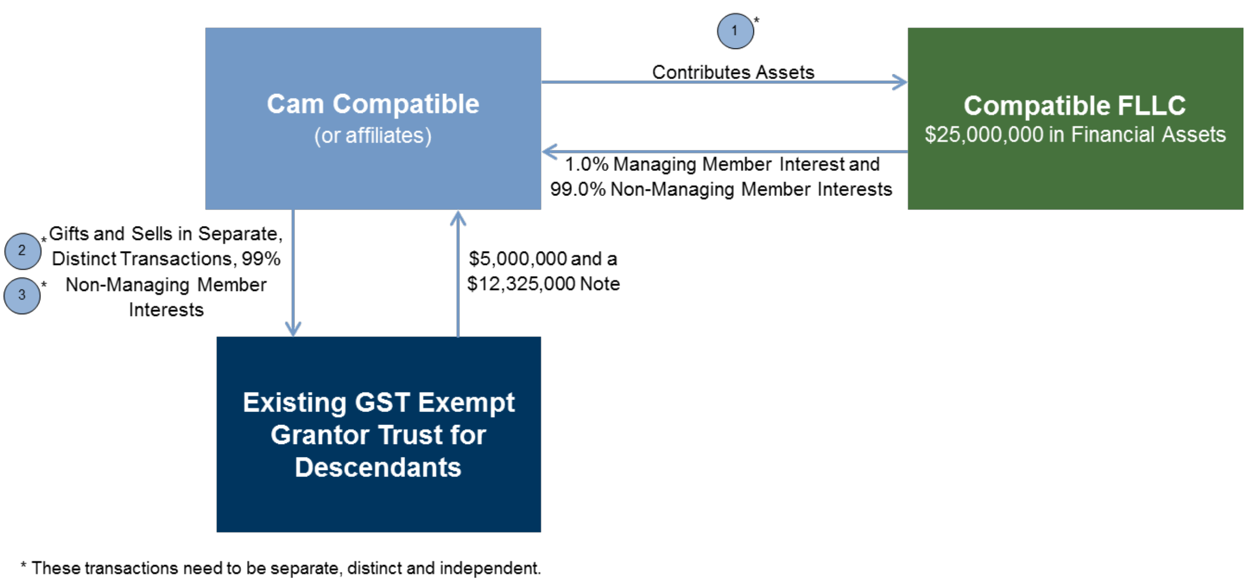
IRC Secs. 671 through 677 contain rules under which the grantor of a trust will be treated as the owner of all or any portion of that trust, referred to as a "grantor trust." If a grantor retains certain powers over a trust, it will cause the trust to be treated as a grantor trust. If the grantor is treated as the owner of any portion of a trust, IRC Sec. 671 provides that those items of income, deductions, and credits against the tax of the trust that are attributable to that portion of the trust are to be included in computing the taxable income and credits of the grantor to the extent that such items will be taken into account in computing the taxable income or credits of an individual. An item of income, deduction or credit included under IRC Sec. 671 in computing the taxable income and credits of the grantor is treated as if received or paid directly to the grantor.[25] Thus, if the private investor contributes assets to an intentionally defective grantor trust, the assets will grow (from the point of view of the trust beneficiaries) income-tax free. Furthermore, the IRS now agrees that there is no additional gift tax liability, if the private investor continues to be subject to income taxes on the trust assets and there is no right of reimbursement from the trust.[26]

It is possible to design a grantor trust that is defective for federal income tax purposes (e.g., a retained power to substitute assets of the trust for assets of equivalent value), but is not defective for transfer tax purposes. In comparison to either discounting or freezing a client's net worth, over periods of 20 years or more, the effect of paying the income taxes of a grantor trust is generally the most effective wealth transfer technique there is.

Consider the following example.

Example 3: Cam Compatible Creates a Grantor Trust for the Benefit
<u>of His Spouse and Family and Makes Certain Sales to That Trust</u>

Cam Compatible owns $32,000,000 in financial assets. Cam and affiliates contribute $25,000,000 to a family limited liability company ("FLLC") ("1"). In a separate and distinct transaction ("2") Cam contributes $5,000,000 to a trust that is a grantor trust for income tax purposes. The trust treats his wife, Carolyn, as the discretionary beneficiary and gives her certain powers of appointment over the trust. Cam, at a much later time ("3"), sells non-managing member interests to that trust, pursuant to a defined value allocation formula, in consideration for cash and notes. Assuming a 30% valuation discount, the technique is illustrated below.



[25] Treas. Reg. §1.671-2(c).

[26] *See* Rev. Rul. 2004-64, 2004-2 C.B. 7.

If the considerations that are noted below can be addressed, this technique would provide significant flexibility to both Cam and Carolyn in making sure their consumption needs are met in the future and, depending upon the terms of the powers of appointment that Cam gives Carolyn, could provide the flexibility that they need to address any changing stewardship goals that may accrue.

b. The appreciation of the assets of the trust above the interest of the note used in any sale to a grantor trust for the grantor's spouse will not be taxable in the grantor/seller's estate. [27]

Assuming there is appreciation of the trust assets above the interest carry on any note that appreciation will not be subject to estate taxes in either the grantor's estate or the grantor spouse's estate. This is a significant transfer tax advantage. In calculations that we have performed in situations where the joint life expectancies exceed 20 years, this is the second biggest driver of transfer tax savings for a client's family. (The most important driver for saving transfer taxes, over a 20-year period, as mentioned above, is the donor's paying the income taxes of the trust on a gift tax-free basis.) The interest on the note does not have to be any higher than the applicable federal rate in order to ensure there are no gift tax consequences. See IRC Sec. 7872. The applicable federal rate, depending upon the length of the term of the note is equal to the average Treasury's securities for that term. See IRC Secs. 7872 and 1274(d).

c. The advantage of locating income tax inefficient asset classes inside a grantor trust that is not subject to estate taxes.

(1) The technique of asset class location in order to improve the after-tax, after-risk adjusted rate of return for an investment portfolio.

In order to optimize after-tax risk-adjusted returns, wealth management for the private taxable investor involves: (i) the creation of tax advantaged entities; (ii) the investment in asset classes that produce an optimal after-tax risk-adjusted return; and (iii) asset class location in different tax advantaged entities.

Certain asset classes that may optimize risk-adjusted returns may not be tax efficient, which could produce a less than optimal after-tax risk adjusted return for the private investor, unless the technique of locating those asset classes in estate tax protected grantor trusts is used.

Stated differently, not every asset class that an investor and the investor's family would desire in their collective investment portfolios in order to reduce the portfolio's risk, or volatility, lends itself to investment via a tax efficient low turnover fund (i.e., a broad based passive equity fund). For instance, asset classes such as high yield bonds, hedge funds, master limited partnerships, emerging market debt and various forms of private equity are not available in a

[27] The President has proposed changes that would cause property sold by a grantor to a grantor trust to be an incomplete transfer for gift tax purposes and to be included in the grantor's gross estate. The proposal is described at p. 198 of the Treasury Department's *General Explanations of the Administration's Fiscal Year 2016 Revenue Proposals* (February 2015). The proposal would apply to post-enactment sales to existing trusts. If the proposal became law, many of the techniques described in this paper would need to be reevaluated.

passive, low turnover (tax efficient) product. An investor and his family may have all of those asset classes in their collective portfolios. See Table 1 above in Section II A 3 of the paper.

(2) Advantages of asset class location.

(i) Location of tax inefficient investment classes in a grantor trust significantly ameliorates the income income tax inefficiencies of those classes, because transfer taxes are saved when the grantor pays the income taxes of the trust.

Engaging in an asset class location strategy of locating income tax inefficient asset classes in grantor trusts, and other family planning vehicles, may greatly ameliorate those tax inefficiencies and lead to an optimal after tax risk adjusted return for the private investor. There exist various techniques (see the discussion in Section III A 2) for the investor to have direct, or indirect, access to these tax efficient entities. There exist various techniques (see the discussion in Section III A 2) for the investor to create these tax efficient entities without paying gift taxes.

Table 2 below illustrates the annual growth required for an equity fund to double (after both income taxes and transfer taxes) for an investor's beneficiaries, if the investor dies in 10 years, depending upon how a fund is located (also see attached Schedule 6). This table also illustrates the significant wealth management advantages for the private investor who: (i) engages in estate planning; (ii) invests income tax efficiently for those asset classes that he can; and (iii) optimizes location of tax inefficient asset classes in estate tax protected grantor trusts to ameliorate income tax inefficiencies.

Table 2

	Annual Growth Rate Required on a $1mm Equity Fund Which Has a 2% Dividend Rate to Achieve $2.06mm (After Tax) for Investor's Beneficiaries for an Investor Who Dies in 10 Years(1), Depending Upon How a Fund is Located, and Percentage Improvement to Equal Equity Fund with 5% Turnover(2) or 50% Turnover(3)																	
	No Estate Planning Fund Owned by Investor						Estate Planning Techniques (Fund is Not Subject to Estate Taxes)											
Equity Fund's Annual Turnover of Assets	Fund is Owned by Investor and Investor's Estate is Not Subject to Estate Tax Because of Existing Exemptions and/or Charitable Bequests			Fund is Owned by Investor and is Fully Taxable in the Investor's Estate			Fund is in a Grantor Trust and Grantor Buys the Assets from the Grantor Trust for Cash Shortly Before Grantor's Death			Fund is in a Grantor Trust at Investor's Death and Remaining Unrealized Income is Taxed in 10 Years <u>Before</u> Grantor Dies			Fund is in a Grantor Trust at Investor's Death and Remaining Unrealized Income is Taxed in 10 Years <u>After</u> Grantor Dies			Fund is Held in a Non-Grantor Trust and Remaining Unrealized Income is Taxed in 10 Years		
	A			B			C			D			E			F		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Equity Fund with 5% Annual Turnover (4)	6.34%	N/A	N/A	12.21%	N/A	N/A	6.00%	N/A	N/A	6.59%	N/A	N/A	7.06%	N/A	N/A	7.49%	N/A	N/A
Equity Fund with 50% Annual Turnover (5)	8.16%	28.75%	N/A	15.62%	27.99%	N/A	6.91%	15.10%	N/A	7.05%	6.88%	N/A	7.37%	4.42%	N/A	8.48%	13.28%	N/A
Equity Fund with 200% Annual Turnover (6)	10.86%	71.39%	33.12%	21.03%	72.34%	34.65%	7.94%	32.40%	15.03%	7.94%	20.50%	12.75%	7.94%	12.49%	7.73%	10.86%	45.10%	28.09%

(1) These calculations ignore the effect of investment management fees, state income taxes and investment friction costs. These calculations assume the estate planning vehicles are created without paying gift taxes. An equity fund owned by a tax exempt entity would need 5.52% annual growth rate of return over 10 years, assuming a 2% dividend rate, to achieve $2.06mm.

(2) % improvement necessary to equal fund with 5% annual turnover.

(3) % improvement necessary to equal fund with 50% annual turnover.

(4) 100% short-term realized gains in year 1, 0% short-term realized gains in years 2-10; 100% long-term realized gains in years 2-10.

(5) 100% short-tern realized gains in year 1; 25% short-term realized gains and 75% long-term realized gains in years 2-10.

(6) 100% short-term realized gains in years 1-10.

The asset location of a tax inefficient investment is particularly important. There is a much more modest differential on what is needed to earn pre-tax for a tax inefficient investment, in comparison to a tax efficient investment, in order to double the investment over a 10-year period, if the investment is located in an estate tax protected grantor trust, as opposed to being taxed in the taxpayer's estate. For instance, if a fund is located in an estate tax protected grantor trust, a 200% turnover fund (e.g., certain hedge funds) needs to earn 7.94% before taxes to double the value of the investment after taxes in 10 years and a 5% turnover fund (e.g., S&P 500 index fund) needs to earn 7.06% before taxes to double the investment after taxes in 10 years. Stated differently, a 12.49% improvement in annual pre-tax return is necessary for a 200% turnover fund to equal a 5% annual turnover fund, if the fund is located in a grantor trust and sold after the grantor's death (see column E(2)). Contrast this result with those same funds being held in the taxpayer's estate, if the two different types of funds are subject to estate taxes. If the funds are subject to estate taxes, a 5% turnover will need to earn 12.21% before taxes to double the investment after taxes in 10 years, and the high 200% turnover fund will need to earn 21.03% before taxes to double the investment after taxes in 10 years. A 72.34% annual pre-tax improvement in return is necessary for a 200% turnover fund to equal a 5% annual turnover fund, if the fund is fully taxable in the investor's estate (see column B(2)). The difference between 12.49% annual pre-tax needed improvement and 72.34% annual pre-tax needed improvement is obviously significant.

Similarly, Table 3 below illustrates, if the investor dies in 10 years, the annual interest required for a bond fund to grow by one-third after-tax, depending where a fund is located, and whether the fund interest is tax-free (also see attached Schedule 7).

Table 3

	Annual Interest Rate Required on an Initial $1mm Bond Fund Investment to Equal $1.34mm for Investor's Beneficiaries for an Investor Who Dies in 10 Years(1), Depending Upon How a Fund is Located, and Percentage Improvement to Equal Tax Free Bond Fund (2)					
	No Estate Planning Fund is Owned by Investor		Estate Planning Techniques (Fund is Not Subject to Estate Taxes)			
Type of Bond Investment Fund	**Fund is Owned by Investor and is Fully Taxable in the Investor's Estate**		**Fund is Held in a Grantor Trust at Investor's Death**		**Fund is Held in a Non-Grantor Trust; or Fund is Owned by Investor and Investor's Estate is Lower than Remaining Estate Tax Exemption; or a Bequest of Fund is Made to Charity at Investor's Death**	
	A		**B**		**C**	
	(1)	**(2)**	**(1)**	**(2)**	**(1)**	**(2)**
Tax Free Bond Fund	8.40%	N/A	3.00%	N/A	3.00%	N/A
Taxable Bond Fund	15.16%	80.51%	4.10%	36.54%	5.42%	80.51%

(1) These calculations ignore the effect of investment management fees, state income taxes and investment friction costs. These calculations assume the estate planning vehicles are created without paying gift taxes.

(2) % improvement necessary to equal tax free bond fund.

d. Location of tax inefficient classes in a grantor trust, and managing the grantor trust through substitution strategies, further enhances the after tax advantage of a low turnover index fund.

As Column C(1) in Table 2 demonstrates the lowest pre-tax rate of return that is required to more than double the fund assets after 10 years is 6%, if a low turnover fund (e.g., a 5% turnover fund) is held in a grantor trust and if cash is substituted for the fund before the grantor's death. This is a classic example of the synergistic power of estate planning when it is coupled with a basis enhancing strategy.

e. Flexibility advantages of gifting and selling non-managing interests in family entities to a grantor trust in which the grantor's spouse is a beneficiary.

(1) Flexibility could be achieved by naming a spouse as a beneficiary of the grantor trust and giving a grantor's spouse a special power of appointment.

It is possible for the patriarch or matriarch to name his or her spouse as a beneficiary of a trust and also give that spouse the power to redirect trust assets that are different than the default provisions of the trust instrument. IRC Sec. 2041 provides that a person may be a beneficiary of a trust and have a power of appointment over the trust as long as the beneficiary does not have the right to enjoy the benefits of the trust under a standard that is not ascertainable and does not have the power to appoint the trust assets to either the beneficiary's estate or creditors of the beneficiary's estate. If an independent third party is trustee of the trust, that third party could have significant additional powers over the trust to distribute assets of the trust for the benefit of that spouse. If the spouse is serving as trustee and has distribution powers in that capacity, the distributions powers must be ascertainable and enforceable by a court for the health, education, maintenance standard of IRC Sec. 2041.

If unanticipated consumption problems accrue during a couple's lifetime and if the trust allows distributions to be made to meet those unanticipated consumption needs, that trust can obviously act as a safety valve for those needs. If the trust allows the grantor's spouse to appoint properties in a manner different than the default provisions of the trust, those powers of appointment could also serve as a safety valve to redirect the properties of the trust that is more consistent with the client's future stewardship goals.

A collateral benefit of the inherent flexibility of creating trusts that have the safety valve of having a client's spouse as the beneficiary, and giving that spouse a limited special power of appointment, is that the technique encourages the client to create such a trust when the client may be reluctant to do so.

(2) Flexibility could also be achieved by refinancing the note to a note with a different interest rate, a private annuity, purchasing assets owned by the trust and/or renouncing the powers that make the trust a grantor trust.

The note retained by the grantor could also be structured and/or converted to meet the grantor's consumption needs, without additional gift taxes, as long as the restructuring is for adequate and full consideration. For instance, the note at a future time could be converted to a private annuity to last the grantor's lifetime. That conversion should be on an income tax free basis since, as noted above, the trust and any consideration received for any sale to the trust are ignored for income tax purposes. The note could also be restructured to pay a different interest rate, as long as the new rate is not lower than the AFR rate or higher than the fair market value rate. If the grantor cannot afford to pay the trust's income taxes in the future, the trust could be converted to a complex trust that pays its own income taxes. However, converting the trust to a complex trust could have income tax consequences if the then principal balance of the note is greater than the basis of the assets that were originally sold. That difference will be subject to capital gains taxes.[28]

f. The taxpayer may retain investment control of the family's assets and may also retain limited control of any distributions from the transferred entity interests to family members.

What should a taxpayer who wishes to have some impact on family partnership or FLLC distributions do to prevent the potential application of IRC Sec. 2036(a)(2)? The taxpayer should either adopt a strategy of selling all of his partnership interests, except the management interest, for full consideration, *or* take one of the following actions:

(i) The retained distribution power is subject to a standard that could be enforced by a court;

(ii) The general partnership interest or managing member interest that has distribution power could be contributed by the taxpayer to a trust where the taxpayer has the right to remove and replace the trustee, as long as the replacement is not related or subordinate; *or*

(iii) The general partnership interest or managing member interest, that has the distribution power, could be contributed by the taxpayer to a corporation and the taxpayer could retain the voting stock and transfer the non-voting stock to his family.

3. Considerations of the Technique.

a. There may need to be substantive equity in the trust from prior gifts (is 10% equity enough?) before the sale is made.

The note needs to be treated as a note for tax purposes. Generally, estate and gift tax law follows state property law.[29] Thus, there needs to be a strong likelihood that the note will be paid and the capitalization of the trust should not be too "thin."[30] If the assets of the trust are almost

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[28] *See* Treas. Reg. §1.1001-2(e), Ex. 5; *Madorin v. Commissioner*, 84 T.C. 667 (1985); Rev. Rul. 77-402, 1977-2 C.B. 722.

[29] *See United States v. Bess*, 357 U.S. 51 (1958); *Morgan v. Commissioner*, 309 U.S. 78 (1940).

[30] In the corporate context *see* IRC Sec. 385(b); *Miller v. Commissioner*, T.C. Memo 1996-3, 71 T.C.M. (CCH) 1674; *see also* IRC Sec. 385 (titled "Treatment of Certain Interests In Corporations As Stock or Indebtedness"); Notice 94-47, 1994–1 C.B. 357. *See also*, Staff of the Joint Committee on Taxation, "Federal Income Tax Aspects of Corporate Financial Structures," JCS-1-89, at 35-37 91989), noting that various courts have determined that the following features, among others, are characteristic of debt:

> 1) a written unconditional promise to pay on demand or on a specific date a sum certain in money in return for an adequate consideration in money or money's worth, and to pay a fixed rate of interest; 2) a preference over, or lack of subordination to, other interests in the corporation; 3) a

equal to the value of the note, the note may not be considered a note under equitable tax principles, but rather a disguised interest in the trust. If the note is considered a disguised interest in the trust, the provisions of the trust and the note may not satisfy the requirements of IRC Sec. 2702 and, thus, all of the assets of the trust could be considered as having been given to the donees (the remainder beneficiaries of the trust) without any offsetting consideration for the value of the note. If the note is considered a disguised retained beneficial interest in the trust, instead of a note, the IRS may take the position that IRC Secs. 2036 and/or 2038 apply on the death of the taxpayer.[31] Based on a private letter ruling in 1995[32] and the statutory make-up of IRC Sec. 2701, many practitioners and commentators seem to be comfortable with leverage that does not exceed 90%.[33]

b. State income tax considerations.

Many states that have a state income tax have similar provisions to the federal tax law with respect to grantor trusts, but it is not clear all states would follow the logic of Rev. Rul. 85-13. Thus, there could be state income tax consequences with the sale, whether there are capital gains consequences and/or there could be a mismatch of the interest income and interest deduction associated with any sale.

c. The IRS could be successful in the argument, that because of the step transaction doctrine, a valuation discount is not appropriate in valuing the transferred entity interest.

The common law doctrine known as the step transaction doctrine, which is an application of the larger substance over form doctrine, could under certain circumstances, be used by the IRS to deny the tax benefit of taking a valuation discount on the sale of the partnership interest to the

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> relatively low corporate debt to equity ratio; 4) the lack of convertibility into the stock of the corporation; 5) independence between the holdings of the stock of the corporation and the holdings of the interest in question; 6) an intent of the parties to create a creditor-debtor relationship; 7) principal and interest payments that are not subject to the risks of the corporation's business; 8) the existence of security to ensure the payment of interest and principal, including sinking fund arrangements, if appropriate; 9) the existence of rights of enforcement and default remedies; 10) an expectation of repayment; 11) the holder's lack of voting and management rights (except in the case of default or similar circumstance); 12) the availability of other credit sources at similar terms; 13) the ability to freely transfer the debt obligation; 14) interest payments that are not contingent on or subject to management of board of directors' discretion; and 15) the labelling and financial statement classification of the instrument as debt. Some of these criteria are the same as those specified in §385, but this elaboration is a more extensive summary of the factors applicable in making the determination.

See also the discussion of what constitutes a valid indebtedness in *Todd v. Comm'r.*, T.C. Memo 2011-123, aff'd per curiam 486 Fed. App. 423 (5th Cir. 2012).

[31] The IRS made that argument in *Karmazin* (T.C. Docket No. 2127-03, 2003), but the case was settled on terms favorable to the taxpayer. In *Dallas v. Commissioner* (T.C. Memo 2006-72) the IRS originally made that argument, but dropped the argument before trial. The IRS is currently making both of those argument in two docketed cases, *Estate of Donald Woelbing v. Commissioner* (Docket No. 30261-13) and *Estate of Marion Woelbing v. Commissioner* (Docket No. 30260-13).

[32] P.L.R. 9535026 (May 31, 1995).

[33] *See* Martin Shenkman, "Role of Guarantees and Seed Gifts in Family Installment Sales," 37 Estate Planning 3 (Nov. 2010).

grantor trust as illustrated in this Example 3.[34] In applying the step transaction doctrine, the IRS or court may not treat the various steps of the transfer as independent. Instead, the steps in creating the partnership and transferring a partnership interest may be collapsed into a single transaction. Under the circumstances of creating the partnership and selling an interest to a grantor trust, the crucial key to not run afoul of the step transaction doctrine may be establishing that the creation of the FLP or FLLC should stand on its own. Could the act of a transferor creating a FLP or FLLC be independently separated from the gift and/or sale to the trust? The creation of the FLP or FLLC should be designed to be sufficiently independent on its own and as an act that does not require a gift and/or sale to that trust. There does not have to be a business purpose for the creation of the trust. It is difficult for this writer to understand the business purpose of any gift. As noted above, the Supreme Court has said on two separate occasions, estate and gift tax law should be applied in a manner that follows a state property law analysis.[35] Thus, the key questions could be, is the creation of the FLP or FLLC recognized for state property law purposes, and is its creation independent of any other events, including the subsequent gift and/or sale to the trust? It would seem to this writer in many situations it could be demonstrated that the creation of the trust did not require a gift and/or sale to that trust of the interest in the FLP or FLLC for state law property purposes or for tax purposes. Furthermore, as noted above, a sale to such a trust has economic risk to the trust. The trust has both risk and reward. The value of the assets could depreciate below the value of the note. Depending upon the size of the transaction, 10% equity may represent real risk in comparison to the reward of the leverage. One percent equity may not.

An excellent discussion of the interrelationship of state property law, federal transfer tax law and the step transaction doctrine in the transfer tax context is found in the *Linton*[36] case. This case involved the identification of what was transferred for gift tax purposes. The Linton's transferred certain assets to a FLLC and then transferred the FLLC interests to trusts for the Linton family. The question before the court was whether, for gift tax purposes, the transfers were the assets contributed to the FLLC or the FLLC interests. The court held the transfers were the FLLC interests:

> The state law of gifts informs our analysis of whether and when the donor has parted with dominion and control in a manner adequate to give rise to federal tax liability. *See Jones v. Comm'r,* 129 T.C. 146, 150 (2007) ("In order to make a valid gift for Federal tax purposes, a transfer must at least effect a valid gift under the applicable State law."); *cf. United States v. Nat'l Bank of Commerce*, 472 U.S. 719, 722 (1985) ("[I]n the application of a federal revenue act, state law controls in determining the nature of the legal interest which the taxpayer had in the property." (quotation omitted)); *Aquilino v. United States,* 363 U.S. 509, 514 n. 3 (1960);

[34] *See* Donald P. DiCarlo, Jr., "What Estate Planners Need to Know About the Step Transaction Doctrine," 45 Real Prop. Tr. & Est. L.J. 355 (Summer 2010).

[35] *See United States v. Bess*, 357 U.S. 51 (1958); *Morgan v. Commissioner*, 309 U.S. 78 (1940).

[36] *See Linton v. United States*, 630 F.3d 1211 (9th Cir. 2011); *see also* the following cases which also held that the step transaction doctrine did apply under the facts of the case: *Holman v. Commissioner*, 601 F.3d 763 (8th Cir. 2010); *Senda v. Commissioner*, 433 F.3d 1044 (8th Cir. 2006); *Gross v. Commissioner*, T.C. Memo 2010-176 (2010); *Shepherd v. Commissioner*, 115 T.C. 376 (2000). *But see Heckerman v. United States*, 104 A.F.T.R. 2d 5551 (W.D. Wash. 2009), which held the step transaction doctrine did apply.

Shepherd v. Comm'r, 115 T.C. 376, 384 (2000), *aff'd* 283 F.3d 1258 (11th Cir. 2002) ("look[ing] to applicable State law . . . to determine what property rights are conveyed"). This conclusion follows from the general principle that federal tax law "creates no property rights but merely attaches consequences, federally defined, to rights created under state law." *Nat'l Bank of Commerce,* 472 U.S. at 722 (quotation omitted); *Morgan v. Comm'r,* 309 U.S. 78, 80 (1940) ("State law creates legal interests and rights. The federal revenue acts designate what interests or rights, so created, shall be taxed."); *cf. United States v. Mitchell,* 403 U.S. 190, 197 (1971) (explaining that "federal income tax liability follows ownership. . . . In the determination of ownership, state law controls.").

* * *

The step transaction doctrine treats multiple transactions as a single integrated transaction for tax purposes if all of the elements of at least one of three tests are satisfied: (1) the end result test, (2) the interdependence test, or (3) the binding commitment test. *True v. United States,* 190 F.3d 1165, 1174-75 (10th Cir. 1999). Although the doctrine considers the substance over the form of the transactions, "'anyone may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose the pattern which will best pay the Treasury.'" *Brown,* 329 F.3d at 671 (quoting *Grove v. Comm'r,* 490 F.2d 241, 242 (2d Cir. 1973)).

The step transaction doctrine has been described as "combin[ing] a series of individually meaningless steps into a single transaction." *Esmark, Inc. & Affiliated Cos. v. Comm'r,* 90 T.C. 171, 195 (1988). We note as a threshold matter that the government has pointed to no meaningless or unnecessary step that should be ignored. Nonetheless, examining the step transaction doctrine in light of the three applicable tests, we conclude that its application does not entitle the government to summary judgment.

The end result test asks whether a series of steps was undertaken to reach a particular result, and, if so, treats the steps as one. *True,* 190 F.3d at 1175. Under this test, a taxpayer's subjective intent is "especially relevant," and we ask "whether the taxpayer intended to reach a particular result by structuring a series of transactions in a certain way." *Id.* The result sought by the Lintons is consistent with the tax treatment that they seek: The Lintons wanted to convey to their children LLC interests, without giving them management control over the LLC or ownership of the underlying assets. Ample evidence supports this intention. The end result sought and achieved was the gifting of LLC interests. If the transactions could somehow be merged, the Lintons would still prevail, because the end result would be that their gifts of LLC interests would be taxed as they contend.

The interdependence test asks "whether on a reasonable interpretation of objective facts the steps were so interdependent that the legal relations created by one transaction would have been fruitless without a completion of the series." *Associated Wholesale Grocers, Inc. v. United States,* 927 F.2d 1517, 1523 (10th Cir. 1991) (quotation marks omitted). Under this test, it may be "useful to compare the transactions in question with those we might usually expect to occur in otherwise bona fide business settings." *True,* 190 F.3d at 1176.

> The placing of assets into a limited liability entity such as the LLC is an ordinary and objectively reasonable business activity that makes sense with or without any subsequent gift. In *Holman v. Commissioner*, the Tax Court stated that the creation of a limited partnership was not necessarily "fruitless" even if done in anticipation of gifting partnership interests to the taxpayers' children. 130 T.C. 170, 188, 191 (2008) (holding the creation of the limited partnership and the subsequent transfer of partnership interests should not be treated as a single transaction). The Lintons' creation and funding of the LLC enabled them to specify the terms of the LLC and contribute the desired amount and type of capital to it—reasonable and ordinary business activities. These facts do not meet the requirements of the interdependence test.
>
> The binding commitment test asks whether, at the time the first step of a transaction was entered, there was a binding commitment to take the later steps. *Comm'r v. Gordon*, 391 U.S. 83, 96 (1968). The test only applies to transactions spanning several years. *True*, 190 F.3d at 1175 n. 8; *Associated Wholesale Grocers*, 927 F.2d at 1522 n. 6; *McDonald's Rests. of Illinois, Inc. v. Comm'r*, 688 F.2d 520, 525 (7th Cir. 1982) (rejecting application of the test for transactions spanning six months). Here, the Lintons' transactions took place over the course of no more than a few months, and arguably a few weeks. The binding commitment test is inapplicable.
>
> The government is therefore not entitled to summary judgment based on an application of the step transaction doctrine.

d. If the assets decrease in value, the gift tax exemption equivalent may not be recoverable.

If a trust's assets decrease in value the gift tax exemption equivalent may not be recoverable. The problem inherent in creating a grantor trust, using the grantor's gift tax exemption equivalent, and leveraging that gift through a sale, is that the trust assets could decrease in value. In comparison to the creation of a grantor retained annuity trust ("GRAT") (see Section III C of this paper), this may have the disadvantage of wasting a grantor's gift tax exemption equivalent.

e. There may be capital gains consequences with respect to the note receivables and/or note payables that may exist at death.

Under the facts of Revenue Ruling 85-13, 1985-1 C.B. 184, a grantor of a trust purchases all of the assets of that trust in consideration for an unsecured promissory note. The purchase is done in a manner that makes the trust a grantor trust. The key issue to be decided by the IRS in the revenue ruling is as follows:

> To the extent that a grantor is treated as the owner of a trust, *whether the trust will be recognized as a separate taxpayer capable of entering into a sales transaction with the grantor*. (Emphasis added.)

The IRS determined that for income tax purposes the trust was not capable of entering into a sales transaction with the grantor as a separate taxpayer. The Revenue Ruling then cited some old cases for the common sense proposition that a taxpayer cannot enter into transactions with himself for income tax purposes and have it recognized. The trust would not be capable of entering into a sales transaction for income tax purposes as a separate taxpayer until the moment of the grantor's death. For income tax purposes, the trust itself is not created and recognized as a separate taxpayer until the moment of the death of the grantor.

If a grantor sells low basis assets to a grantor trust for a note, and if there is an outstanding note **receivable** at death that exceeds the basis of the assets that were sold, is there a capital gains transaction at death when the grantor trust converts into a trust that is for the first time recognized for income tax purposes? The grantor's death is the event, for income tax purposes, that first causes the asset contribution to the trust to be recognized and first causes the sale of certain of those assets to the trust for a note to be recognized. Consider the following analogous example: a decedent directs in his will that his executor contribute certain assets to a trust and sell certain assets to that trust. There would not be any income taxes to the decedent's estate with that sale. Is that the proper analysis when there is an outstanding receivable from a grantor trust at the grantor's death? There is no definitive authority on that question and there is a debate among the commentators as to the correct assumption.[37] To the extent this is a concern, the note could be paid in-kind by the trust before the death of the grantor (perhaps with a low basis asset that will receive a basis step-up on the death of the grantor).

If a grantor purchases a low basis asset from a grantor trust, what is the trust's basis in any note **payable** to the trust by the decedent grantor at the moment of death? The grantor's death is the event, for income tax purposes, that first causes the asset contribution to the trust to be recognized and first causes the purchase of certain of those assets to the trust for a note to be recognized. Consider the following analogous example: a decedent directs in his will that the executor create a trust with part of the assets of his estate. The decedent then directs that the executor purchase certain of those assets from the trust with a note. The decedent finally directs the executor to pay the note with other assets of his estate. There would not be any income taxes recognized by the trust with that payment. Is that the proper analysis in determining the tax consequences of a payment of a note payable to a grantor trust upon the grantor's death, which is the moment when all of the transactions are first recognized for income tax purposes? Again, there is no definitive authority on what the trust's basis in a note payable to the trust is at the moment of death, and the possibility exists that a court could find that the basis of the note is equal to the basis of the trust assets sold to the grantor at the time of the purchase.

To the extent this is a concern, it could be mitigated by the grantor borrowing cash from a third party lender and using that cash to eliminate the note owed to the trust. At a later time, perhaps after the trust is converted to a complex trust for income tax purposes, the grantor (or his executor) could borrow the cash from the trust and pay the third party lender. If the trust, at that later time, does loan cash to the grantor or the executor of the grantor's estate, the trust's basis in that note should be equal to the cash that is loaned. (See the discussion in Section IV A of this paper.)

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[37] Compare Cantrell, *Gains is Realized at Death*, TR. & ESTS. 20 (Feb. 2010) and Dunn & Handler, *Tax Consequences of Outstanding Trust Liabilities When Grantor Status Terminates*, 95 J. TAX'N (July 2001) with Gans & Blattmachr, *No Gain at Death*, TR. & ESTS. 34 (Feb. 2010); Manning & Hirsch, *Deferred Payment Sales to Grantor Truss, GRATs, and Net Gifts; Income and Transfer Tax Elements*, 24 TAX MGMT. EST., GIFTS & TR. J. 3 (1999); Hatcher & Manigault, *Using Beneficiary Guarantees in Defective Grantor Trusts*, 92 J. TAX'N 152, 161-64 (2000); Blattmachr, Gans & Jacobson, *Income Tax Effects of Termination of Grantor Trust Status by Reason of the Grantor's Death*, 97 J. TAX'N 149 (Sept. 2002).

f. The IRS may contest the valuation of any assets that are hard to value that are donated to a grantor trust or are sold to such a trust.

(1) The problem and the probable solution: defined allocation transfers.

The IRS will almost always scrutinize significant transfers of "hard to value" assets. Reasonable people (and, of course, unreasonable people) can differ on the value of certain assets (*e.g.*, a FLP interest). From the IRS's point of view, scrutiny of those assets may represent a significant revenue opportunity. One approach that may reduce the chance of an audit of a transfer of a hard to value asset, or a gift tax surprise, if an audit does occur, is to utilize a formula defined value allocation transfer.[38] A formula defined value allocation transfer may increase the retained interest of the donor (as in the case of a grantor retained annuity trust); may define the portion of the property interest that is transferred or may provide that a defined portion of the property transferred passes to a "tax sheltered recipient." For example, a transfer may provide that an undivided part of a "hard to value" asset, which exceeds a defined value of the transferred entity interest, will pass either to a grantor retained annuity trust,[39] the transferor's spouse,[40] charity[41] or a trust in which the grantor has retained an interest that makes the gift incomplete.[42]

"Formula defined value allocation" clauses should be distinguished from "reversion" clauses like the ones discussed in Revenue Ruling 86-41, 1986-1 C.B. 442, and in *Procter*.[43] In Rev. Rul. 86-41, the IRS said that a clause that increased the consideration to be paid for the transferred property, or that caused a portion of the transferred property to revert to the transferor, were conditions subsequent that are not effective to circumvent a taxable gift from being made on the transfer of the property. By contrast, formula clauses defining the amount of the transfer or the identity of the transferee are ubiquitous in the transfer tax context. In fact, such arrangements are specifically permitted in the tax law.[44] If an adjustment occurs in a formula defined value

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[38] *See* S. Stacy Eastland, "*The Art of Donating Your Cake to Your Family and Eating it Too: Current Gift Planning Opportunities Using Strings That Are Not Considered Attached by the Donor*" 47th Annual Heckerling Institute on Estate Planning ¶ 602.2[c]5 (June, 2013).

[39] *E.g.*, the excess could be transferred to a grantor retained annuity trust under IRC Sec. 2702 that is nearly "zeroed out" with respect to the grantor and uses the required revaluation clause in the trust agreement with respect to a retained annuity.

[40] *E.g.*, the excess could be transferred to a spouse or a marital deduction trust pursuant to a formula marital deduction clause.

[41] *E.g.*, the excess could be transferred to a charity. *See McCord v. Commissioner*, 120 T.C. 358 (2003); *Estate of Christianson v. Commissioner*, 130 T.C. 1 (2008), aff'd 586 F.3d 1061 (8th Cir. 2009); *Hendrix v. Commissioner*, T.C. Memo 2011-133, 101 T.C.M. (CCH) 1642; *Estate of Petter v. Commissioner*, T.C. Memo 2009-280, 99 T.C.M. (CCH) 534.

[42] David A. Handler & Deborah V. Dunn, "The LPA Lid: A New Way to 'Contain' Gift Revaluations," 27 Estate Planning 206 (June 2000).

[43] *See Commissioner v. Procter*, 142 F.2d 824 (4th Cir. 1944); see also *Ward v. Commissioner*, 87 T.C. 78 (1986).

[44] *See* Treas. Reg. §25.2518-3(c) (allowing defined value formula for disclaimer of pecuniary amount); Treas. Reg. §25.2702-3(b)(2) (allowing value of grantor retained annuity trust annuity to be stated in terms of a fraction or percentage of fair market value); Treas. Reg. §25.2702-39(c)(2) (requiring the annuity of a grantor retained annuity trust to be increased if an incorrect determination of the fair market value of the trust assets is made);

allocation clause, a change in the identity of the transferee may occur (*e.g.*, the credit shelter trust owns less of the asset and the marital trust owns more of the asset). If an adjustment occurs in a price adjustment clause, the initial transfer is partially unwound and the identity of the transferee does not change (*e.g.*, the transferee pays an additional amount for the asset). Price reimbursement clauses were found to be against public policy in *Procter* because, if such clauses were effective, the result of an audit of the gift tax return could never result in a deficiency and there is no other penalty of assets passing to a different transferee. Although part of the same public policy argument applies to formula defined value allocation clauses, they are so commonly used that an argument that they are void is not persuasive. Secondly, the public policy argument could be addressed by deliberately structuring the formula to produce a small deficiency on audit. Thirdly, formula clauses have a penalty in that the transferred assets could pass to an unintended transferee.

(2) Defined value allocation clauses involving a defined dollar transfer by the donor.

Technical Advice Memorandum 86-11-004[45] illustrates the effect of a defined value clause when the excess value above the defined value accrues to the donor, instead of to a spouse or a charity. Under the facts in Technical Advice Memorandum 86-11-004, a man ("the donor") transferred a sole proprietorship to a partnership in exchange for a 99.9982% interest in the partnership. The other .0018% interest in the partnership was owned by trusts for the donor's children. The donor transferred a portion of his partnership interest equal to a stated dollar amount to the trusts for his children each year from 1971 through 1982. The donor and trustees agreed on the capital ownership attributable to the gifts, and partnership income was allocated accordingly. The IRS concluded that the interests transferred by the donor were those having a fractional equivalent to the stated fair market values of the gifts, based upon the fair market value of the partnership at the time of each gift determined according to recognized valuation principles. The donor's interest extended to the rest of the partnership because he could have asserted ownership to the extent that the gifted fractional interests reflected in the partnership agreement and income tax returns exceeded the fractional interests actually conveyed in the gift assignments. If, however, he were ever barred from enforcing his ownership right to the excess interest, he would be treated as having made an additional gift to the trusts. To the extent that income was allocated to the donees in an amount exceeding the partnership interest to which they were actually entitled, the donor made gift assignments of the income, with the implicit right to revoke the assignments by asserting his right to the excess partnership interest. Therefore, according to the Technical Advice Memorandum the gifts of income were to be regarded as complete when each distribution of excess income became irrevocable as a result of the lapse of the statute of limitations.

Rev. Proc. 64-19, 1964-1 C.B. 682 (relating to defined value formula for funding the marital deduction); Treas. Reg. §1.664-2(a)(1)(iii) (allowing defined value dollar amount of charitable remainder annuity trust to be expressed as a fraction or percentage of the initial net fair market value of the property passing in trust as finally determined for Federal tax purposes); Rev. Rul. 72-395, 1972-2 C.B. 340, 344, modified by Rev. Rul. 80-123, 1980-1 C.B. 205 and Rev. Rul. 82-128, 1982-2 C.B. 71 (allowing value definition clauses in charitable remainder trusts); Treas. Reg. §1.664-3(a)(1)(iii) (requiring adjustments in annuity amounts if an incorrect determination of the fair market value of the charitable remainder trust has been made).

[45] Tech. Adv. Mem. 8611004 (Nov. 15, 1985).

The recent *Wandry v. Commissioner* case (T.C. No. 10751-09, T.C. Memo. 2012-88, March 26, 2012, nonacq.) partially overrules Technical Advise Memorandum 86-11-004 to the extent it holds that a gift is made when the statute of limitations expires, if the transferred percentage interest of the enterprise exceeds the fair market value of the dollar formula transfer.

The Tax Court opinion was written by Judge Haines. Judge Haines addressed the IRS arguments and concluded:

> Absent the audit, the donees might never have received the proper [LLC] percentage interests they were entitled to, but that does not mean that parts of petitioners' transfers were dependent upon an IRS audit. Rather, the audit merely ensured that petitioners' children and grandchildren would receive the 1.98% and .083% [LLC] percentage interests they were always entitled to receive, respectively.
>
> It is inconsequential that the adjustment clause reallocates membership units among petitioners and the donees rather than a charitable organization *because the reallocations do not alter the transfers*. On January 1, 2004, each donee was entitled to a predefined [LLC] percentage interest expressed through a formula. The gift documents do not allow for petitioners to "take property back". Rather, the gift documents correct the allocation of LLC membership units among petitioners and the donees because the [business appraiser] report understated [the LLC's] value. The clauses at issue are valid formula clauses. [emphasis added]

Finally, Judge Haines rejected the Procter public policy argument that the IRS made, stating that "[t]he lack of charitable component in the cases at hand does not result in a 'severe and immediate' public policy concern."

B. Swapping Assets Inside a Grantor Trust, or a Disregarded Single Member FLLC, Before the Death of the Grantor.

If there are low basis assets inside a grantor trust, or a disregarded single member FLLC, the grantor could substitute high basis assets for the low basis assets held by the grantor trust or the disregarded single member FLLC.

1. Advantages of the Technique.

   a. The low basis assets, if retained by the grantor, will receive a basis step-up on the grantor's death.

   b. If the low basis assets are sold by the grantor before his or her death the cost of the capital gains taxes will be borne by the grantor (just as they would have been if the assets had been sold by the grantor trust or a disregarded single member FLLC.)

2. Considerations of the Technique.

   a. The grantor may not have any high basis assets, or cash, to swap.

If that is the case, consider a recourse third party loan of cash to the grantor. The grantor could then use that cash to swap for the low basis asset. The grantor trust may then be converted to a complex non-grantor trust. At a later time, in an independent transaction, the grantor could borrow the high basis cash from the trust with a long-term, recourse note that is unsecured and use that cash to pay the principal of the third party loan. This lending strategy is described in Section IV of this paper.

b. To the extent, after the swap of assets, "swapped" low basis assets grow more than the "swapped" high basis assets in the grantor trust, the grantor's estate taxes will increase.

That consideration could be mitigated by a reverse note purchase technique described above. For instance, assume that a grantor wishes to borrow cash from the trust. That loan could be accomplished by a recourse, unsecured note that pays a fair market value interest rate. That interest rate carry may be higher than the rate of return of the high basis asset, which would mitigate or eliminate any estate tax cost associated with the low basis asset's growth in the grantor's estate. See the discussion in Section IV of this paper.

C. Gifting and Selling Low Basis Assets to a Grantor Trust That is Subject to an Older Generation's General Power of Appointment and Estate Taxes.

1. The Technique.[46]

A taxpayer could gift cash and then later sell some of his low basis assets (for adequate and full consideration) to a grantor trust in independent transactions. The beneficiaries of the trust could be the taxpayer's descendants and an older generation beneficiary, such as a parent. The older generation beneficiary could be given a general power of appointment that will be structured to include those trust assets in his or her estate. If the grantor first gifts high basis cash to the trust, IRC Sec. 1014(e) should not apply to that gift of cash because it is not a low basis asset. The sale of low basis assets could be for a recourse, unsecured note in which both the trustee and the older generation beneficiary are personally liable. A sale price that is equal to the fair market value of the low basis assets, perhaps pursuant to a defined value allocation assignment, should also circumvent IRC Sec. 1014(e). For a discussion of defined value assignments see Section III A 3 f of this paper. If the sale price is equal to the value of the low basis asset there is not a gift and IRC Sec. 1014(e) does not apply, even if the older generation beneficiary dies within one year. For a discussion of IRC Sec. 1014(e), please see Sections II A 1 a (4) (v) of this paper.

If the older generation beneficiary's estate is small, that general power of appointment may not result in any estate taxes being assessed against his estate. The general power of appointment could be designed so that it may not be exercised unless approved by a non-adverse party such as an independent trustee. Consider the following example:

Example 4: Barbara Basis Creates a Grantor Trust for the Benefit of Her
<u>Mother, Gmom Basis, and Her Family and Makes Certain Sales to That Trust</u>

In separate and distinct transactions ("(1)") Barbara contributes $1,000,000 in cash to a trust that is a grantor trust for income tax purposes. Barbara's mother, Gmom Basis, is the initial beneficiary and is given a general power of appointment over the trust. Barbara, at a later time ("(2)") sells $9,000,000 in low basis property to that trust, pursuant to a defined value allocation

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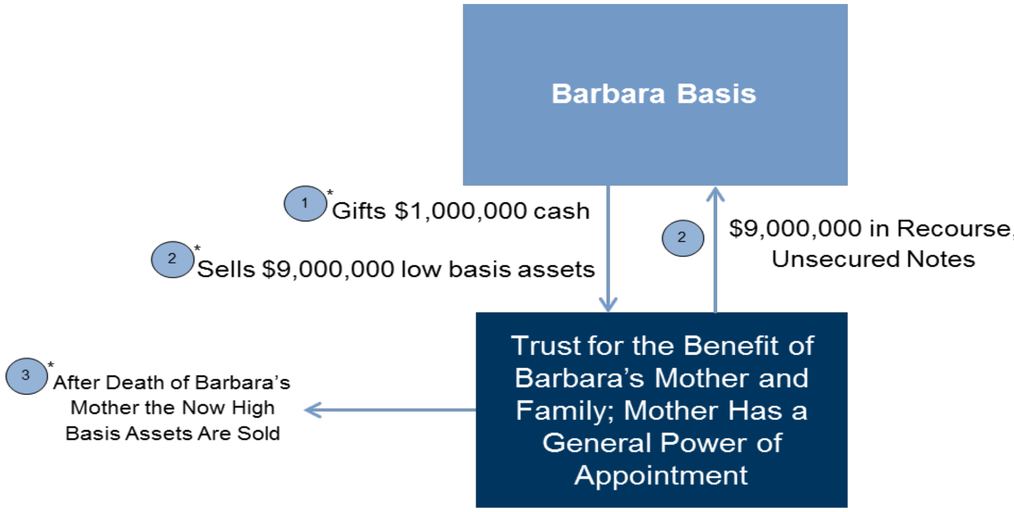
[46] *See* Mickey R. Davis and Melissa J. Willms' discussion of the accidently perfect grantor trust, *Trust and Estate Planning in a High Exemption World and the 3.8% "Medicare" Tax: What Estate and Trust Professionals Need to Know*, 61st Annual Tax Conference – Estate Planning Workshop, 31-33 (December 6, 2013).

formula for a recourse note in which both the trust and Gmom Basis are personally liable. The recourse note is unsecured. After Gmom's death ("(3)"), the trustee of the trust sells the now high basis assets and reinvests the proceeds in new assets.

The technique is illustrated below:



* These transactions need to be separate, distinct and independent.

2. Advantages of the Technique.

a. This technique has the same advantages as a sale to a grantor trust.

See Section III A 2 of this paper.

b. The assets of the trust will receive a step-up in basis on the older generation beneficiary's death equal to the fair market value of the assets, if net value rule of Treas. Reg. §2053-7 does not apply (see the discussion below in Section III C 3 e of this paper).

The non-depreciable trust assets could be sold after the older generation beneficiary's death and reinvested without capital gains tax consequences.

c. The assets of the trust may be generation skipping tax protected.

d. The older generation beneficiary may not have to pay estate taxes because of her general power of appointment, if her then available unified credit exceeds the net value of the trust.

3. Considerations of the Technique.

a. The grantor of the trust will still have a low basis in his or her note upon the death of the older generation beneficiary.

Even though the assets of the trust will receive a step-up in basis on the older generation beneficiary's death, the grantor's note does not. Under the logic of Revenue Ruling 85-13, the note does not exist as long as the grantor status of the trust is maintained. The note may be satisfied before the grantor's death without tax consequences. There is an absence of authority, and a split among certain commentators, as to whether satisfaction of the note after the grantor's death will cause capital gains consequences. See the discussion in Section III A 3 e of this paper.[47]

b. The older generation beneficiary could exercise his or her general power of appointment in an unanticipated way.

That possibility could perhaps be mitigated by requiring that an independent, non-adverse trustee approve any exercise of a general power of appointment before it is effective. This veto power seems consistent with IRC Sec. 2041(b)(1)(c)(ii), which says the power is a general power unless the veto right is held by someone “having a substantial interest in the property, subject to the power, which is adverse to exercise of the power in favor of the decedent.”

c. Many of the same considerations for the use of a grantor trust and a sale to a grantor trust would also be present for this technique. See Section III A 3 of this paper.

In order to remove the uncertainty of the consideration discussed in Section III A 3 e above, the grantor trust could pay the note with cash or assets in kind before the grantor’s death. Another strategy is for either the grantor or the trust to use third party lending. See the discussion in Section V of this paper.

d. The effect of IRC Sec. 1014(e) must be considered, if cash is not given and low basis assets are used to capitalize the trust.

See the discussion in Section II A 1 a (4) (v) of this paper.

If the donor is a beneficiary of a new trust created after the death of the donee by the donee’s exercise of a power of appointment, there may not be a step-up of the trust assets with respect to the donor’s actuarial interest in the trust. If the donor’s interest is purely discretionary in a new trust created by the older generation’s exercise, IRC Sec. 1014(e) may not apply even if the older generation beneficiary dies within one year of the donor’s creation of the grantor trust. Another key exception to the application of IRC Sec. 1014(e) is whether the decedent acquired any part of the included low basis assets by “gift”. If the decedent acquired the asset by sale, or by part sale-part gift, it would appear that the percentage of the asset acquired by sale should not be subject to IRC Sec. 1014(e). If the donor does not have a high basis asset, or cash, to initially capitalize the trust, the donor may wish to borrow cash to initially capitalize the trust. See the discussion in Section IV C of this paper.

e. The effect of Treas. Reg. §20.2053-7 needs to be considered.

Treas. Reg. §20.2053-7 provides:

> A deduction is allowed from a decedent's gross estate of the full unpaid amount of a mortgage upon, or of any other indebtedness in respect of, any property of the gross estate, including interest which had accrued thereon to the date of death, provided the value of the property, undiminished by the amount of the mortgage or indebtedness, is included in the value of the gross estate. **If the decedent's estate is liable** for the amount of the mortgage or indebtedness, **the full value of the property** subject to the mortgage or indebtedness **must be included**

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[47] *See* the authorities in footnote 44.

> as part of the value of the gross estate; the amount of the mortgage or indebtedness being in such case allowed as a deduction. **But if the decedent's estate is not so liable, only the value of the equity of redemption** (or the value of the property, less the mortgage or indebtedness) **need** be returned as part of the value of the gross estate. In no case may the deduction on account of the mortgage or indebtedness exceed the liability therefor contracted bona fide and for an adequate and full consideration in money or money's worth. (Emphasis added.)

In the example, the debt is unsecured and the debtor has personal liability to the lender. As a consequence, the full value of the gross assets could be included in the value of the decedent's estate and the liability will be separately deducted.

What if the debt is secured and the liability is non-recourse? What is the meaning of the word "need" as it is used in the regulation? Does the word "need" also mean "does not need to be"? Some have suggested it should be. If those who have so suggested are right, a huge loophole could be created with non-recourse liability. For instance, a taxpayer could take the proceeds of a non-recourse borrowing, against a low basis asset, and purchase low basis assets from another grantor trust and achieve an additional step-up on the taxpayer's death on low basis assets purchased with the proceeds of the non-recourse borrowing. Of course, a similar argument could be made with respect to recourse debt, except it is logical that if the whole estate is liable, the whole estate is available to the lender and the debtor should receive a step-up.

At some point in the future, by regulation, the IRS may make it clear, if an asset is included in a decedent's estate, and is subject to non-recourse debt, only the net value of the asset is to be reported in the decedent's estate (gross asset value minus the debt) and there will only be a partial step-up.

In the technique, Gmom's personal liability on the note is intended to strengthen the case for full inclusion and step-up at her death.

f. Is grantor trust status lost for the original grantor when the older generation beneficiary dies and the trust assets are included in the beneficiary's estate?

Treas. Reg. §1.671-2(e)(6) contains an example that would seem to indicate that the grantor trust status would not change, if the older generation does not exercise his or her general power of appointment:

> Example 8. G creates and funds a trust, T1, for the benefit of B. G retains a power to revest the assets of T1 in G within the meaning of section 676. Under the trust agreement, B is given a general power of appointment over the assets of T1. B exercises the general power of appointment with respect to one-half of the corpus of T1 in favor of a trust, T2, that is for the benefit of C, B's child. Under paragraph (e)(1) of this section, G is the grantor of T1, and under paragraphs (e)(1) and (5) of this section, B is the grantor of T2.

g. IRC Sec. 1014(b)(9) needs to be considered for property that has depreciated.

IRC Sec. 1014(b)(9) (but none of the other IRC 1014 sections) limits the basis adjustment for depreciation taken by a taxpayer other than the decedent. If the trust remains a grantor trust as to the younger generation grantor who originally took the depreciation deduction, after the death of the older generation holder of the general power of appointment, then the amount of the basis adjustment might be reduced by the amount of the depreciation deductions allowed to the younger generation grantor prior to the older generation member's death. See Treas. Reg. §1.1014-6.

Under certain circumstances, if this technique is to be used with depreciable property, it may make sense to use valuation discount techniques to sell a depreciable asset to a non-grantor trust (in order to lower the tax consequences of the sale to the non-grantor trust). For instance, a depreciable asset held in a partnership that can be discounted for valuation purposes, could be sold to a non-grantor trust under which the older generation has a power of appointment. At a later time, before the death of the older generation general power holder, in a transaction that is independent, the depreciated asset could be distributed from the partnership, or the partnership could terminate. IRC Sec. 1014(b)(4) should apply to the depreciated real estate under those circumstances and the depreciated asset should receive a step-up in basis.

IV. BORROWING STRATEGIES THAT LOWER THE NET TOTAL INCOME TAX AND TRANSFER TAX.

A. Managing a Grantor Trust (or Other Disregarded Income Tax Entity) By Making it a "Reverse Grantor Trust." The Grantor Could Purchase Low Basis Assets From a Grantor Trust By Using Either a Financed Note or a Loan From a Third Party Bank.

1. The Technique.

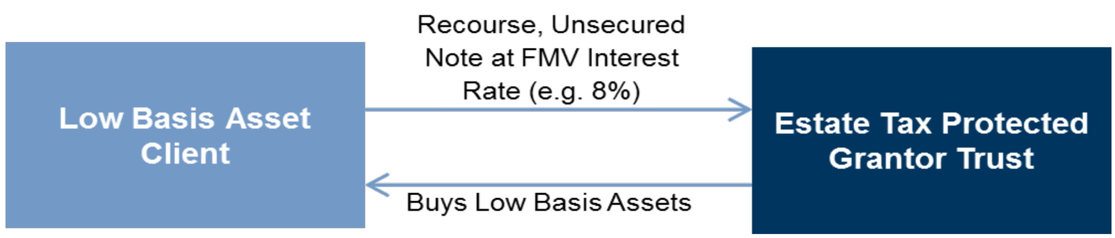
Similar to the technique illustrated by Revenue Ruling 85-13 a grantor could purchase low basis assets from a successful grantor trust. Consider the following example:

Example 5: Low Basis Asset Held by a Grantor
<u>Trust is Sold For a Fair Market Value Interest Note</u>

<u>Hypothetical Transaction #1:</u>

Stanley Step-up buys low basis asset from a grantor trust in return for a recourse unsecured note at a fair market value interest rate that is much higher than the AFR (e.g., 8.0%).

Hypothetical Transaction #1 is illustrated below:



2. Advantages of the Technique.

   a. The low basis asset will receive a step-up in basis on the grantor's death.

   b. Estate taxes will be saved if the interest carry on the note owed to the grantor trust exceeds the growth of the purchased low basis note.

   c. As long as the trust is a grantor trust, the interest payments on the note could be made in-kind without any income tax consequences.

3. Considerations of the Technique.

   a. An independent appraisal will be necessary to determine that the interest rate on the recourse, unsecured note is a fair market value interest rate. If the interest rate is too high, there may be gift tax consequences.

   b. If the note is paid back after the grantor's death, there may be capital gains consequences to the trust. See the discussion in Section III A 3 e of this paper. Stated differently, the trust's basis in the note may be equal to the basis of the low basis asset that is exchanged for the note. That result may not change on the death of the grantor, when the trust becomes a complex trust.

One way to remove this consideration may be to borrow cash from an independent third party bank. Consider the following additional hypothetical transactions.

<u>*Hypothetical Transaction #2:*</u>

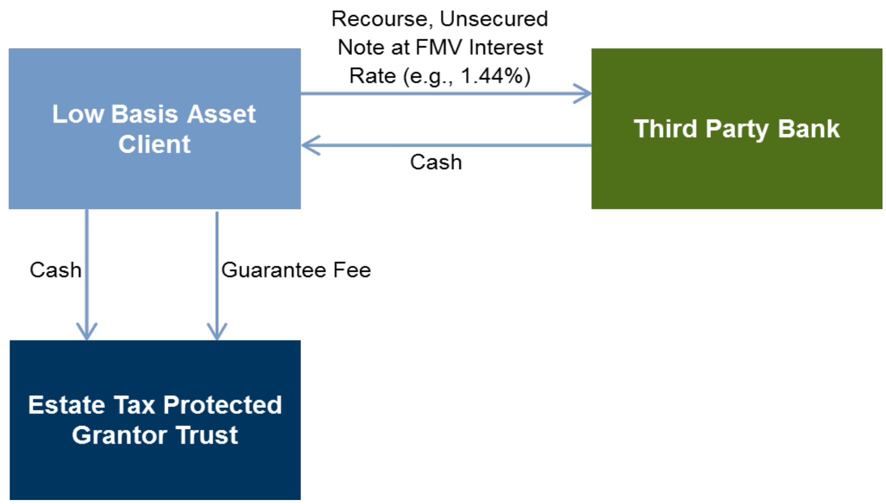
Low Basis Asset Client borrows cash from Third Party Bank in return for an unsecured demand note, or an unsecured, short-term revolving note in which the Low Basis Asset Client is personally liable.

Low Basis Asset Client uses the cash from Third Party Bank to pay Low Basis Asset Client's recourse, unsecured note that is owed to the grantor trust.

Low Basis Asset Client continues to own low basis assets, subject to the recourse, unsecured note owed to Third Party Bank.

The grantor trust has "high basis" cash, which could be re-invested. The grantor trust could also guarantee the Third Party Bank loan to Low Basis Asset Client for an intra-family guarantee fee payable from Low Basis Asset Client to the grantor trust.

Hypothetical Transaction #2 is illustrated below:



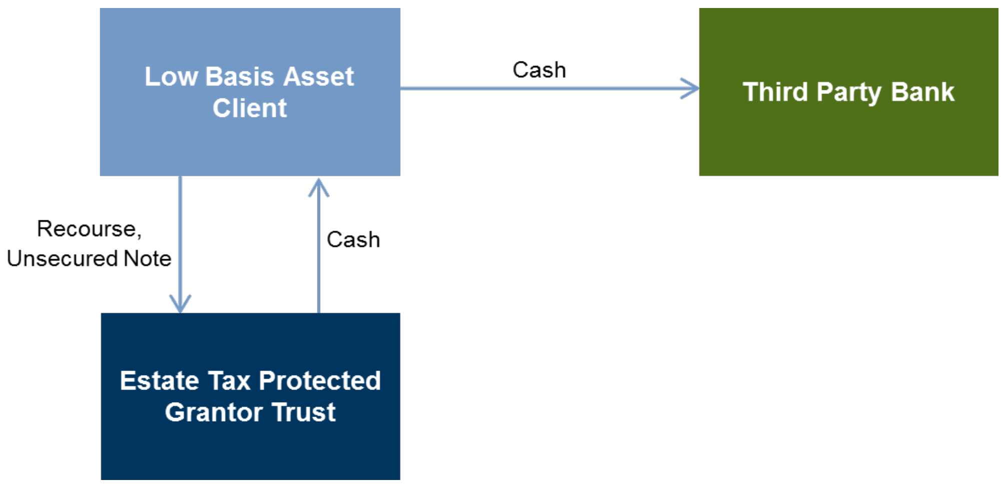
<u>*Hypothetical Transaction #3:*</u>

Low Basis Asset Client could continue to borrow from Third Party Bank. Or, in a few years, because Low Basis Asset Client would like the flexibility of an unsecured, recourse long term note, or because interest rates have changed, or because of some other financial reason, Low Basis Asset Client could borrow cash from the Estate Tax Protected Grantor Trust to help pay the remaining balance of the Third Party Bank note. (Alternatively, the Estate Tax Protected Grantor Trust could purchase the Third Party Bank loan from the Third Party Bank.).

The recourse, unsecured long-term note with the grantor trust used to pay the Third Party Bank Note could be at a fair market interest rate that is much higher than the AFR. The Low Basis Asset Client will be personally liable on the note owed to the trust.

The Estate Tax Protected Grantor Trust's basis in the new unsecured note may be equal to the cash that is loaned.

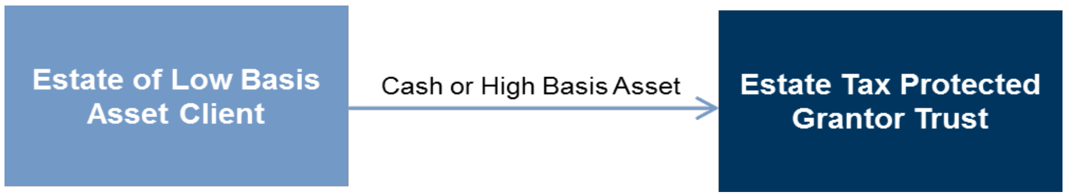
Hypothetical Transaction #3 is illustrated below:



Hypothetical Transaction #4:

Upon the death of Low Basis Asset Client, the estate could satisfy the note to the Estate Tax Protected Grantor Trust with the now high basis assets or cash (if the executor sells the new high basis assets after the death of Low Basis Asset Client).

Hypothetical Transaction #4 is illustrated below:



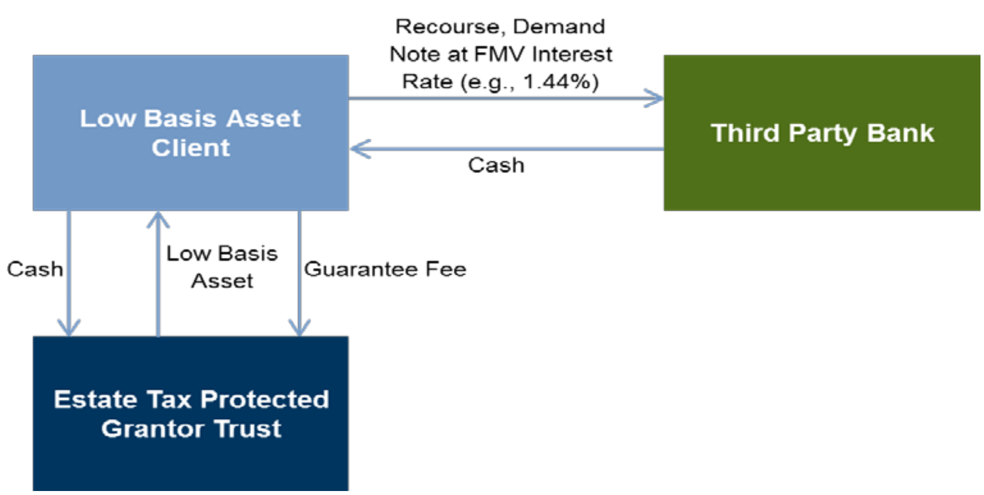
This example, which would change above Hypothetical Transactions #1 and #2, is for the Low Basis Asset Client to first borrow cash on an unsecured basis from a Third Party Bank (a new transaction #1) in which the Low Basis Asset Client is personally liable, and using that cash to buy assets from the Estate Tax Protected Grantor Trust (a new transaction #2). The Estate Tax Protected Grantor Trust could provide a guarantee for the loan from the Third Party Bank to the Low Basis Asset Client in exchange for a guarantee fee. At a later time, when Third Party Bank interest rates may have risen, the Low Basis Asset Client may be able to negotiate recourse, unsecured loan from the Trustee of the Estate Tax Protected Grantor Trust. The proceeds of that loan could be used to pay the Third Party Bank. (Alternatively, the Estate Tax Protected Grantor Trust could purchase the Third Party Bank loan from the Third Party Bank.) In that manner, Hypothetical Transactions #3 and #4 above are then duplicated.

The technique is illustrated below:

Hypothetical Transaction #1:

Low Basis Asset Client borrows cash from Third Party Bank and uses that cash to purchase low basis assets from the Estate Tax Protected Grantor Trust. The Low Basis Asset Client will be personally liable on the bank loan. The trust could guarantee the bank's loan to the client.

Hypothetical Transaction #1 is illustrated below:



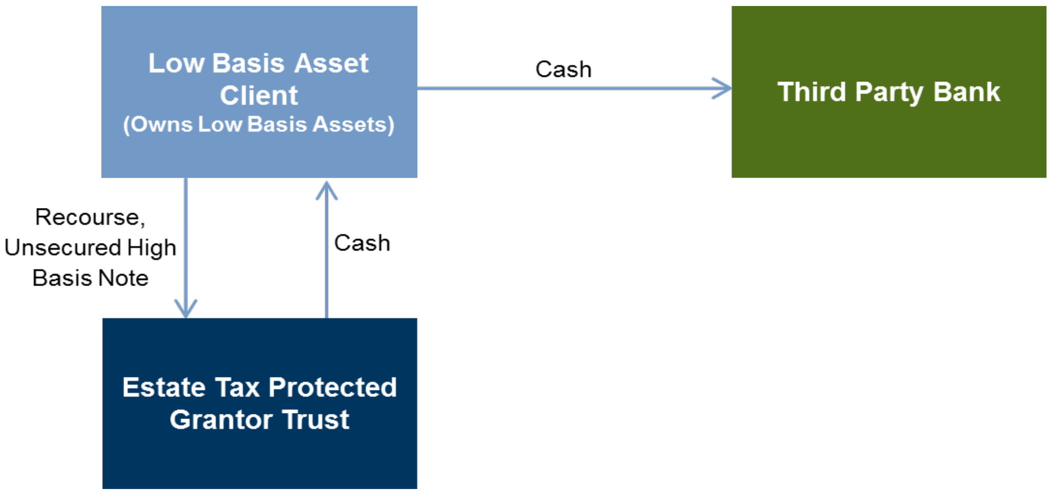
Hypothetical Transaction #2:

Low Basis Asset Client could continue to borrow from Third Party Bank. Or, in a few years, because Low Basis Asset Client would like the flexibility of a recourse, unsecured long-term note, or because interest rates have moved, or because of some other financial reason, Low Basis Asset Client could borrow cash from the grantor trust to help pay the Third Party Bank note.

The recourse, unsecured long-term note with the grantor trust will be at a fair market interest rate that is much higher than the AFR. The Low Basis Asset Client will be personally liable on the note owed to the trust.

The Estate Tax Protected Grantor Trust's basis in the new recourse, unsecured note may be equal to the cash that is loaned.

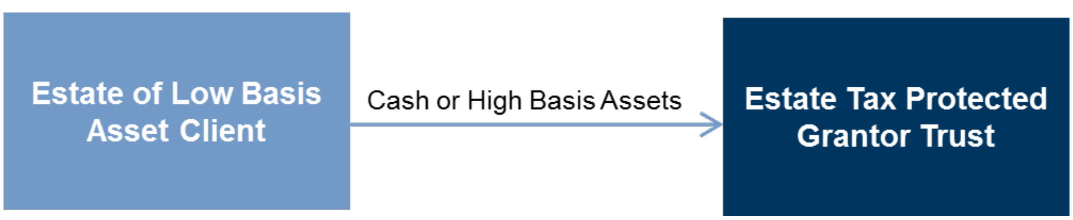
Hypothetical Transaction #2 is illustrated below:



Hypothetical Transaction #3:

Upon the death of Low Basis Asset Client, the estate satisfies the note to the Estate Tax Protected Grantor Trust with the now high basis assets or cash (if the high basis assets are sold after the death of Low Basis Asset Client).

Hypothetical Transaction #3 is illustrated below:



c. The technique needs to be arranged and implemented in a manner that avoids the application of the step transaction doctrine. See Section III A 3 c of this paper.

It is very common for a borrower to refinance his debt. If a borrower refinances debt by borrowing from a family entity the non-tax economic advantage of doing so may exist if there exists more generous terms as to the timing of when the principal note must be paid, the security required for the note (or the lack thereof) is improved from the borrower's perspective, and/or locking in interest rates that could change unfavorably in the future.

d. The use of a third party loan and refinancing the third party loan by borrowing from a family entity adds to the complexity of the technique.

However, the use of a third party loan that is refinanced by a family entity may lessen the future administrative burden for the family.

e. Is the basis of the note received for cash loaned by the Estate Tax Protected Grantor Trust equal to the cash's fair market value?

It is difficult to imagine that when the Estate Tax Protected Grantor Trust loans cash its basis in the resulting note is anything less than the value of the cash. Stated differently, may cash ever have a basis lower that the amount of that cash? Perhaps in the different world of grantor trusts it may.

If that is a concern, consider converting the grantor trust to a complex trust before the loan of the cash is made. If the conversion is made before the trust makes a loan to the grantor there would not appear to be any tax consequences to that conversion (because there are not any outstanding loans owed to or by the grantor). The loan of cash from the now, complex trust, should be treated like any loan of cash from a complex trust.

f. The effect of Treas. Reg. §20.2053-7 needs to be considered.

See the discussion in Section III C 3 e of this paper.

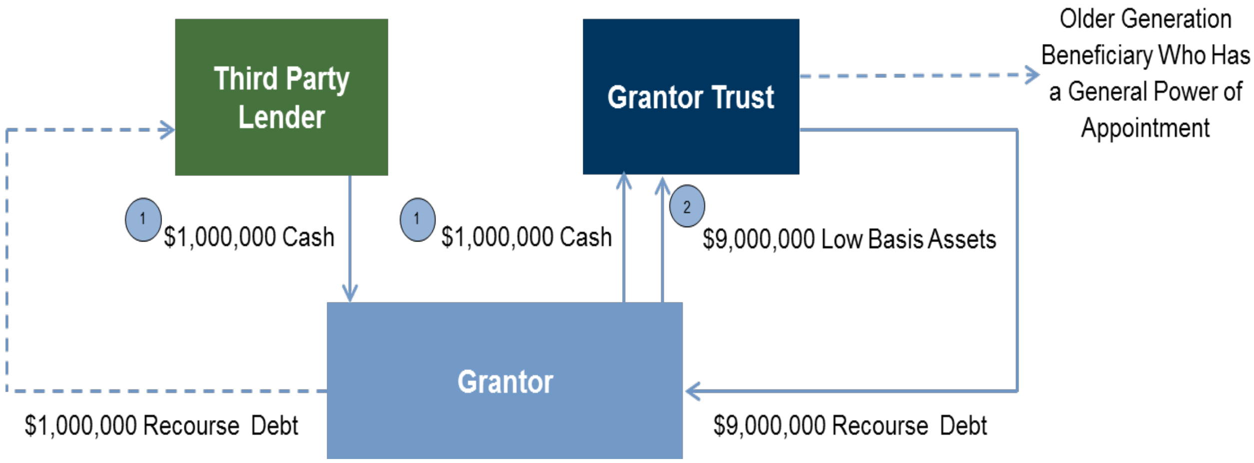
g. Like all leverage techniques, if the underlying assets stay flat or decline there is not any advantage to the technique and to the extent a gift tax exemption is used, the technique operates at a disadvantage.

B. Use of Third Party Recourse Lending in Combination With the Technique of Using Leverage to Make a Sale to a Grantor Trust That is Subject to the Estate Taxes of an Older Generation Beneficiary (For a Description of This Technique see Section III C of this paper).

1. The Technique.

See Example 4 in the discussion in Section III C of this paper. Assume in that example the assets to be held in the grantor trust over which the older generation beneficiary has a general power of appointment are assets that have a very low basis. Assume grantor first borrows $1,000,000 cash from a third party lender and then contributes that cash to the trust. The third party loan could be recourse against the grantor. See the illustration below.

Hypothetical Transaction #1:



2. Advantages of the Technique.

a. This technique has many of the advantages as the technique of using leverage to make a sale to a grantor trust that is subject to the estate taxes of an older generation beneficiary (see Section III C 2 of this paper) without the potential IRC Sec. 1014(e) disadvantage, if the grantor had only gifted and sold low basis assets to create the trust.

b. The grantor may be able to again depreciate improved property.

If the grantor purchases depreciable assets from the grantor trust after the death of the older generation beneficiary the grantor may be in a position to again depreciate the assets in his lifetime. If the grantor dies still owning the assets after it has been fully depreciated his estate and the heirs will receive a new basis that is equal to the then fair market value of the asset. Stated differently, the grantor and his descendants may be in a position to enjoy the income tax benefits of the depreciation three times.

3. Considerations of the Technique.

This technique has generally the same considerations as using third party lending to facilitate basis enhancing for sales to grantor trusts. Please see the discussion in Section III C 3 of this paper.

V. LIFETIME CHARITABLE GIVING STRATEGIES THAT ALSO BENEFIT CLIENT'S DESCENDANTS BY REDUCING THE FAMILY'S TOTAL INCOME TAX AND TRANSFER TAX.

A. Use of a Discounted Sale of the Non-charitable Interest in a Charitable Remainder Unitrust ("CRUT") to a Grantor Trust.

1. Introduction and the Technique.

The "conventional wisdom" this author sometimes hears on this subject is as follows: "you can no longer use the CRUT technique and benefit your family;" or "the problem with charitable planning is that it will greatly decrease what a client's family will receive." This "conventional wisdom," under the circumstances discussed below, is incorrect.

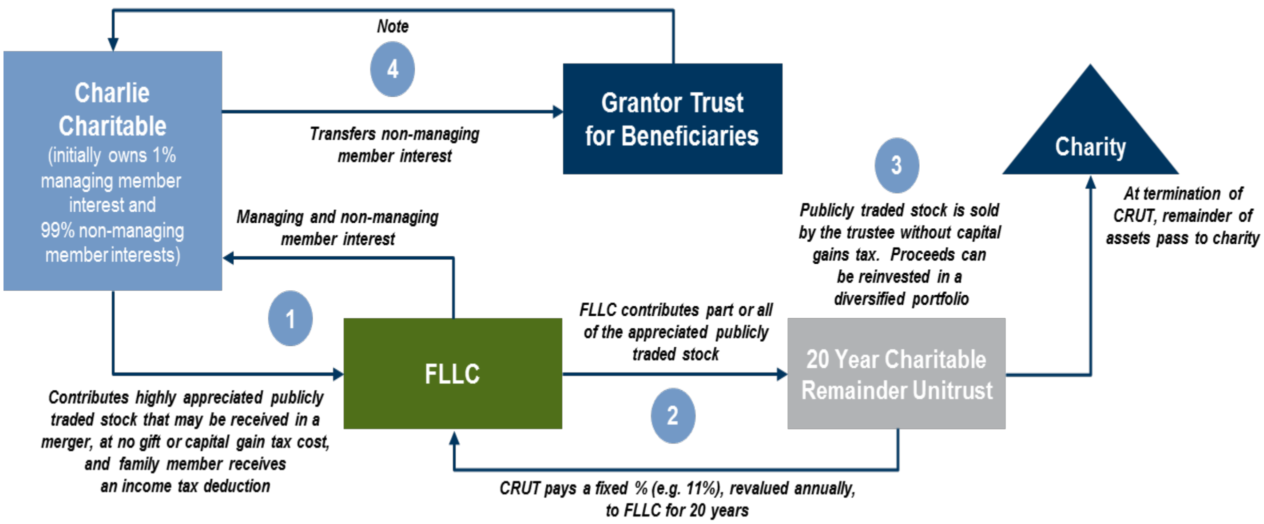
Charitable remainder trusts, particularly charitable remainder unitrusts ("CRUTs") are a very popular planning technique for the charitably inclined client. While the technique has significant benefits to the client and his favorite charitable causes, one downside is the perception that it is difficult to benefit a client's family with the technique. Perhaps that is not true, if the technique is used synergistically with certain other estate planning techniques, that is, sale of FLLC or member interests to a grantor trust. That synergistic planning could simulate the following: a capital gains tax and estate tax holiday with the only cost (or additional benefit) being the taxpayer's favorite charity receiving 21% of his wealth on his death. Consider the following example:

Example 6: Charlie Charitable Wishes to Benefit His Family,
<u>His Charitable Causes and Himself With a Monetization Strategy</u>

Charlie Charitable, age 63, is widowed and has three adult children. Charlie owns $10 million of a publicly traded stock with a zero basis. Charlie also owns $2,500,000 in financial assets that have a 100% basis. He plans to spend $150,000 per year, indexed for inflation. If Charlie's spending needs are secure, he would like to give a large proportion of his after-tax wealth to his family, but he would still like to give between 20% and 25% of what he owns to his favorite charity. Charlie wants to diversify his stock position, but does not want to incur a big capital gains tax. Charlie has considered a CRUT, but he is concerned that charity could receive a windfall at the expense of his family if he dies prematurely. He is not certain he will qualify for favorable life insurance rates to insure against that risk and he generally dislikes insurance as a pure investment vehicle. Charlie would like his family to be eligible to receive some funds now, but he does not want to bear the gift tax consequences of naming family members as current CRUT beneficiaries. Charlie is also willing to take steps to reduce potential estate tax, and he needs help sorting through his options. He would like to involve his children in his estate planning discussions so they can learn about their obligations as fiduciaries and beneficiaries and can start to plan their own family and financial affairs.

Charlie's lawyer, Pam Planner, has a plan to help Charlie achieve his objectives, which significantly reduces the capital gains tax on the sale of his appreciated stock and minimizes the estate tax cost of transferring the stock proceeds to his family. Pam suggests that Charlie fund a FLLC with his stock, and that the partnership create a twenty-year term charitable remainder unitrust ("CRUT"). The partnership will keep an up-front stream of payments for twenty years that represents a 90% actuarial interest in the CRUT. Charlie's favorite charity will receive the remaining CRUT assets at the end of the twenty-year term. The trustee of the CRUT could sell the stock and construct a diversified investment portfolio without triggering immediate capital gains tax consequences. If Charlie owns most of the FLLC when the CRUT is created, most of the income tax charitable deduction for charity's 10% actuarial interest will flow through to him. Charlie could then sell his non-managing member interests to an intentionally defective grantor trust in exchange for a note. Charlie can allocate GST exemption to the grantor trust so his family's wealth is potentially protected from gift, estate and GST taxes forever.

This technique is illustrated below:



A CRUT is an irrevocable trust, often called a "split interest" trust. When a donor creates a CRUT, he can keep or give away a continuing payment stream from the CRUT for a period of time. This payment stream is made to the "noncharitable" beneficiaries.[48] The time period can last for up to twenty years or for the lifetimes of one or more currently living noncharitable beneficiaries.[49] In private letter rulings, the IRS has permitted partnerships and corporations to create CRUTs where the unitrust term is measured in years instead of the lives of individuals.[50] In Charlie's case, the FLLC will be both the donor and the noncharitable beneficiary. The CRUT must pay a fixed percentage of the annual value of its assets to the FLLC each year, so the unitrust payments will fluctuate along with the value of the CRUT's investments.

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[48] IRC Sec. 644(d)(2)(A); Treas. Reg. §1.664-3(a)(1).

[49] Treas. Reg. §1.664-2(a)(1).

[50] *See* P.L.R. 9205031 (Jan. 31, 1992) (C corporation); P.L.R. 9340043 (S corporation); P.L.R. 9419021 (Feb. 10, 1994) (partnership). Under Treas. Reg. §1.671-2(e)(4), if a partnership or corporation (an "entity") makes a gratuitous transfer to a trust for a business purpose, the entity is generally treated as the grantor of the trust. However, if an entity makes a gratuitous transfer to a trust for the personal purposes of one or more partners or shareholders, the gratuitous transfer is treated as a constructive distribution to the partners or shareholders and they in turn are treated as the grantors of the trust. The IRS has taken the position that a CRT with multiple grantors is an association taxable as a corporation. See P.L.R. 9547004 (Nov. 24, 1995); P.L.R. 200203034 (Jan. 18, 2002). If the IRS takes the position that Charlie's partnership created the CRUT all or in part for the personal purposes of its partners, then the CRUT may not be valid. If a practitioner is concerned about this result, Charlie could accomplish the transaction by funding a single member FLLC, having the FLLC create the CRUT, and then selling a portion of the FLLC to a grantor trust so that there is only one grantor and income tax owner for the entire series of transactions.

At the end of the unitrust period, the trustees of the CRUT will distribute the remaining assets to one or more qualified charitable beneficiaries or will hold the assets solely for charitable purposes.[51] These charitable beneficiaries can include private foundations and donor advised funds.[52]

The FLLC, as the donor, will pass through a current income tax deduction for the value of charity's interest to the members in the year it funds the CRUT. The value of the deduction depends on the value of the assets contributed to the CRUT, how long charity must wait to receive its interest, the size and timing of the partnership's reserved unitrust payment, and an assumed investment rate of return (called the IRC Sec. 7520 rate) that the IRS publishes monthly.[53] Because Charlie will own almost all of the FLLC when the CRUT is created, he will receive most of the deduction. Generally, Charlie can deduct up to 30% of his adjusted gross income for the transfer of appreciated marketable securities to the CRUT (20% if the remainderman is a private foundation), and he can carry forward any excess deduction for five years.[54]

Pam lists some of the key CRUT rules for Charlie:

(a) The FLLC, as the noncharitable beneficiary, must receive an annual unitrust payment.[55] This unitrust payment is a fixed percentage of the fair market value of the trust's assets, revalued annually. There are exceptions to this rule that allow some CRUTs to distribute net income instead, but these extra rules are not relevant for Charlie.

(b) The unitrust payment must be at least 5%,[56] but not more than 50%,[57] of the fair market value of the trust's assets, determined annually.

(c) At the CRUT's inception, the actuarial value of charity's interest in the CRUT must be worth at least 10%.[58] The CRUT can receive additional contributions as long as each additional contribution satisfies the 10% rule.[59]

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[51] IRC Sec. 664(d)(2)(C).

[52] Qualified organizations are described in IRC Secs. 170(c), 2055(a), and 2522(a).

[53] The IRC Sec. 7520 rate is 120% of the federal midterm rate. The partnership can choose the rate in effect for the month of the gift or for either of the two immediately preceding months.

[54] IRC Sec. 170(b)(1)(B), (b)(1)(D). If a private foundation were the named remainderman and the stock of XYZ Company were not publicly traded, the deduction would be limited to basis (here, zero), and could not exceed 10% of XYZ Company's stock. IRC Sec. 170(e)(1)(b)(ii), (e)(5)(C).

[55] IRC Secs. 664(d)(1)(B), (2)(B); Treas. Reg. §1.664-3(a)(1)(i).

[56] Treas. Reg. §1.644-2(a).

[57] IRC Sec. 664(d)(1)(A), as amended by The Taxpayer Relief Act of 1997, Pub. L. No. 105-34, 111 Stat. 787 (1997).

[58] IRC Sec. 664(d)(1)(D).

[59] Treas. Reg. §1.664-3(b).

(d) The CRUT does not pay income taxes.[60] The CRUT distributions carry out income tax consequences to the noncharitable beneficiary in a specific order: First, as ordinary income to the extent of the trust's current and past undistributed ordinary income (dividends that are taxed at 15% are included in this tier); second, as capital gains to the extent of the trust's current and past capital gains; third, as tax-exempt income to the extent of the trust's current and past tax exempt income; and finally, as a nontaxable return of capital.[61]

(e) Charlie must factor in additional legal, accounting and administrative costs. Since every unitrust payment depends on an annual valuation of the CRUT's assets, hard to value assets might generate appraisal costs, too.[62]

(f) The trustees of the CRUT do not have unlimited investment flexibility. There is a 100% excise tax on unrelated business taxable income (UBTI) generated in a CRUT. Broadly defined, UBTI is income derived from any trade or business. UBTI includes debt-financed income, so certain investment strategies that use borrowing might be off limits. Also, the self-dealing rules that apply to charitable trusts prohibit Charlie from transacting with the CRUT, even if the transaction is completely fair.[63]

Charlie is interested in Pam's idea but it seems complicated, so he wonders if the plan is really that much better than just selling his stock. He also wonders how much taxation truly affects the real wealth he can transfer to his family over time. Charlie has already created a successful intentionally defective GST exempt trust so he has been through the planning process before. Still, he is eager to get a lucid explanation of some planning techniques to start educating his children and he wants to understand how the techniques can be combined to achieve his objectives.

2. Advantages of the Technique.

a. The tax advantages of creating a grantor trust and a sale to a grantor trust.

See the discussion in Section III A 2 of this paper.

b. The tax advantage of eliminating the capital gains tax on that part of the gains that will be allocated to the charity under the tiered income tax rules.

Depending upon the investment performance of the assets held in the CRUT a portion of the built-in capital gains will be allocated to the charity under the tiered income allocation rules.

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[60] IRC Sec. 664(c)(1). Charlie's advisors will also want to ascertain the tax treatment of the CRUT under applicable state law. Most states recognize CRUTs as tax exempt, but some, *e.g.*, New Jersey, do not. It will usually be possible to establish the partnership and CRUT in a state recognizing the exemption regardless of where Charlie lives.

[61] IRC Sec. 664(b); Treas. Reg. §1.664-1(d)(1).

[62] Treas. Reg. §1.664-1(a)(7).

[63] IRC Sec. 4941.

Treas. Reg. §1.664-1(d)(1). Assuming a 6% to 8% annual return of the CRUT assets during the 20 year term of the CRUT 40% to 60% of the original built-in gain will be allocated to the charity on termination of the CRUT and that portion of the gain will not be taxed when the asset is sold in year one.

c. The tax advantage of lowering opportunity costs by delaying taxes on the portion of the original gain that is not allocated to charity.

If tax rates stay the same, it is better for Charlie to defer paying taxes so he can use those tax dollars to generate investment returns. Paying taxes earlier than necessary is an opportunity cost.

d. The tax advantage of a charitable deduction in year one for the actuarial value of the remainder interest of the CRUT passing to charity.

Under the facts of this example, Charlie will receive an income tax deduction equal to 10% of the value of the CRUT assets. The benefits of that tax deduction occur in year one.

e. FLLCs offer many non-tax advantages. Among them, FLLCs:

(1) Allow a family to consolidate its assets for investment efficiency, investment diversity and economies of scale.

(2) Protect limited partners from creditors, divorcing spouses and financial inexperience.

(3) Give Charlie the opportunity to exercise some continuing investment control over the FLLC's assets.

(4) Create a forum for younger family members to participate in investment and other business decisions.

(5) Protect management by use of the business judgment rule and provide non-litigation mechanisms like arbitration to resolve disputes.

f. The tax advantage of integration, which produces advantageous comparative results.

Charlie can use a combination of gift and estate planning techniques to achieve his objectives. But the plan also requires investment strategies that support the income tax, cash flow and appreciation targets necessary to promote its success. In addition, Charlie must involve the other managing members of the proposed FLLC, the trustees of the grantor trust and the CRUT, and one or more investment advisors, to properly implement the plan.

Charlie, his children and the trustees then show the plan to their investment advisor. The advisor constructs a sample diversified portfolio inside the CRUT that targets an annual 7.4% pre-tax return, with 3% of the return being taxed at ordinary income or short term gains and the balance 4.4% of the return being taxed at long term capital gains rates. Generally, the advisor projects an annual 30% turnover – that is, on average the trust will need to sell and reinvest 30% of the portfolio every year. It is assumed that the total taxes on realized long-term capital gains (including income taxes, surtax on investment income and the so-called "stealth" tax), will be

25%. It is also assumed that total taxes on ordinary income will be 44.6% (including income taxes, surtax on investment income and the so-called "stealth" tax).

Charlie, the children, the trustees and their investment advisor consider how to produce the annual CRUT payments; how much could be in cash and in kind; what happens when the CRUT distributes its unitrust payments to the FLLC and the FLLC distributes some or all of the unitrust payments to the grantor trust; the grantor trust's repayments of Charlie's note; and how to reinvest those distributions to meet the differing objectives for Charlie, charity, the FLLC and the grantor trust. They think through contingency plans to cope with inevitable investment volatility, or the ups and downs that happen in every diversified investment plan. They analyze the different types of note: a "slow" note that preserves leverage for a longer time, and a "fast" note that eliminates the uncertain tax issues at Charlie's death. Charlie decides he would like the trust to repay his note as soon as possible, so the repayment is built into the plan.

To show Charlie the difference that taxes play in accumulating family wealth over time, Pam projects what would happen if there were no initial capital gains taxes when Charlie sells his stock and no estate taxes She also projects what would happen if Charlie sold non-managing member interests to a grantor trust without including the CRUT component. If the investment plan produced smooth returns until Charlie's death (which the group agrees to project twenty-five into the future), the results would look like this (see Schedule 8):

Table 4

Hypothetical Technique (Assumes $9.65mm Estate Tax Exemption Available)	Charlie's Children	Charlie's Descendants (GST Exempt)	Charity	Charlie's Consumption Direct Costs	Consumption Investment Opportunity Costs	IRS Taxes on Investment Income	IRS Investment Opportunity Costs	IRS Estate Taxes (@40.0%)	Total
Future Values at the end of 25 Years Assuming an Annual Compounded Rate of Return at 7.4%									
Stock Sale, No Planning	$10,023,860	$9,650,000	$0	$5,123,665	$7,440,046	$11,792,247	$23,763,728	$6,682,574	$74,476,121
Simulated Tax Holiday (No Initial Capital Gains Tax and No Estate Tax) 76% - 24% Split Between Family and Charity	$0	$26,583,325	$8,207,700	$5,123,665	$7,440,046	$11,817,313	$15,304,071	$0	$74,476,121
FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity	$0	$24,472,697	$8,207,700	$5,123,665	$7,440,046	$12,516,445	$16,715,568	$0	$74,476,121
FLP/Grantor Trust Sale, Charlie gives remaining estate to family	$0	$25,621,226	$0	$5,123,665	$7,440,046	$12,527,456	$23,763,729	$0	$74,476,121

Using the above assumptions, Charlie will not pay tax on approximately half of the capital gains generated when the CRUT sells the stock. Under the CRUT tiered income distribution rules, approximately half the gain will still be inside the CRUT at the end of twenty years when charity receives the remainder. Although Charlie does pay some capital gains tax on the other half of the gain, he still takes advantage of two of Pam's key concepts: He defers the capital gains tax payment until the CRUT makes distributions, and his estate does not pay estate tax on those capital gains tax payments. In effect, the grantor trust repays Charlie's installment note using pre-tax dollars.

Charlie is currently subject to a combined federal and state transfer tax rate of 44.6%. On the one-half of the capital gains taxed to Charlie (because the rest of the capital gain is still embedded in the CRUT when it passes to charity), Charlie avoids transfer tax on the dollars he spends to pay capital gains tax. Charlie has already paid those dollars to the IRS and so they have been eliminated from his transfer tax base. That means Charlie's total effective capital gains rate on his $10,000,000 stock sale turns out to be less than 7.5% instead of 25% (prior to considering the 4.46% charitable income tax subsidy and the "time" described below). In other words, it costs Charlie a net of 3% of the proceeds in taxes to sell the stock using the proposed technique instead of 25%, even before the time advantage of delaying the payment of the capital gains tax is considered.

Although the simple stock sale generates the lowest amount of income tax – $11,792,247 – the combined total income tax cost of combining income tax with the lost opportunity cost of paying the capital gains tax in year one is $35,555,975, which is dramatically more than in the next two sets of projections (the simulated tax holiday and Pam's CRUT plan) because the early stock sale tax payment contributes to $23,763,728 in investment opportunity costs. Since Charlie pays capital gains tax immediately on the stock sale, his family loses the benefit of reinvesting those tax dollars. On top of that, the simple stock sale without estate planning piles on another $6,682,574 of estate tax. In contrast, there is no estate tax liability at all in the next three projections.

Because Charlie will own more than 99% of the FLLC when the FLLC funds the CRUT, the FLLC will pass through more than 99% of the charitable income tax deduction to Charlie. The deduction equals 10% of the fair market value of the assets contributed to the CRUT, or $1,000,000. In Charlie's case, it is assumed the deduction offsets $1,000,000 of his ordinary income, so it yields a $446,000 income tax benefit. In effect, the income tax deduction pays Charlie a 4.46% subsidy for his $10,000,000 transaction.

The two middle rows of numbers compare Pam's plan to a simulated tax holiday. Both sets of projections shows a total tax burden (which includes the investment opportunity costs of paying the tax) that is less than 65% of the aggregate tax bill generated by the simple stock sale with no planning. Charlie detects only one difference between Pam's plan and the simulated tax holiday. In Pam's plan, the total projected tax cost is an additional $2,110,629 (or 7.8% of the roughly $27,121,384 tax burden in the simulated tax holiday). That $2,110,629 reduces what Charlie's family would keep in a world with no initial capital gains tax on big stock sales and no estate taxes.

Pam asks Charlie to consider the projected outcome if he sells non-managing member interests to a grantor trust, but the FLLC does *not* transfer its appreciated securities to a CRUT first. Those projections are in the final row. Charlie sees that his descendants would end up with $25,621,226, if the FLLC did not create the CRUT, or $1,148,529 more than they would have received, if the FLLC did create the CRUT. Pam explains that when the FLLC creates the CRUT, the trustees do not pay immediate capital gains tax when they sell the stock, and Charlie receives a charitable income tax deduction up front. Without the CRUT, the larger note from the sale to the grantor trust, the early payment of taxes and lack of income tax subsidy compounds over time, so that at the end of the day, Charlie's family pays additional taxes and opportunity costs that cost almost as much as the future $8,207,700 gift to charity. Thus, there is comparatively little net cost to Charlie's family to transfer around $8,207,700 to charity. In fact, in states where a state capital gains tax exists, the net worth of Charlie's family generally *increases* with the use of the CRUT technique.

Although Charlie clearly sees that the two middle rows of numbers – Pam's plan against a simulated tax holiday – produce a nearly identical result, Pam presses the benefits of understanding leverage and opportunity costs even further. If Charlie allocates GST exemption to a 10% seed gift to the grantor trust, or if he sells FLLC interests to an existing GST exempt grantor trust, he will protect more from further transfer taxes by the time of his death. This benefit compounds as the property moves down the generations. By using his GST exemption wisely, Charlie not only solves some of his tax problems, but he also solves some of his descendants' tax problems as well.

3. Considerations of the Technique.

a. Consideration of a FLLC in this context.

(1) For gift tax purposes, to demonstrate the legitimacy of the FLLC, it may be enough that Charlie and the other members are engaged in permissible FLLC activity organized for profit.[64]

(2) Charlie and his other managing members should be prepared to hold regular FLLC meetings and to share relevant FLLC information.

(3) Charlie cannot completely control the FLLC, although he can control the FLLC investments if he chooses. If Charlie keeps too much control over distributions, or if he does not honor the FLLC agreement, or if he makes disproportionate distributions, the IRS may attempt to tax the FLLC interests or the underlying FLLC property in Charlie's estate. Charlie wants to use discounting to help move appreciation from his estate now, so these adverse estate tax consequences (although unlikely, because Charlie is giving away or selling all of his non-managing member interests now) would defeat his current gift strategy.

(4) Like the CRUT, the FLLC will have its own legal, accounting and administrative costs, and Charlie must engage a professional appraiser to set the value of the non-managing member interests.

(5) It is difficult, and sometimes impossible, to use FLLC interests as collateral for a loan.

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[64] *See* IRC Sec. 7701(a)(2); *Knight v. Commissioner*, 115 T.C. 506 (2000); *Estate of Strangi v. Commissioner*, 417 F.3d, 468 (5th Cir. 2005); *Winkler v. Commissioner*, 73 T.C.M. (CCH) 1657. However, care should be taken to make sure the creation of the partnership and the transfer of the partnership interests are sequential, independent acts; otherwise partnership discounts may not be recognized for gift tax purposes. *See Shepherd v. Commissioner*, 283 F.3d, 1258 (11th Cir. 2002); S*enda v. Commissioner*, 433 F.3d, 1044 (8th Cir. 2006).

(6) FLLC income tax rules are complicated and transferring property to and from a partnership can trigger surprising income tax consequences. Charlie and his family must make a long-term commitment to conducting their affairs inside the FLLC.

(7) Since Charlie is selling non-managing member interests that are valued by appraisal to the trust, he will not know for sure if he is making a gift. The IRS may challenge the discount applied to Charlie's non-managing member interests. Charlie might try to use a formula to define the value of the non-managing member interests he wishes to give.

b. The technique will have the same considerations as a sale to a grantor trust. See Section III A 3 of this paper.

B. Creating a FLP or FLLC with Preferred and Growth Interests, Transferring the Preferred Interest to a Public Charity, and Transferring the Growth Interests to Family Members.

1. The Technique.

There could be significant after-tax cash flow advantages for giving preferred interests in a FLLC that is designed to last for several years to a public charity, or a donor advised fund, and transferring the growth interests to a taxpayer's family.

Consider the following example.

Example 7: Gift of a Preferred FLLC Interest to a Public Charity
<u>and the Gift or Sale of a Growth FLLC Interest to a Taxpayer's Family</u>

George Generous is unhappy about some of tax limitations associated with traditional charitable giving. Not only do tax limitations exist with respect to the amount of a deduction available for income tax purposes, there also is not any deduction in determining the new healthcare tax. George's stewardship goals are to give around $420,000 a year to his favorite public charities and to give a $6,000,000 bequest to his favorite public charities in his will

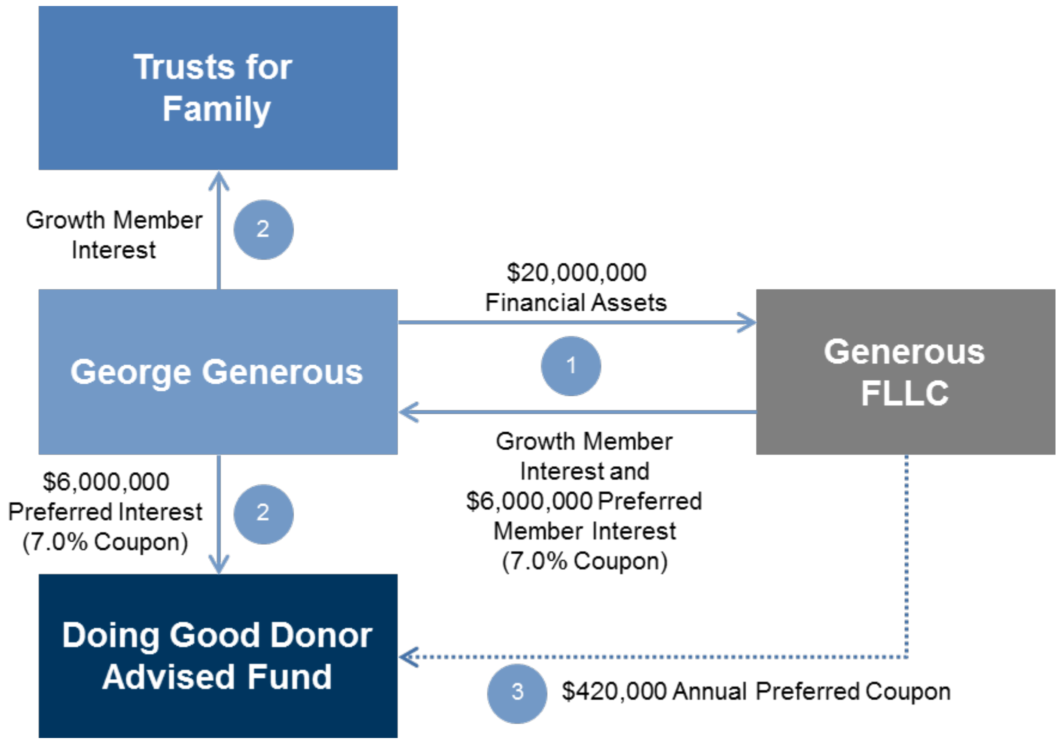
George tells Pam he has a $6,000,000 zero basis security in his $20,000,000 portfolio. George asks Pam to assume his assets will annually earn 7.4%, with 3% of that return being taxed as ordinary rates and 4.4% of the return being taxed at long-term capital gains rates with a 30% turnover. George believes he has a 20-year life expectancy. George has a significant pension plan that pays for his consumption needs.

George asks his lawyer, Pam Planner, if she has any ideas that are consistent with his charitable intent where he can get a tax deduction for his projected annual giving without any limitations, both for determining his income tax and the new healthcare tax. He also asks Pam if she has any ideas of how he can get an income tax deduction this year for the actuarial value of the planned testamentary gifts he wishes to make to his favorite charitable causes. George also would like to hear Pam's best ideas on how to avoid the capital gains tax and healthcare tax on the projected $6,000,000 sale of some his highly appreciated securities.

Pam Planner suggests that George consider forming a FLLC that will last until the earlier of his death, or 50 years. The FLLC is structured to have both preferred and growth interests. George could contribute $20,000,000 of his assets to the FLLC. George could contribute his low basis securities to the FLLC and receive a $6,000,000 preferred interest that pays a coupon of 7% (or $420,000 a year). The rest of his member interests, the so-called "growth" interests, would receive any income or gains above what is necessary to fund the preferred coupon.

After the FLLC is formed, Pam suggests that George make a gift of the preferred FLLC member interest to his favorite charity, the Doing Good Donor Advised Fund (which is a donor advised fund at a local community foundation and is a qualified public charity). The Doing Good Donor Advised Fund is entitled to a 7% preferred coupon each year. George could gift and sell the growth interests to a trust for his family.

This technique is illustrated below:



2. Advantages of the Technique.

   a. The donor may receive an income tax deduction for the discounted present value of the charity's right to receive the par value of the preferred on termination of the FLLC, even though that might occur after the donor's death.

George may receive a full deduction for the present value of the right to receive the par value of the preferred interest when the FLLC terminates, even though no cash has passed from his hands to the donor advised fund and the payment of the preferred par value will probably occur after George's death. Contrast that treatment with a bequest of a dollar amount under George's will. Obviously, George will not receive a lifetime income tax deduction for that bequest.

b. The donor should receive an income tax charitable deduction, in the year of the gift, for the discounted present value of the 7% coupon that is to be paid to charity.

Most of the value of the preferred interest is attributable to receiving the 7% coupon for 50 years, or until George's death. Stated differently, there is no willing buyer who would pay more than a small amount for the right to receive the par value for the preferred interest on George's death and the reason the preferred interest will have a fair market value of $6,000,000 is because of the right to receive a $420,000 annual preferred coupon.

c. In addition to receiving an upfront charitable income deduction for the present value of the annual coupon of the preferred that is paid to the charity, the donor also receives an indirect second annual deduction with respect to the future preferred coupon payments against his income and health care because of the partnership tax accounting rules.

The preferred interest income that is allocated to the donor advised fund will not be taxed to the other FLLC members because of operation of IRC Sec. 704(b). George will receive each year, in effect, a simulated income tax and healthcare tax deduction for the preferred interest coupon income that is allocated to the donor advised fund (since he will not be taxed on that income). That simulated deduction will not count against his adjusted gross income limitation, and it will not be subject to limitations associated with itemized deductions.

Contrast the double income tax benefit of the charitable gift of the preferred interest coupon with a charitable lead trust in which the donor may either receive a deduction for the actuarial value of the lead interest payable to the charity, or not be taxed on the annual lead payments allocated to the charity, but cannot have *both* income tax advantages.

d. The donor will also avoid the built-in capital gains tax on the sale of any low basis asset that is contributed for the preferred interest.

In this example, George receives his preferred interest in exchange for a transfer of his low basis assets. If the FLLC sells those contributed low basis assets, George should not be liable on any capital gains tax associated with the built-in gain that existed at the time of the contribution, because the gain under IRC Sec. 704(c) should be allocated to the donee, the donor advised fund.

Again, contrast that result with a non-grantor charitable lead trust. If highly appreciated assets are sold by a non-grantor charitable lead trust, the gain will be allocated to the trust. The trust will only receive a deduction for the distributions that are made that year to charity. Thus, in many situations with the use of the non-grantor charitable lead trust, if there are substantial capital gains because of a sale of appreciated assets owed by the trust, that trust will pay a significant capital gains tax.

If instead of a non-grantor charitable lead trust, a "grantor" charitable lead trust is used, the income that results are again disadvantageous. There will not be any allocation of the capital gains to the charitable beneficiary. All of the taxable gain will be allocated to the grantor.

e. The "out of pocket" cost of a gift of a preferred interest to a public charity, or donor advised fund, is minimal because of the above tax advantages.

George asked Pam to compare the benefits of the proposed gift of a preferred FLLC interest with a 7% coupon to making annual cash charitable contributions equal to that 7% coupon and a cash testamentary bequest equal to the par value of the preferred to the donor advised fund at George's death. Additionally, George asked Pam to assume that he will live 20 years, and that if he elects to contribute the preferred interest to charity, the charity's preferred interest will be liquidated at his death.

In order to isolate the benefits of each of the annual giving strategies, Pam assumes George's assets will earn 7% before taxes. George asks Pam to assume 3% of the return will be taxed at ordinary rates and 4% will be taxed at capital gains rates (with 30% annual turnover). Using those assumptions she then calculates the income and health care tax efficiency ratio (present value of both total net income and healthcare tax savings divided by the present value of the total out of pocket cash) under the two assumed scenarios. Pam assumes a 7% present value discount rate. Please see Table 5 below and attached Schedule 9.

Table 5

Description	Tax Efficiency Ratio of Charitable Gifts (Present Value of Total Net Tax Savings ÷ Present Value of Total Out of Pocket Cash)
No Further Planning: Makes $420,000 Annual Contribution to Charity; Bequeaths $6mm to a Public Charity at Death	20.78%
Hypothetical Technique: Creation of an FLLC with Growth and Preferred Interests; Gift of a $6,000,000 Preferred Interest to a Public Charity That Pays an Annual 7% Coupon	70.09%

f. Valuation advantage: The gift tax valuation rules under IRC Sec. 2701 do not apply to any future gifts, or sales, of the growth member interests to family members, or trusts for family members.

IRC Sec. 2701 became effective on October 9, 1990. It is a gift tax valuation statute that applies when a junior equity in a corporation or partnership is transferred to a member of the transferor's family and a senior interest in the family or partnership with certain discretionary features is retained by the transferor or an 'applicable family member." A liquidation, put, call, or conversion right is automatically regarded as discretionary because it is within the discretion of the holder. Distribution rights trigger the valuation rules of IRC Sec. 2701 if the transferors hold control of the entity. These discretionary interests are referred to under IRC Sec. 2701 as "applicable retained interests."

IRC Sec 2701 prescribes special valuation rules for the value of certain senior equity interests in a family entity (e.g., preferred interests) for gift tax purposes *that are retained by the* *transferor*, and that value is subtracted from total value of the entity. Distribution rights are valued according to their terms if distributions are paid periodically at a fixed rate (under IRC Sec. 2701 they are called "qualified payment"). A transferor may elect to treat distribution rights as "qualified payments" even if they are not by assuming payments in such amounts and at such times as are specified in the election, as long as those terms are consistent with the underlying equity interest. The regulations provide that the right to share in the liquidation proceeds ("liquidation participation right") may be valued without regards to IRC Sec. 2701.

The regulations spell out in detail the methodology of subtracting the value of preferred interests from the value of the entire entity with adjustments to reflect the actual fragmented ownership. After the adjustments of the four-step method, which takes the lack of marketability and the likelihood of liquidation into account, the value of any transferred junior equity interests are determined. It should be noted that there is a mandated value that the junior equity interest in the entity cannot be worth less than 10% of the total value of the equity interests in the entity.

There is an adjustment under the regulations to prevent double transfer taxation of the retained senior equity interests. There is a reduction of the transferor's adjusted taxable gifts for estate tax purposes, equal to the lesser of the amount by which IRC Sec. 2701 originally increased taxable gifts or the amount by which the applicable retained interest increases the gross estate or taxable gifts at the time of the subsequent transfer.

Do these IRC Sec. 2701 valuation rules apply to a transfer of a preferred interest to a charity and a later sale or gift of the growth interest to the transferor's family? Stated differently, if a patriarch or matriarch reorganized his or her entity and transferred a high-yielding preferred equity interest to a charity, would this transfer and reorganization be a transaction that is subject to the valuation rules under IRC Sec. 2701, which was passed as part of Chapter 14? The answer is no.[65]

If a retained distribution right exists, there must exist a senior equity interest (*i.e.*, the transferor must have retained preferred stock or, in the case of a partnership, a partnership interest under which the rights as to income and capital are senior to the rights of all other classes of equity interest).[66] The Senate legislative history of Chapter 14 indicates that retention of common stock, after the gift of preferred stock, is not a transaction which is subject to the valuation rules under IRC Sec. 2701 because retained ownership of the common stock generally does not give the transferor the right to manipulate the value of the transferred interest. Any transferred preferred stock that has a cumulative right to a dividend, or any transferred note in a corporation which has a cumulative right to interest, is not subject to value manipulation by the common stock owner. For instance, if a dividend or an interest payment is missed, the preferred stock owner or bondholder, as the case may be, continues to have the right to that dividend payment or interest payment. It is true that in certain instruments the preferred stockholder would not enjoy the compounding effect of receiving a late dividend. However, the "lowering" of value to a transferee, by not paying the transferee's dividend, or delaying the payment of the dividend, does not hurt the fisc since that tends to help or increase the junior equity interest owner's net worth

[65] *See* IRC Sec. 2701(c)(1)(B)(i).

[66] *See* IRC Secs. 2701(c)(1)(B)(i); 2701(a)(4)(B); Treas. Reg. §25.2701-2(b)(3)(i); s*ee also* P.L.R. 9204016 (Oct. 24, 1991).

(*i.e.*, it increases the transferor's net worth). Thus, even though a transferee may receive a valuable asset in a junk bond or a junk preferred interest, it is a type of security in which the junior equity interest cannot manipulate value, except to *decrease* the value of the transferred interest at a later date.

g. Under the facts of this example, in addition to saving significant income and healthcare taxes, significant transfer taxes could be saved in transferring the growth interests to a grantor trust.

If George was able to obtain a 35% valuation discount for the gift and sale of the growth interest, Pam projects that in addition to saving income and healthcare taxes, George could save over $15,000,000 in estate taxes. Please see the table below and attached Schedule 9.

Table 6

	20-Year Future Values			
	Pre-Death	Post Death	Present Values (Discounted at 2.5%)	Percentage of Total
No Further Planning Except for $420,000 Annual Gift to Charity: Bequeaths $6mm to Charity at Death; Balance of Estate to Family (assumes $8.53mm estate tax exemption available at death)				
George Generous	58,712,723	-	-	0.00%
Charity	17,989,144	23,989,144	14,639,877	22.49%
Generous Children	-	26,509,634	16,178,059	24.85%
Generous Children and Grandchildren	-	8,530,000	5,205,611	8.00%
IRS Income Tax - Direct Cost	14,567,393	14,567,393	8,890,057	13.65%
IRS Income Tax - Investment Opportunity Cost	15,414,442	15,414,442	9,406,986	14.45%
IRS Estate Tax (at 40.0%)	-	17,673,089	10,785,373	16.57%
Total	**$106,683,701**	**$106,683,701**	**$65,105,963**	**100.00%**
Hypothetical Technique: Creation of an FLLC with Growth and Preferred Interests; Gift of Preferred to Charity; Gift and Sale of Growth Interest to a GST Tax Exempt Grantor Trust; Bequeaths Estate to Family (assumes $3.10mm estate tax exemption available at death)				
George Generous	8,204,328	-	-	0.00%
Charity	23,989,144	23,989,144	14,639,877	22.49%
Generous Children	-	3,062,597	1,869,014	2.87%
Generous Children and Grandchildren	47,425,983	50,525,983	30,834,539	47.36%
IRS Income Tax - Direct Cost	17,410,042	17,410,042	10,624,843	16.32%
IRS Income Tax - Investment Opportunity Cost	9,654,204	9,654,204	5,891,680	9.05%
IRS Estate Tax (at 40.0%)	-	2,041,731	1,246,009	1.91%
Total	**$106,683,701**	**$106,683,701**	**$65,105,963**	**100.00%**

Calculations of Remaining Estate Tax Exemption	No Further Planning	Hypothetical Techniques
Current Exemption	5,340,000	5,340,000
Gifts Made	-	(5,430,000)
Future Exemption Available in 20 years (assumes 2.5% inflation)	8,530,000	3,100,000

h. Income tax valuation advantage: IRS concedes preferred partnership interests should have a high coupon.

Prior to passage of IRC Sec. 2036(c) in 1987 (which was repealed in 1990) and prior to the passage of IRC Sec. 2701 as part of Chapter 14 in 1990, the IRS did not have many tools with which to fight, from their perspective, abusive estate freezes, except valuation principles. In 1983, the IRS issued a Revenue Ruling,[67] which promulgated the factors for determining what an appropriate coupon should be on preferred stock of a closely held corporation or what an appropriate coupon should be on a preferred partnership interest in a closely held FLP. Generally, the IRS took the view that a secondary market does not exist for interests in FLPs. Accordingly, with respect to a preferred partnership interest in a FLP, the coupon should be very high in order to reflect the embedded marketability discount of the preferred partnership interest. In other words, according to the IRS, to have a preferred partnership interest valued at "par", a hypothetical willing buyer would demand a significant return on that preferred partnership

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[67] Rev. Rul. 83-120, 1983-2 C.B. 170.

interest, in comparison to other comparable fixed income instruments, in order to compensate that hypothetical willing buyer for the lack of marketability that would be inherent in that family limited preferred partnership interest.

i. IRC Sec. 2036 advantage, if George gives or sells the growth interests to his family.

If the growth member interest is transferred to the donor's family after the preferred member interest is transferred to a public charity IRC Sec. 2036 should not operate to include the transferred common interest (or the underlying partnership assets) in the transferor's gross estate, for two reasons.

First, there is a substantial investment purpose (i.e., non-tax purpose) with having preferred and common interests that divide the economic return of the FLP or FLLC between the owners of the interests in a different way than would result without the two interests. This creates is a substantive investment reason for the creation of the FLP or FLLC. As such, it should constitute a significant non-tax purpose, one that is inherent in the preferred/common structure. This in turn should minimize the danger of IRC Sec. 2036 being applied to any transfers of interests in the FLP or FLLC, because the Tax Court and the Courts of Appeal are much less likely to apply IRC Sec. 2036 to transferred FLP or FLLC interests if a non-tax reason, preferably an investment non-tax reason, exists for the creation of the FLP or FLLC.[68]

Second, the enactment of IRC Sec. 2036(c) and its subsequent repeal demonstrate that going forward Congress intended to address the preferred/common structure solely by means of the gift tax rules of Chapter 14 (IRC Sec. 2701) and *not* by including the transferred common interest in the transferor's gross estate under IRC Sec. 2036. The legislative history of the repeal of IRC Sec. 2036(c) unmistakably manifests this Congressional intent. Thus, even if the transfer of the growth interests occurs at the taxpayer's death, because of that strong legislative intent, IRC Sec. 2036 should not apply.

In 1987, the Tax Court in the *Boykin*[69]case ruled that because of state property law,[70] the receipt of income from retained preferred stock is only a retention of income from the preferred

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[68] *Estate of Kimbell v. United States, 371 F.3d 257 (5th Cir. 2004); Church v. United States*, 85 A.F.T.R. 2d (RIA) 804 (W.D. Tex. 2000), *aff'd without published opinion*, 268 F.3d 1063 (5th Cir. 2001) (per curiam), unpublished opinion available at 88 A.F.T.R. 2d 2001-5352 (5th Cir. 2001); *Estate of Bongard v. Comm'r, 124 T.C. 95* (2005); *Estate of Stone v. Comm'r*, 86 T.C.M. (CCH) 551 (2003); *Estate of Schutt v. Comm'r*, T.C. Memo 2005-126 (May 26, 2005); *Estate of Mirowski v. Comm'r*, T.C. Memo 2008-74; *Estate of Miller v. Comm'r*, T.C. Memo 2009-119; *Rayford L. Keller, et al. v. United States of America*, Civil Action No. V-02-62 (S.D. Tex. August 20, 2009); *Estate of Murphy v. United States*, No. 07-CV-1013, 2009 WL 3366099 (W.D. Ark. Oct. 2, 2009); and *Estate of Samuel P. Black, Jr., v. Comm'r*, 133 T.C. No. 15 (December 14, 2009); and *Shurtz v. Comm'r*, T.C. Memo 2010-21.

[69] *See Estate of Boykin v. Commissioner*, T.C. Memo 1987-134, 53 T.C.M. (CCH) 345.

[70] Under certain Supreme Court holdings, in determining the value for gift and estate tax purposes of any asset is transferred, the legal rights and interests inherent in that transferred property must first be determined under state law. *See United States v. Bess*, 357 U.S. 51 (1958); *Morgan v. Commissioner*, 309 U.S. 78 (1940); *see also* H. REP. NO. 2543, 83rd Cong. 2nd Sess., 58-67 (1954); H.R. REP. NO. 1274, 80th Cong. 2nd Sess., 4 (1948-1 C.B. 241, 243); S. REP. NO. 1013, 80th Cong., 2nd Sess., 5 (1948-1 C.B. 285, 288) where the Committee Reports on the 1948 changes in the estate taxation of community property states: "Generally, this restores the rule by which estate and gift tax liabilities are dependent upon the ownership of property under state law." *See also* the reports of the Revenue Act of 1932 that define "property" to include "every species of right or interest protected by law and having an

stock, not from the assets of the entire enterprise and accordingly should be included in a decedent's estate under IRC Sec. 2033, and not under IRC Sec. 2036. The court concluded that Mr. Boykin did not have a legal retained property right to the income of the assets of the corporation, he only retained a legal right to the income of the retained preferred stock.

In 1987 Congress passed legislation to overturn the result of *Boykin*, IRC Sec. 2036(c). For a very brief period, 1987 to 1990, IRC Sec. 2036(a), when it applied, did operate to include the partnership assets of a partnership in which a preferred partnership interest was created to the exclusion of IRC Sec. 2033. (While IRC Sec. 2033 also could have applied in 1987 to include the same partnership interests, Congress was very careful to reverse the traditional priority of IRC Sec. 2033 inclusion over IRC Sec. 2036 inclusion with the passage of IRC Sec. 2036(c)(5)). In 1987, Congress explored whether or not to do away with minority and marketability discounts with respect to family partnership and family corporations and whether to attack so-called estate freezes. At that time, Congress decided not to attack FLP discounts or discounts associated with family corporations. However, Congress decided to attack so-called estate freezes by making estate freezes that met six defined tests (described in IRC Sec. 2036(c)) subject to the IRC Sec. 2036(a) inclusion.

This writer's paper on this subject in 1989 stated that the Ways and Means Committee's reasons for the application of IRC Sec. 2036(a) instead of IRC Sec. 2033 were the difficulty in valuing the common stock and that transfer indirectly retained the income of the enterprise.[71]

Congress adopted the suggestion of numerous commentators and approached the reform with respect to inclusion of partnership interest and corporate interest as a valuation problem. It reaffirmed the traditional inclusion and taxation of partnership interests, in which part of the partnership is held in preferred form, under IRC Sec. 2511 and IRC Sec. 2033. The *Boykin* ruling of taxing retained preferred interests under IRC Sec. 2033, instead of IRC Sec. 2036, was, in effect, reinstated. The gift taxation of transferred interests in FLPs and FLLCs with bifurcated interests was modified, however, through the passage of new valuation rules under Chapter 14, including IRC Sec. 2701.

3. Considerations of the Technique.

a. Despite state property law, the IRS may take the position that the gift of the preferred interest of an FLLC should be considered a non-deductible partial gift of the underlying assets of the FLLC.

IRC Sec. 170(f)(3) denies an income tax charitable deduction, and IRC Sec. 2522(a)(2) denies a gift tax charitable deduction, for a contribution of an interest in property that consists of less than the taxpayer's entire interest in such property. A gift of the entirety of an asset or an undivided portion of the taxpayer's entire interest in property to a charity does qualify for the income tax and gift tax charitable deduction. The undivided portion of the taxpayer's entire interest in property must consist of a fraction or percentage of each and every substantial interest

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exchangeable value." H.R. REP. NO. 708, 72nd Cong., 1st Sess., 27-28 (1932); S. REP. NO. 665, 72nd Cong., 1st Sess., 39 (1932).

[71] S. Stacy Eastland, "The Legacy of IRC Section 2036(c): Saving The Closely Held Business After Congress Made 'Enterprise' A Dirty Word." Real Property Probate and Trust Journal, Volume 24, Number 3, Fall 1989.

or right the decedent owned in the property. IRC Sec. 170(f)(3)(B)(ii) and Treas. Reg. §1.170A-7(b) provide that a deduction is allowed for a contribution, that is not in trust, of a partial interest that is less than the donor's entire interest in property if the partial interest is an undivided portion of the donor's entire interest. An undivided portion of a donor's entire interest in property must, however, consist of a fraction or percentage of *each and every substantial interest or right* owned by the donor in such property. *See* Rev. Rul. 88-37, 1988-1 C.B. 97 (1988).

The Tax Court in the *Estate of John Boykin*[72] held that an ownership of a preferred equity interest does not entitle the owner to any rights to the assets of the entity – it only entitles the owner to rights in the preferred interest. Any gift of the preferred interest should be analyzed as a gift of the preferred interest not a gift of certain rights over the entity's assets. Consistent with the *Boykin* case cited above, the preferred interest should be considered to be a separate interest both from the FLLC's assets and from George's other interests in the FLLC. The separate preferred interest is transferred in its entirety. In this example, all of George's preferred interest passes to charity – he does not retain any interest in the preferred interest or make a gift of part of the preferred interest, so the transfer is not "a contribution (not made by a transfer in trust) of an interest in property which consists of less than the taxpayer's entire interest in such property." IRC Sec. 170(f)(3).

On the gift tax side (see IRC Sec. 2522(c)(2)) there are two Supreme Court cases stating that the gift tax consequences should be applied in a manner that follows a state property law analysis.[73]

State law does not treat a partnership interest as a partial interest in the underlying assets of the partnership. A partner is not a co-owner of partnership property and has no interest in partnership property that can be transferred, either voluntarily or involuntarily. Revised Uniform Partnership Act, §501. The only transferable interest of a partner in the partnership is the partner's share of the profits and losses of the partnership and the partner's right to receive distributions. Ownership of a partnership interest does not entitle the owner to any rights over property owned by the partnership. Revised Uniform Partnership Act, §502; *Michtom v. United*

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[72] *Estate of Boykin v. Commissioner*, T.C. Memo. 1987-134, 53 T.C.M. 345. *See also Hutchens Non-Marital Trust v. Comm'r*, 66 T.C.M. (CCH) 1599 (1993) (The Tax Court held that the interest that the decedent held in his family-owned corporation prior to recapitalization was not includible in his gross estate under IRC Sec. 2036 because the decedent received adequate consideration for the pre-recapitalization stock, the decedent retained no interest in stock surrendered in the recapitalization, and the decedent's post-recapitalization control and dividend rights came from new and different forms of preferred stock that he received in the recapitalization. *See also* Todd Angkatavanich, Jonathan G. Blattmachr and James R. Brockway, "Coming Ashore – Planning for Year 2017 Offshore Deferred Compensation Arrangements: Using CLAT's, PPLI and Preferred Partnerships and Consideration of the charitable Partial Interest Rules," 39 ACTEC Law Journal 103, 130-145, 152-153. The authors discuss *McCord v. Comm'r*, 120 T.C. 358(2003), rev'd and remanded, 461 F.3d 614 (5th Cir. 2006), *Church v. United States*, 85 AFTR 2d 2000-804 (W.D. Texas 2000), aff'd 268 F.3d 1063 (5th Cir. 2201), and *Estate of Strangi v. Comm'r*, 115 T.C. 478 (2000), aff'd in part and remanded in part, 293 F.3d 279 (5th Cir. 2002), on remand 85 T.C.M. (CCH) 1331 (2003), aff'd 417 F.3d 468 (5th Cir. 2005) and conclude that a gift of a preferred interest to a charity should not be considered a gift of a partial interest because the courts follow the entity rule in determining the property rights associated with a partnership interest. The authors also conclude the argument is strengthened if the gift of a preferred interest is made to a qualifying trust (e.g., a charitable lead trust) and/or the donor only owns the donated preferred interest and does not own any other interest in the partnership.

[73] *See United States v. Bess*, 357 U.S. 51 (1958) and *Morgan v. Commissioner*, 309 U.S. (1940).

States, 573 F.2d 58, 63 (Ct. Cl. 1978); PLR 9825001. Partnerships are distinct entities. Revised Uniform Partnership Act, §201.

Despite state property law, there is a possibility that the IRS could attempt to deny a charitable deduction for a contribution of preferred units. Treas. Reg. §1.170A-6(2) allows a deduction for a contribution of a partial interest in property only "if such interest is the taxpayer's entire interest in the property, such as an income interest or a remainder interest." "If, however, the property in which such partial interest exists was divided in order to create such interest and thus avoid IRC Sec. 170(f)(2), the deduction will not be allowed." *Id.* The IRS may take the position that Section 170(f)(3) can apply despite the fact that a contributed interest becomes a separate property interest for federal tax purposes as a result of the transfer. For instance, the IRS has denied charitable deductions in situations where the donor had donated common stock but retained the right to vote that stock (see Rev. Rul. 81-281, 1981-2 C.B. 78; PLR 8136025) because the right constitutes a substantial interest. Carving the right to vote away from the economic interest in the common stock created a non-deductible partial interest.

Similarly, in Rev. Rul. 88-37, the IRS denied a deduction because the donor did not contribute the donor's entire interest in his property but carved out and contributed only a portion of that interest. Further, the portion contributed was not an undivided portion of the donor's entire interest—it did not convey a fraction of each and every substantial right owned by the donor in the property. By transferring an overriding royalty interest or a net profits interest, the donor retained the right inherent in the "working interest" (the ownership of an operating interest under an oil and gas lease) to participate in the control of, the development and operation of the lease. This right to control or to participate in the control, similar to the retained voting rights in Rev. Rul. 81-282, is a substantial right, the retention of which prevented the donated interest from being considered an undivided portion.

There are numerous business and financial reasons to form a partnership or FLLC as an advantageous vehicle for, and being in the best interests of, the members of a family, including consolidation of the management and control of family assets within a partnership owned by the eventual owners of all of the assets; avoidance of fractional asset ownership over time; greater creditor protection; greater ability to keep assets in the family, etc. The more of these factors that are applicable to any proposed FLLC the less likely the contribution of preferred units will be attacked as a prohibited gift of partial interests.

The proposed FLLC should be created for reasons independent of obtaining a charitable deduction and independent of avoiding section 170(f)(3). The fact that the charitable deduction is likely to be only 30% of the value of the preferred units given away may demonstrate that other reasons are more important than the charitable deduction. The more participants in the FLLC the more likely it was created for purposes independent of obtaining a charitable deduction and the less likely the IRS will deny the charitable contribution as a gift of a partial interest.

Consequently, it is important to establish that the purpose of the FLLC is not to slice the voting rights from the FLLC's underlying securities by retaining the managing units (which control the FLLC and thereby control the vote of the underlying securities) and donating only the preferred units (which carry no control over the FLLC). Having an independent entity from the donor as a manager will strengthen the donor's position.

Another factor that could bolster the argument that the FLLC was not created for purposes only related to dividing the economic interests of the contributed property to the FLLC in order to circumvent the partial interest rule is the longevity of the FLLC before gifts are made to charity. The longer the FLLC exists prior to the contribution, the more a separate purpose would be indicated. *See* Rev. Rul. 86-60, 1986-1 C.B. 302 (four-year delay between creation of partial interest and proposed contribution); Rev. Rul. 76-523, 1976-2 C.B. 54 (1976) (split of interests in stock was for business purpose and done years before the transfer to charity); PLR 20010812 (eight-year delay between the donor's transfer of voting rights in common stock to a voting trust and her charitable donation of that stock); PLR 9721014 (ten-year delay between creation of partial interest and the proposed contribution).

b. If the gift of the preferred interest is to a donor advised fund (instead of some other public charity) care should be taken to make sure there is not a tax on excess business holdings under IRC Sec. 4943.

This example assumes the FLLC owns only financial assets. If the FLLC owns trade or business assets, and if the preferred is given to a donor advised fund (instead of some other public charity) the excess business holding rules need to be considered. See IRC Sec. 4943(b).

c. The taxpayer must comply with certain reporting requirements in order to receive a deduction for the fair market value of the donated preferred interest.

Among the reporting requirements are:

1. The taxpayer must get and keep a contemporaneous written acknowledgment of the contribution from the charity. See IRC Sec. 170(f)(8)(A).
2. The taxpayer must also keep records that include how the taxpayer acquired the property and the basis information for the donated preferred interest. See Treas. Reg. §§1.170A-13(b)(3)(i)(A), (B).
3. The taxpayer must also obtain a qualified written appraisal of the donated property from a qualified appraiser, if the preferred interest is worth more than $500,000 attach the qualified appraisal to the taxpayer's return. See IRC Sec. 170(f)(11)(D).

d. If there is unrelated business taxable income associated with assets owned by the FLLC, some public charities will not accept the gift of the preferred interest in the FLLC.

All items of income of the FLLC will be proportionately allocated to the owner of the preferred interest, including items of income that are considered unrelated business income, which will be subject to the unrelated business income tax under IRC Sec. 511. The unrelated business income tax is imposed on the unrelated business taxable income of most exempt organizations. Gross income subject to the tax consists of income from a trade or business activity, if the business activity is not substantially related to the charity's exempt purposes and is regularly carried on by the organization. Even passive income, such as dividends and interest, will be subject to the tax, if the income is derived from debt-financed property.

C. The Use of a High-Yield Preferred Partnership or Membership Interest With Charitable Lead Annuity Trust ("CLAT").

What is a CLAT?

(i) A CLAT is a trust in which the lead interest is payable to a charity and is in the form of an annuity amount for the term of the lead interest.

(ii) In the CLAT, the annual payment is not based on the income of the trust. Since the annuity amount is not based on the income of the trust, that amount must be paid to the charity even if the trust has no income. If the trust's current income is insufficient to make the required annual payment, the short fall must be made up out of the invasion of the trust principal. If the current income exceeds the required annual payment, it does not have to be paid over to the charity; however, the excess income would then be accumulated and added to the trust corpus.

(iii) The lead interest in a CLAT can be for a fixed term of years. Unlike a charitable remainder trust, the fixed term can be indefinite.[74] The lead interest can also be measured by the life of an existing individual or the joint lives of existing individuals.

(iv) CLATs are not subject to the minimum payout requirements associated with charitable remainder trusts. Thus, there is no 5% minimum pay out for CLATs.

(v) The CLAT is not a tax-exempt entity, unless the CLAT is a grantor trust. If the CLAT is a non-grantor trust and if taxable income is accumulated in the trust it will be subject to income taxes. The CLAT will receive a charitable income tax deduction when it makes the distribution to the charity. If the CLAT is a grantor trust, the grantor will receive an income tax deduction for the actuarial value of the charitable gift of the annuity amounts upon creation of the CLAT. If the CLAT is a grantor trust, there will not be any future income tax deductions for distributions to charities.

(vi) CLATs are characterized as private foundations for purposes of certain restrictions placed on such organizations. Accordingly, CLATs are subject to private foundation excise tax provisions.[75] The governing trust instrument must contain specific prohibitions against (i) self-dealing; (ii) excess business holdings; (iii) jeopardy investments; and (iv) taxable expenditures.[76] If the specified prohibited transactions occur onerous significant excess taxes could accrue.

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[74] IRC Sec. 170(f)(2)(B).

[75] IRC Sec. 4947(a)(2).

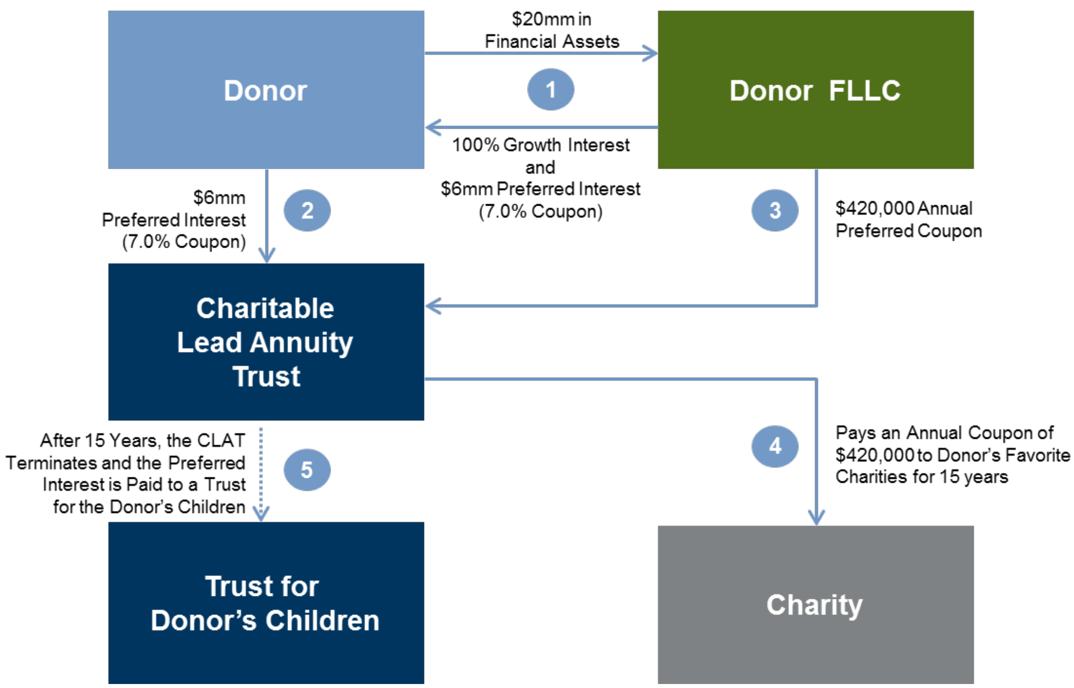
[76] *See* IRC Secs. 4941(a), (b), 4943(a), (b).

1. The Technique.

What if a financial engineering technique existed that would generally ensure the financial success (from the remainderman's perspective) of a CLAT and would create additional discounts for any future non-charitable gifts to family members? Consider the following example:

If a taxpayer creates a preferred interest in a FLP or a FLLC and contributes that preferred interest to a CLAT, the success of the CLAT is virtually assured. This is because all of the assets and the income of all of the assets of the FLP or FLLC are available to ensure the success of the coupon payments that are made on the preferred interest that is contributed to the CLAT. Assuming the preferred coupon rate is substantially in excess of the IRC Sec. 7520 rate, substantial assets will be available to the remainder beneficiaries of the CLAT on its termination.

Consider the following illustration, assuming the IRC Sec. 7520 rate is 1.0%:



2. Advantages of the Technique.

a. Because of the difference in the yield of a preferred coupon of a preferred interest in a FLLC that is compliant with Revenue Ruling 83-120 and the IRC Sec. 7520 rate, the transfer tax success of a CLAT is virtually assured.

Under the assumed facts of the above illustration, George will successfully transfer his preferred interest in 15 years to a trust for his children without using any gift tax exemption and George will not be taxed on the income allocated to the charity. The Donor FLLC needs only to earn 1.17% annual return to have enough earnings to satisfy the $70,000 annual preferred coupon.

The preferred partnership interest or limited liability interest appears to work very well from a transfer tax perspective with all varieties of CLATs, including level payment CLATs, back-loaded payment CLATs, grantor CLATs and non-grantor CLATs.[77]

b. IRC Sec. 2701 valuation rules will not apply to a gift of the "growth" interests in a FLLC if the preferred interests are owned by a CLAT.

In addition to the inherent benefits of a high yielding financial instrument being utilized when the IRC Sec. 7520 rate is low, there are additional estate planning benefits to the structure. As noted above, the valuation rules of IRC Sec. 2701 do not apply to a gift of the growth member interests if the donor does not retain the preferred partnership interests.[78] If the growth interest in the FLP or FLLC could be given or sold, additional estate planning benefits could accrue. Substantial valuation discounts may exist with respect to any growth interests that are donated or sold, because of the presence of the preferred interest. Consider the following table (also see Schedule 9 attached to this paper):

Table 7

	Total Present Value Received by Family Net of Taxes	Total Present Value Received by Charity	Total Present Value for Family and Charity
	Assuming a 7.0% Present Value Discount		
Description			
No Further Planning: Makes $420,000 Annual Contribution to Charity; Bequeaths $6mm to Charity at Death	$6,850,593	$6,199,251	$13,049,844
Hypothetical Technique: Creation of an FLLC with Growth and Preferred Interests; Gift of Preferred to Charity; Gift and Sale of Growth Interest to a GST Tax Exempt Grantor Trust; Bequeaths Estate to Family	$13,848,307	$6,199,251	$20,047,558

c. The donor will not pay income taxes or health care taxes on income that is allocated to the CLAT unless it is a grantor trust.

See the discussion in Section V B 2 c of this paper.

3. Considerations of the Technique.

a. The partial interest rule should not apply for gift tax purposes or income tax purposes (if a grantor CLAT is used), but the IRS may make the argument.

The income tax deduction is obviously unimportant if a non-grantor CLAT is used, because the gift on the annuity in a non-grantor CLAT is not eligible for an income tax deduction. What if the CLAT is a grantor trust? It is then important to receive an upfront income tax

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[77] *See* Paul S. Lee, Turner P. Berry & Martin Hall, "*Innovative CLAT Structures: Providing Economic Efficiencies to a Wealth Transfer Workhorse*," 37 ACTEC Law Journal 93, 151-53 (Summer 2011).

[78] *See* the discussion in Section II C 2 g of this paper.

deduction. The question then becomes whether section 170(f)(3), which denies a charitable deduction for a contribution to charity (not made by a transfer in trust) of certain partial interests in properly, trumps the deduction allowed under 170(f)(2) for gifts to grantor CLATs. The answer should be no.

In addition to the arguments and analysis in Section II C of this paper, there is the additional benefit of having the gift structured as a gift of an annuity interest in a charitable lead annuity trust. The sought-after deduction is not for the contribution of the partial interest to the trust, but rather for the contribution of the term interest in the trust to charity. The deduction must be allowable "*with respect to the trust*," not with respect to the assets contributed to the trust. The charitable deduction is specifically allowed by section 170(f)(2) for the contribution of the term interest in the grantor lead trust. Here, the deduction is allowable with respect to the grantor lead trust as long as the grantor lead trust otherwise meets the description of section 664. Second, section 170 (f)(3) specifically refers to contributions "not made by a transfer in trust", whereas 170(f)(2) refers to contributions "in trust." Subsections 170(f)(2) and 170(f)(3) are mutually exclusive: the first applies to contributions in trust and the second applies to contributions outside of trust.

Concerns about the partial interest issue arise from Private Letter Ruling 9501004. This ruling involved a charitable trust funded with an option to purchase real estate. The donor contributed an option to purchase real estate instead of contributing real estate itself because the real estate was encumbered by debt. According to the ruling, an option does not, before exercise, vest in the optionee any interest, estate or title in the land. Accordingly, the taxpayer would not be allowed a charitable deduction in the year in which the option was granted but would be allowed a deduction in the year in charitable organization exercised the option. See Rev. Rul. 82-197, 1982-2 CB 1982).

In that ruling, the IRS disregarded the specific language of Treas. Reg. §1.664-l(a)(l)(iii). That section defines qualified charitable remainder trusts as *trusts* for which an income or transfer tax deduction is *allowable*. It does not require that each contribution to a trust must be independently deductible in order for the trust to qualify. As justification for ignoring this distinction, the IRS relies upon its "function exclusively" weapon of Treas. Reg. §1.664-l(a)(4), which requires that the charitable remainder trust at all times throughout its existence must "meet the definition of and function exclusively as a charitable remainder trust." Using this weapon, the IRS read into section 1.664-l(a)(l)(iii) a requirement that each asset contributed to the trust must independently qualify for a charitable deduction under section 170, 2055, 2106 or 2522 in order for the trust to be, and to function exclusively as, a charitable remainder trust "in every respect." There is no direct authority to support this argument as there is no direct authority regarding what constitutes meeting the definition of and functioning exclusively as a charitable remainder trust.

Based on this questionable interpretation of the statute and the regulation's language, the IRS proceeded to discuss the denial of the income tax deduction based on the partial interest rule of section 170(f)(3). The IRS posited an example where the property contributed to the trust ultimately passed outside the trust: the facts in the ruling indicated that the option would never be exercised by a charitable organization or trust, but rather would be assigned to a third party. Then, relying on the partial interest rule of section 170(f)(3) (not 170(f)(2)), the IRS denied the income tax deduction because the contribution was of a partial interest which passed *outside* of the trust. The ruling goes out of its way to say: "However, no deduction would be allowable under [the partial interest rule] for any payment made to such a third party purchaser that purchases and exercises the purported option. In such a situation, the payment by Taxpayer would be made to the third party charitable organization *outside the trust* [emphasis added].” That statement would not be necessary if the option itself, as a partial interest, disqualified the trust.

It is also important for purposes of the gift tax charitable deduction whether the partial interest rule applies. As discussed below, the partial interest rule should also not apply for gift tax purposes. Even if the income tax deduction is denied under section 170, the CLAT still qualifies for a gift tax deduction because a gift tax deduction remains allowable under section 2522. Section 2522 does not appear to incorporate a 170(f)(3)-type partial interest rule. PLR 9501004 did not address whether section 2522 indirectly incorporates a partial interest rule because the gift was found to be incomplete. “Such [an incomplete] transfer would not constitute a transfer to the Trust for which a gift tax charitable deduction is allowable with respect to the Trust.” The converse is implied to be true - if the payment by Taxpayer would be made to a charitable organization inside a trust, such a transfer would constitute a transfer for which a gift tax charitable deduction is allowable with respect to the trust.

The IRS did not import a 170(f)(3)-type partial interest rule into section 2055 in its private letter ruling 200202032. In that ruling, the taxpayer had previously contributed to the museum all of his right, title and interest in and to a 50% undivided interest in 32 paintings. At his death, the taxpayer bequeathed his remaining 50% undivided interest in the 32 paintings to the museum. The ruling held that the taxpayer's 50% undivided interest qualified for the estate tax charitable deduction under section 2055, despite being partial interests.

Sections 170(f)(2), 170(f)(3), 2055(e)(2) and 2522(c)(2) were enacted as part of a comprehensive revision of the tax treatment of charitable contributions in the Tax Reform Act of 1969, Pub. L. No. 91-172, 83 Stat. 487. In that legislation, Congress provided rules governing charitable gifts of partial interests outside of trust, see IRC 170(f)(3); income tax deductions for gifts in trust, see IRC §170(f)(2); estate tax deductions, see IRC §2055(e)(2), and gift tax deductions, see IRC §2522(c)(2). Notably, Congress did not include a corresponding l70(f)(3)-like provision in 2055 or 2522.

The legislative history concerning income tax deductions for gifts of partial interests not in trust weighs against importing the same restrictions into 2055 and 2522. The history focused on the practice of taking a deduction for the donation of the rent-free use of property for a specified time. Congress agreed with the IRS's position that in such a situation a taxpayer obtains a double benefit by being able to claim a deduction for the fair rental value of property and also exclude from income the receipts from the donated interest during the period of the donation. The legislative solution was to permit the exclusion but deny an income tax deduction. See H.R. Rep. No. 413, 91st Cong., 1st Sess. 57-58 (1969), 1969-3 C.B. at 239. This solution is not relevant in the transfer tax context.

b. Care should be taken to make sure that there is not a tax on excess business holdings under IRC Sec. 4943.

This example assumes the FLLC owns only financial assets. If the FLLC owns a trust or business, since the CLAT will be considered a private foundation, the excess business holding rules and IRC Sec. 4943 need to be considered.

VI. STRATEGIES THAT MAY LOWER THE INCOME AND HEALTH CARE TAXES OF TRUSTS WITHOUT MAKING CASH DISTRIBUTIONS TO THE BENEFICIARIES OF THE TRUSTS.

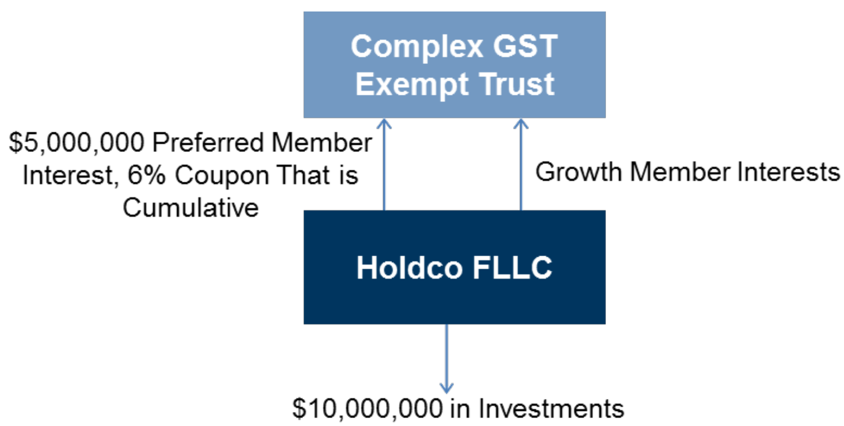
A. The Trustee of a Complex Trust Could Consider Creating a Two Class (One Class is a Preferred Interest and One Class is a Growth Interest) Single Member FLLC and the Trustee Could Distribute Part or All of the Preferred Class to the Current Beneficiary.

1. The Technique.

The trustee of a trust could contribute part or all of its assets into a single member FLLC that has both preferred interests and growth interests. The owner of the preferred interest would be paid a fixed coupon and would also be entitled to a fixed liquidation value or "par" value on termination of the single member FLLC. The owner of the common interest would be entitled to the income and assets on liquidation that are not allocated to the preferred owner. The single member FLLC could have the right to call the preferred interest for cash equal to the par value of the preferred that is "called". The trust could also withhold part of the cash accruing from "called" preferred interests or the preferred coupon and pay that withheld amount to the IRS to satisfy the beneficiary's taxes associated with distributions and ownership of the preferred interest. Consider the following illustrated transactions.

<u>*Hypothetical Transaction #1*</u>

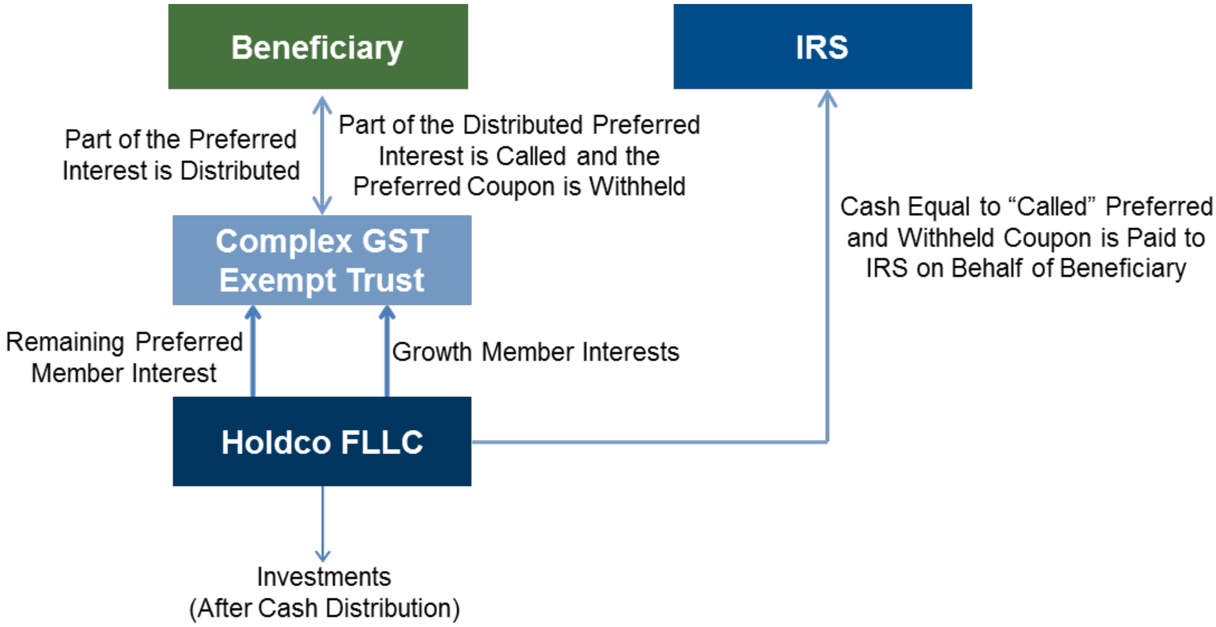
Trustee of Complex GST Exempt Trust, which has $10,000,000 in assets, forms a single member FLLC with preferred and growth member interests as illustrated below:



Holdco, FLLC has the right to "call" or "redeem" any portion of the preferred for cash and/or withhold any portion of a preferred coupon that is to be paid to its owner. The trustee of the Complex GST Exempt Trust could pay cash for that portion of "called" preferred that is owed and/or any portion of the coupon that is withheld, to the IRS for the benefit of the owner of the preferred.

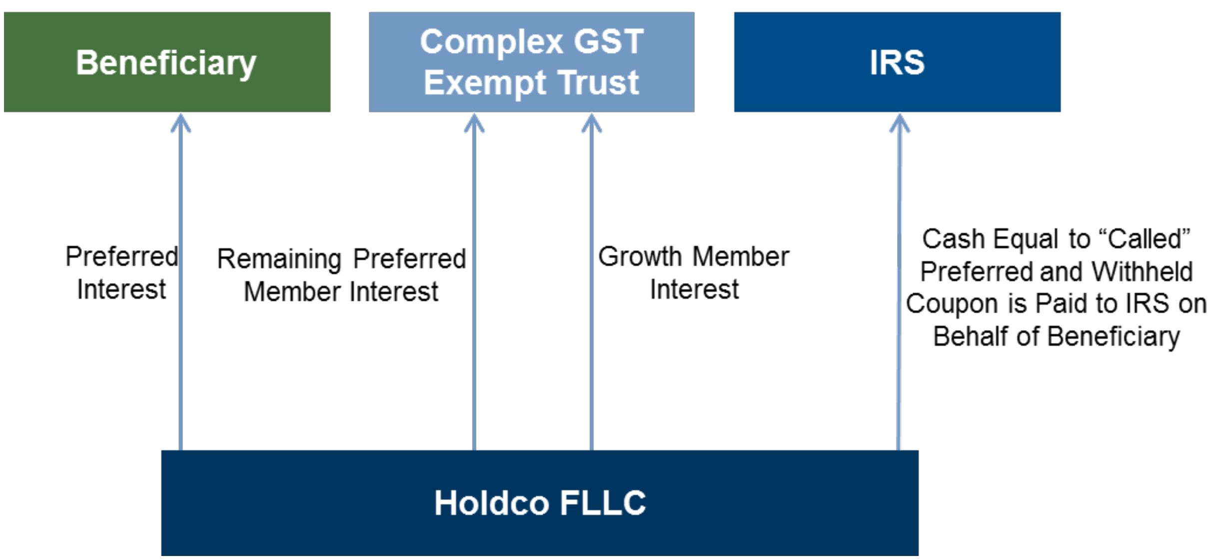
<u>*Hypothetical Transaction(s) #2*</u>

Trustee of the Complex GST Exempt Trust could distribute part of its preferred interest to beneficiary. The par value of the distributed preferred is equal to the trust's adjusted gross income, as defined in IRC §67(e) over the dollar at which the highest bracket in IRC §1(e) begins *for such taxable year. The trustee withholds the coupon payout that is due and "calls" or redeems part of the preferred. A cash amount equal to the "withheld" coupon and the "called" preferred interest is paid to the IRS on behalf of the beneficiary to be applied to the beneficiary's income taxes. This transaction can be shown as follows:*



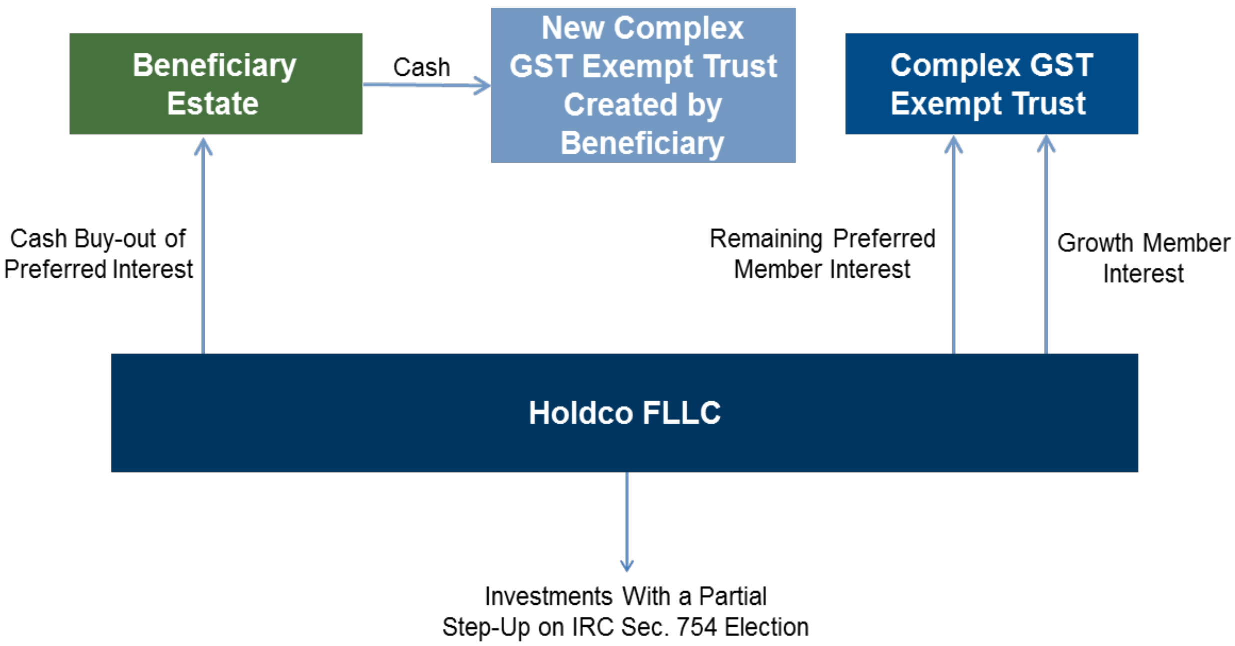
<u>*Hypothetical Transaction(s) #3*</u>

In the later years, the trustee of the Complex GST Exempt Trust no longer distributes preferred partnership interests to the beneficiary. The trustee of the Complex GST Exempt Trust is not taxed on the net income allocated to the preferred interest owned by the beneficiary. Holdco, FLLC "calls" or withholds part of the cash coupon owed to the beneficiary and pays that cash to the IRS on behalf of the beneficiary:



<u>*Hypothetical Transaction #4*</u>

Upon the beneficiary's death, the trustee may wish to redeem or "call" all of the preferred interest then held by the beneficiary's estate. If the beneficiary does not have a taxable estate and bequeaths the proceeds of the "called" preferred interest to a similar Complex GST Exempt Trust, that cash, upon redemption, will then pass according to the terms of the new trust. If an IRC §754 election is made, some of the low basis assets of Holdco, FLLC may receive a step-up in basis:



2. Advantages of the Technique.

   a. Taxable income of the trust allocated to the beneficiary, either directly to the beneficiary because of the in-kind distributions of the preferred interest, or indirectly because of the payment of the preferred coupon, will not be taxable to the trust, which could save significant income taxes and health care taxes.

The fair market value of the preferred, when it is distributed to the beneficiary, will carry out distributable net income of the trust for that tax year. See IRC Secs. 661 and 662. The taxable income earned by Holdco that is allocated to the beneficiary as an owner, or part owner, of the preferred will not be taxed to the trust but will be allocated to the beneficiary. See IRC Sec. 704(b). If the beneficiary's income tax bracket is lower than the top bracket of the trust, then income taxes could be saved based on that difference.

b. If the trust contributes low basis assets to Holdco in exchange for the preferred, then distributes the preferred to the beneficiary, and if there is a later sale of those low basis assets by Holdco, significant future capital gains taxes could be saved.

If after distributing the preferred interest to the beneficiary, Holdco FLLC sells the highly appreciated securities that were exchanged for the preferred, the capital gains interest in the securities at the time of the exchange (the so-called "built-in gain") will be allocated to the beneficiary and will not be allocated to the other owners of Holdco (i.e., the trust). See IRC Sec. 704(c). Holdco could "call" part of the preferred, after the sale of securities, in order for the beneficiary to have sufficient cash to pay his taxes that are associated with the allocated gain. If the beneficiary is in a marginal bracket that is lower than the top marginal bracket of the trust, substantial capital gains taxes may be saved.

c. On the death of the beneficiary additional income tax and health care tax savings could accrue, if the stepped-up outside basis of the preferred interest owned by the beneficiary exceeds the proportionate inside basis of the FLLC assets.

In this example, on the death of the beneficiary, Holdco could elect to have an adjustment of its inside basis on its assets under IRC Sec. 754 that are proportionately represented by the preferred interest. That election could save future capital gains and health care taxes when those assets are sold.

d. Unlike a trustee distribution of cash, a trustee distribution of a preferred interest in a closely held FLLC is not marketable, which could partially address spendthrift concerns.

The problem with a trustee distributing cash to a beneficiary in order to lessen the income tax and health care tax burdens is that cash can be spent by the beneficiary instead of being saved and bequeathed to future generations on the death of the beneficiary. A distribution of cash is also readily available to creditors and spouses on divorce. It may be difficult for a beneficiary to find a buyer for the preferred interest. The preferred interest could be subject to a buy-sell agreement. It is generally very likely the preferred interest will still be owned by the beneficiary on his or her death.

e. Unlike a distribution of cash, in which the trust loses its ability to return the earning potential of that cash for the benefit of future beneficiaries, the trust will indirectly retain the earning potential of the assets owned by the single member FLLC subject to the preferred coupon payment requirements.

If Holdco earns more than the coupon that is distributed to the beneficiary those excess earnings will accrue to the other beneficiaries of the trust.

f. The valuation rules of IRC Sec. 2701 probably do not apply to these illustrated transactions.

The valuation rules of IRC Sec. 2701, which apply for gift tax purposes in valuating gifts of common interests in a manner that overrides the hypothetical willing buyer, willing seller standard should not apply in this context. See the discussion in Section V B 2 f of this paper. IRC Sec. 2701 does not apply for generation-skipping purposes. Secondly, IRC Sec. 2701 does not apply, if preferred interests are transferred instead of being retained. See the discussion in Section V B 2 f of this paper. Third, it is difficult to see how a distribution by a trustee to a beneficiary is a gift by any person as a donor, if the trustee is properly exercising fiduciary discretion. Since IRC Sec. 2701 does not apply, this may allow greater flexibility in designing the preferred to comply with the traditional willing buyer, willing seller standard.

3. Considerations of the Technique.

   a. It adds a layer of complexity to the administration of the trust.

   b. The beneficiary may not bequeath the preferred interest in a manner consistent with the remainderman provisions of the complex trust.

These same considerations exist with a distribution of cash to the beneficiary. Creditors of the beneficiary, including divorced spouses, may be able to attach the preferred interest.

These same considerations exist with a distribution of cash to the beneficiary.

B. A Complex Trust Contributes its Assets For a "Preferred" Interest in a FLP or FLLC and a Grantor Trust, With the Same Beneficial Interests as the Complex Trust, Contributes its Assets For a "Growth" Interest in That FLP or FLLC.

1. The Technique.

A complex trust may significantly reduce its income taxes and may increase its net worth, if it invests its assets in a partnership for a preferred interest and a grantor trust invests in the partnership for a growth interest. Consider the following example:

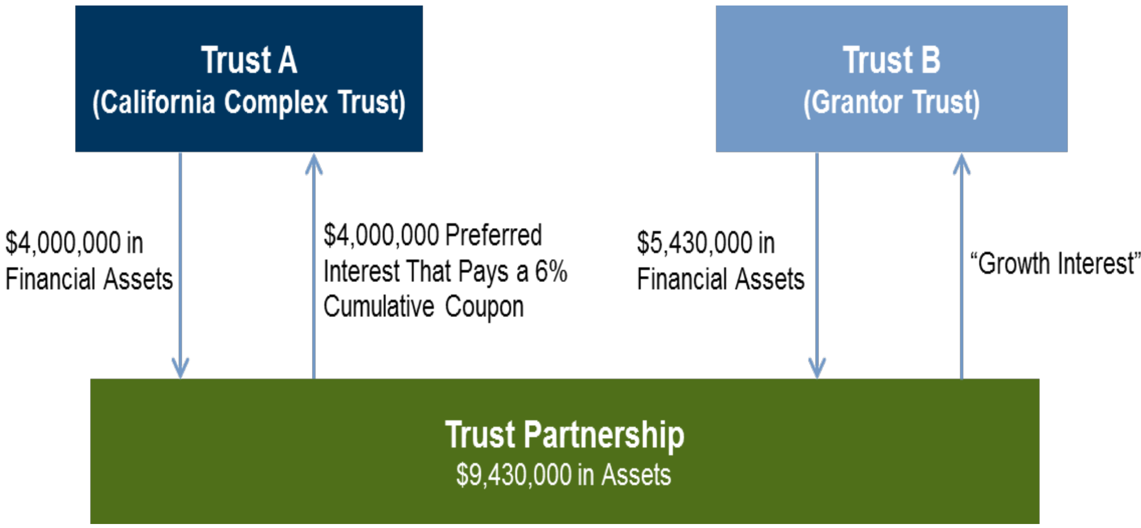
Example 8: Old Complex Trust Enters Into a
<u>Two-Class Partnership With a New Grantor GST Trust</u>

Gomer Gonetotexas is a discretionary beneficiary of a GST Complex trust that was created in California and is subject to California state income tax law ("Trust A"). Gomer now lives in Texas. Gomer has a $20,000,000 estate and does not need or want any distributions from Trust A. The beneficiaries of Gomer's estate are the same as the beneficiaries of the California complex trust. Gomer desires to lower the California state income taxes of Trust A and lower his estate taxes. Gomer does not want to pay any gift taxes. Gomer's living expenses are $500,000 a year. Gomer develops the following plan:

Trust A invests its $4,000,000 in financial assets for a $4,000,000 preferred interest in a FLP that pays a 6% cumulative return. Gomer creates Trust B with $5,430,000 in assets. Trust B is a grantor trust that is also a GST trust with similar beneficial interests to Trust A. Trust B contributes its assets for a growth interest in the FLP that is entitled to all of the income and growth of the partnership that is not allocated to the preferred interest. During the term of the partnership there are no distributions to the Trust A beneficiaries. Assume the partnership assets earn 7.4% before taxes a year with 3.4% of the return being taxed at ordinary rates and 4% of the return being taxed at long-term capital gains rates with a 30% turnover.

The proposed transaction is illustrated below:

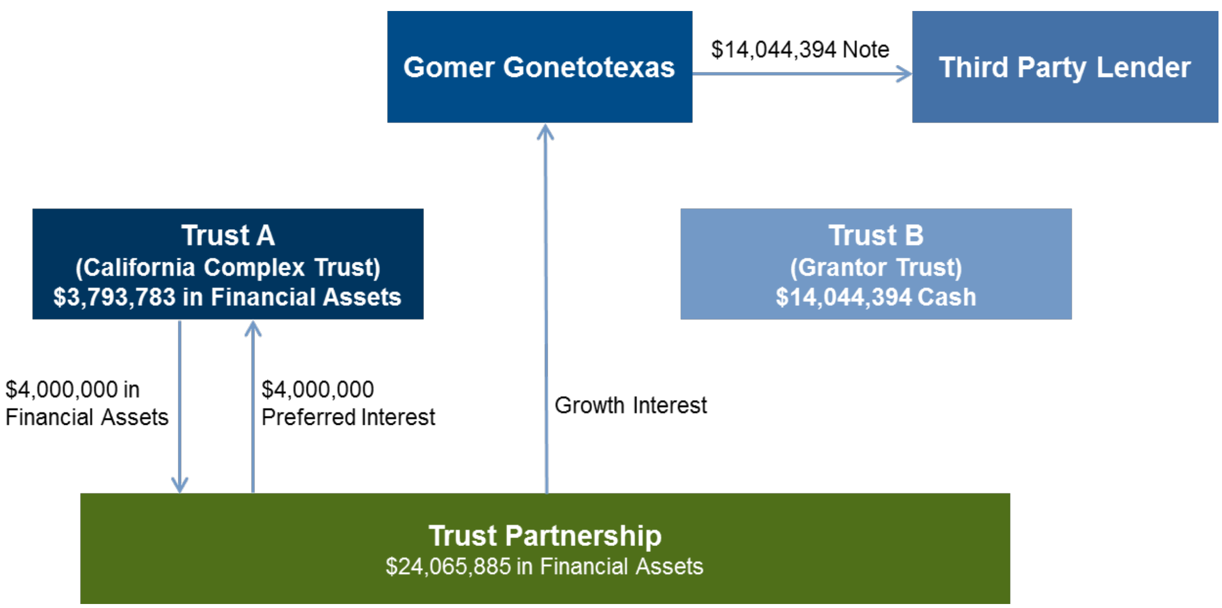
Transaction One:



Transaction Two:

Assume Gomer two years before he dies (and eighteen years after the original transaction) manages the contingent income capital gains taxes associated with Trust B's ownership of the growth interest by purchasing the growth interest with cash obtained by borrowing from a third party. See the discussion in Section IV of this paper. That transaction is illustrated below:

Eighteen Years After Transaction One, Gomer Borrows Cash From Third Party
<u>Lender and Buys Trust B's Growth Interest in the Trust Partnership For its Fair Market Value</u>



It is assumed that the partnership is terminated shortly before Gomer's death and the third party lender is then paid.

2. Advantages of the Technique.

a. Under this arrangement, the complex trust's income taxes will be significantly reduced and a significantly greater amount will pass to Gomer's descendants.

The technique described is Scenario A in Table 8 below (also see attached Schedule 10). Over a 20-year period Trust A will pay 16.2% less in the total of state income taxes and associated investment opportunity costs by using this technique. If the beneficiaries of Trust A, Trust B and Gomer's estate are the same, Gomer's estate will save $3,380,750 in estate taxes and Gomer's descendants will receive $38,150,544 in assets in comparison to $33,727,835 in assets with no further planning.

Table 8

	Gonetotexas Beneficiaries			Consumption		IRS Income Taxes		CA Income Taxes		Opportunity Cost/ (Benefit) of 3rd Party Note	IRS Estate Tax (at 40.0%)	Total
		Children & Grandchildren										
	Children	California Complex Trust	Texas Grantor Trust	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost			
20-Year Future Values												
No Further Planning	$15,428,576	$9,609,259	$8,690,000	$12,772,329	$13,053,175	$14,277,270	$13,716,783	$1,257,693	$977,577	$0	$10,285,717	$100,068,380
Hypothetical Technique Scenario A	$10,357,451	$12,333,221	$15,459,872	$12,772,329	$13,053,175	$14,389,073	$13,719,802	$986,747	$887,382	($795,639)	$6,904,967	$100,068,380
Hypothetical Technique Scenario B	$10,165,130	$10,164,400	$18,638,941	$12,772,329	$13,053,175	$14,588,078	$13,924,521	$493,205	$443,626	($951,776)	$6,776,753	$100,068,380
Present Values (discounted at 2.5%)												
No Further Planning	$9,415,611	$5,864,252	$5,303,254	$7,794,581	$7,965,974	$8,713,003	$8,370,954	$767,534	$596,587	$0	$6,277,074	$61,068,825
Hypothetical Technique Scenario A	$6,320,851	$7,526,606	$9,434,710	$7,794,581	$7,965,974	$8,781,233	$8,372,797	$602,183	$541,543	($485,555)	$4,213,901	$61,068,825
Hypothetical Technique Scenario B	$6,203,483	$6,203,038	$11,374,804	$7,794,581	$7,965,974	$8,902,680	$8,497,730	$300,988	$270,732	($580,841)	$4,135,655	$61,068,825

b. The trustee of the complex trust does not have to distribute assets or cash to a beneficiary, or give a withdrawal right to a beneficiary, in order to save income taxes or health care taxes.

As noted above, there may be fiduciary concerns if distributions are made to a beneficiary solely to save income taxes. This technique eliminates that risk.

c. This technique may be easier to manage than some of the other trust income tax savings techniques.

d. If the two trusts have identical provisions the valuation rules under IRC Sec. 2701 may not apply.

IRC Sec. 2701 valuation rules do not apply for generation skipping purposes. If the two trusts have identical provisions it is difficult to see a gift tax issue or fiduciary issues, if the creator of Trust B is not entitled to any distributions from Trust A because his standard of living is met by other sources.[79] If there is no gift tax or GST tax issue, the trustee of Trust A, because Trust B has the same identical beneficiaries may believe it is in the Trust A beneficiaries' best interest to receive a 3% cumulative preferred interest instead of a 6% cumulative preferred interest in order to save state income taxes.

The technique described above is Scenario B in Table 8 above (also see attached Schedule 10). Over a 20-year period Trust A will pay 58.1% less in the total of state income taxes and associated investment opportunity costs by using this technique. If the beneficiaries of Trust A, Trust B and Gomer's estate are the same, Gomer's estate will save $3,508,964 in estate taxes and Gomer's descendants will receive $39,968,471 in assets in comparison to $33,727,835 in assets with no further planning.

3. Considerations of the Technique.

a. A party may not exist that could create a grantor trust that could invest and receive a preferred partnership interest.

b. The technique is complex.

c. In certain circumstances it may be better for the new grantor trust to own the preferred interest if a high coupon is warranted (e.g., 11% – 12%) because the new grantor trust is contributing 80% – 90% of the assets of the partnership. Under these circumstances, if the leveraged reverse freeze is used, the 80% – 90% preferred interest capitalization could be obtained with minimal gift tax consequences by using a contribution from the new grantor trust.

d. In certain circumstances it may be more profitable for the old trust to sell the high basis assets to the new trust for a low interest (AFR rate) note to the new trust.

e. The IRS may argue that the valuation rules of IRC Sec. 2701 apply despite the identical provisions and beneficial interests of the two trusts.

f. If there is not a buy-back of the growth interest by the grantor of the new grantor trust before the death of the grantor much of the income tax benefit will be lost because of the lack of step-up that accrues for the assets held in the new grantor trust.

C. The Use of a Leveraged Reverse Freeze to Shift Trust Taxable Income From a High Income Tax State to a Low Income Tax State.

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[79] *See* Treas. Reg. §25.2511-1(g)(1) and *Saltzman v. Comm.*, 131 F.3d 87 (2nd Cir., 1997).

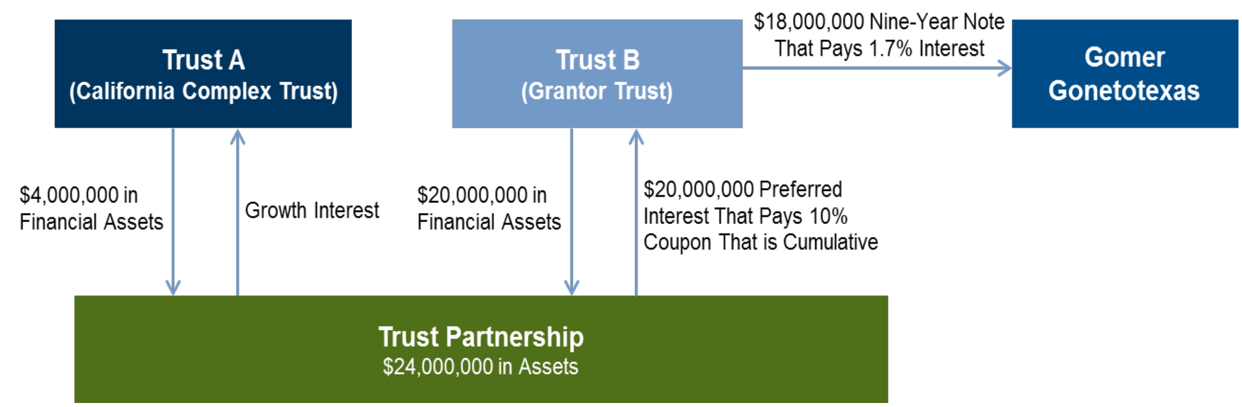
Consider the following example:

Example 9: A Leveraged Reverse Freeze is Used to Shift Trust
Taxable Income From a High Income Tax State to a Low Income Tax State

The facts are similar to Example 8, except Gomer Gonetotexas contributes all of his net worth ($20,000,000) to a partnership with Trust A and receives a mezzanine preferred partnership interest that pays a cumulative coupon with a coupon rate that is consistent with Revenue Ruling 83-120 (that rate for purposes of this example is assumed to be 10%). Trust A will receive the growth interest. Gomer then contributes $2,000,000 of the preferred interest and sells $18,000,000 of his preferred interest to Trust B, which has the same provisions as Example 8, in exchange for a nine-year note that pays an AFR interest rate.

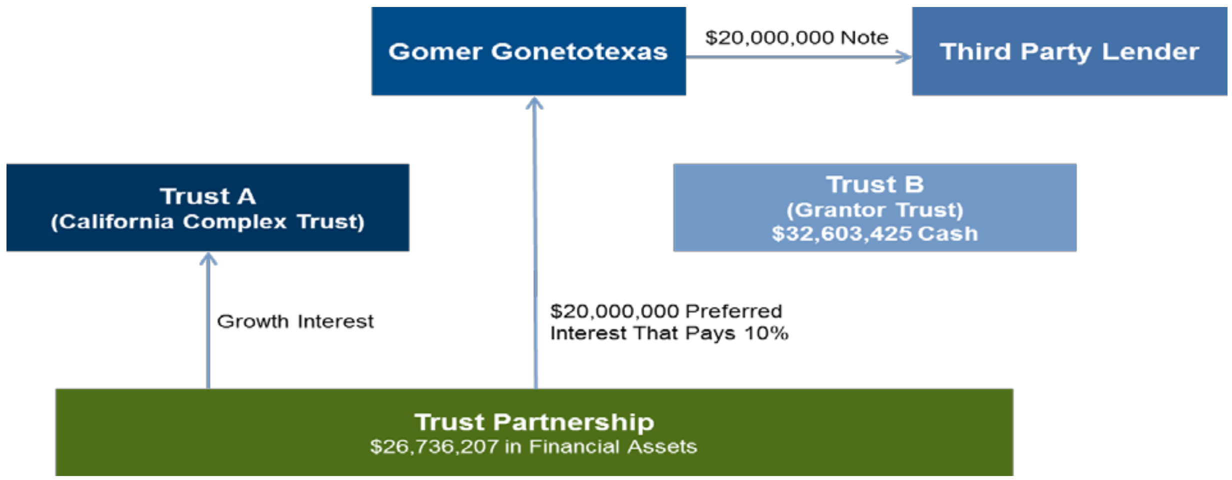
This example is illustrated below:

Transaction One:



Transaction Two:

Seventeen Years After Transaction One, Gomer Borrows Cash From Third Party
Lender and Buys Trust B's Preferred Interest in the Trust Partnership For its Fair Market Value



1. The Technique.

For a full discussion of the reverse freeze technique see Section IX of this paper.

2. Advantages of the Technique.

a. Significant state income taxes and the investment opportunity costs associated with those state income taxes can be saved with this technique.

See Table 9 below and attached Schedule 11. In this technique all of the potential state income taxes and the opportunity costs associated with those state income taxes are eliminated. Under the assumptions of this Example 9, $1,264,013 in state income taxes will be saved and $995,794 in investment opportunity costs on those state income taxes will be saved for a total savings of $2,259,807.

b. Significant transfer taxes will be saved under this technique.

See Table 9 below and attached Schedule 11. Under the assumed facts of this Example 9, all of the estate taxes are eliminated.

Table 9

	Gonetotexas Beneficiaries			Consumption		IRS Income Taxes		CA Income Taxes				
		Children & Grandchildren								Opportunity Cost/		
	Children	California Complex Trust	Texas Grantor Trust	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	Direct Cost	Investment Opportunity Cost	(Benefit) of 3rd Party Note	IRS Estate Tax (at 40.0%)	Total
20-Year Future Values												
No Further Planning	$15,428,576	$9,609,259	$8,690,000	$12,772,329	$13,053,175	$14,270,950	$13,698,567	$1,264,013	$995,794	$0	$10,285,717	$100,068,380
Hypothetical Technique	$0	$4,000,000	$43,359,947	$12,772,329	$13,053,175	$15,967,067	$14,173,982	$0	$0	($3,258,119)	$0	$100,068,380
Present Values (discounted at 2.5%)												
No Further Planning	$9,415,611	$5,864,252	$5,303,254	$7,794,581	$7,965,974	$8,709,146	$8,359,837	$771,391	$607,704	$0	$6,277,074	$61,068,825
Hypothetical Technique	$0	$2,441,084	$26,461,316	$7,794,581	$7,965,974	$9,744,237	$8,649,969	$0	$0	($1,988,336)	$0	$61,068,825

c. The trustee of Trust B may wish to use some of its positive cash flow from the transaction to purchase life insurance on the life of Gomer Gonetotexas, at least to the extent there may be estate taxes associated with Gomer's note.

The insurance could serve as a hedge to Gomer's early death. Please see the discussion in Section IX of this paper.

d. In general, this technique has the same advantages discussed in Sections VI B 2 and IX B of this paper.

3. Considerations of the Technique.

This technique has many of the same considerations that are discussed in Sections VI C 3 and IX C of this paper.

D. The Complex Trust Could in Effect Convert Part of Its Assets Into an IRC Sec. 678 Grantor Trust in Which the Income is Taxed to the Beneficiary of the Trust By Having the Trust Invest in a Subchapter S Corporation and Converting that Part of the Trust Into a Qualified Subchapter S trust ("QSST").

1. The Technique.

Many trust documents creating complex trusts provide that if any investment is made in a subchapter S corporation that part of the trust will convert into a QSST. Or, in appropriate circumstances, a complex trust could be modified by court order to allow a Subchapter S investment by a QSST conversion for that investment. In order to ameliorate fiduciary concerns, assume the amount of distributions to the QSST beneficiary is taken into account by the trustee in determining the amount of the distributions, if any, to the beneficiary out of the assets of the complex trust that are not held in the QSST.

What is a QSST? A QSST is a trust that has only one income beneficiary and any corpus distributed during the life of the current beneficiary may only be distributed to that beneficiary. After an election is made by the beneficiary, the beneficiary is taxable on the taxable income of any Subchapter S stock that is owned by the trust as if the trust is a grantor trust to the beneficiary under IRC Sec. 678(a).

Under IRC Sec. 678(a) the trust is ignored for income tax purposes, at least with respect to any Subchapter S stock that is held in the trust. The IRS confirmed this grantor trust treatment of Subchapter S stock owned by a QSST as to the beneficiary of the QSST in Revenue Ruling 92-84.[80] The key holdings of that Revenue Ruling are as follows:

> Section 1361(d)(1)(B) of the Code provides that, for purposes of section 678(a), which sets forth the rules for when a person other than the grantor will be treated as a substantial owner, the beneficiary of a QSST shall be treated as the owner of that portion of the trust which consists of stock in an S corporation with respect to which the election under section 1361(d)(2) is made.
>
> …
>
> A has made the election under section 1361(d)(2) of the Code with respect to TR and M corporation. Therefore, under section 1361(d)(1)(B), A is treated as the owner of that portion of TR that consists of stock in corporation M for purposes of section 678(a).
>
> …
>
> Section 678(a) is within subpart E of subchapter J of the Code. Therefore, the provisions of section 671 are applicable to the stock of an S corporation with respect to which the beneficiary has made an election under section 1361(d)(2).

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[80] *See* Rev. Rul. 92-84, 1992-2 C.B. 216.

Section 1.671-2(b) of the Income Tax Regulations provides that when it is stated in the regulations under subpart E that 'income' is attributed to the grantor or another person, the reference, unless specifically limited, is to income determined for tax purposes and not to income for trust accounting purposes.

Section 1.671-2(c) of the regulations provides that an item of income, deduction, or credit included in computing the taxable income and credits of a grantor or another person under section 671 is treated as if it had been received or paid directly by the grantor or other person (whether or not an individual).

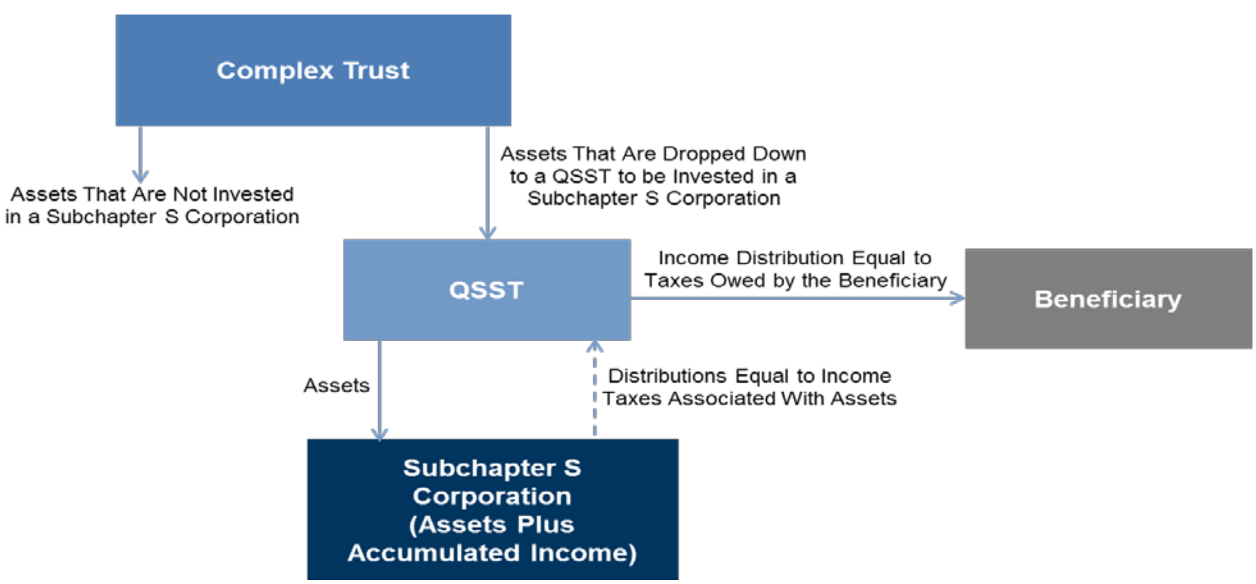
Section 1.671-3(a)(2) of the regulations provides that, if the portion treated as owned by a grantor trust or another person consists of specific trust property and its income, all items directly related to that property are attributable to that portion.

Accordingly, where a grantor or another person is treated as the owner of property constituting corpus under subpart E, the trust is disregarded as a separate entity and any gain or loss on the sale of such corpus is treated as gain or loss of such person.

It should be noted that the IRS revoked Revenue Ruling 92-84, because of cash problems caused by installment sales of Subchapter S stock by a QSST when it modified Treas. Reg. §1.1361-1(j)(8) in TD 8600 (7/20/1995). However, it would seem the other grantor trust aspects of the Revenue Ruling remain, which are consistent with IRC Sec. 1361 (i.e., for income tax purposes, the beneficiary of the QSST is treated as the income tax owner of any Subchapter S stock in the QSST and the beneficiary pays all of the income taxes on the Subchapter S income earned by the trust). It should also be noted that the trust assets other than the Subchapter S stock will be taxed under the normal Subchapter J rules.

After the trustee converts part of the trust assets to QSST, the trustee could manage the QSST in a manner which duplicates the result of a complex trust with lower income taxes. For instance, the trustee could only distribute that amount of cash from the trust owned Subchapter S stock that is necessary for the beneficiary to pay his income taxes.

The technique is illustrated as follows:



2. Advantages of the Technique.

a. The beneficiary may be in a lower tax bracket than the trust.

b. There is not any concern about the effect of any lapse of withdrawal rights.

Unlike the limited income withdrawal trust, or other IRC Sec. 678 beneficiary grantor trust techniques, there is no need for the beneficiary of the QSST to have withdrawal rights, because there is no attempt to make all of the assets taxed as a IRC Sec. 678 trust (only the Subchapter S stock owned by the trust). The transfer tax, income tax consequences and creditor protection consequences that may accrue from the existence of a withdrawal right, and from its lapse, are not present in this technique.

c. If the subchapter S corporation participates in a trade or business, and if the current beneficiary of the QSST materially participates in that trade or business, or is in a lower marginal bracket, significant health care taxes may be saved with the technique.

The net investment income, as noted above, is not allocated to the QSST, but is allocated to the beneficiary of the trust under IRC Sec. 678. Thus, if the beneficiary materially, or significantly, participates in the business of the subchapter S corporation there is not any tax. Secondly, even if the beneficiary does not participate, the beneficiary may be in a lower bracket than the trust.

d. The beneficiary of the QSST will have access to the cash flow distributed to the trust.

The beneficiary is the sole income beneficiary of the trust. The distributions could be adequate to pay the beneficiary's income taxes associated with the QSST.

e. The trust is much more flexible than a simple income only trust and may be administered to simulate a complex trust without the income tax and health care tax disadvantages of a complex trust.

The beneficiary is entitled to receive the distributions paid on the Subchapter S stock held in the trust, as an income beneficiary. However, the beneficiary pays income taxes (and health care taxes) on all of the income associated with the Subchapter S stock owed by the QSST. Much of the income earned by the subchapter S corporation could be retained by the corporation, and the trust and the subchapter S corporation could be managed to simulate a complex trust that does not pay income taxes, which only distributes that amount of cash necessary so that the beneficiary may pay his income taxes on the income earned by that trust.

3. Considerations of the Technique.

a. The federal income tax considerations with utilizing a subchapter S corporation.

However as noted below, many of the income tax considerations may be either mitigated, eliminated, or do not really exist in comparison to certain of the techniques.

A subchapter S corporation is generally more advantageous from an income tax standpoint than a Subchapter C corporation, because there are not any corporate taxes to be paid for a corporation that qualifies. A subchapter S corporation can own passively managed assets, if the corporation has never been a C corporation.

One of the considerations of a subchapter S corporation is that only certain shareholders may qualify. Shareholders must be United States citizens. To the extent the Subchapter S stock is owned by a trust, the trust needs to be a grantor trust, a QSST or an electing small business trust (ESBT). Of these, the only trusts to which sales of Subchapter S stock may be made without realization of gain are grantor trusts (sale by the grantor) and QSST trusts (sale by the trust beneficiary).

Another consideration of a subchapter S corporation is that there is not a step-up on the underlying assets of the subchapter S corporation on the death of the shareholder who owns stock that is subject to estate taxes. FLPs and FLLCs, pursuant to certain elections that can be made under IRC Sec. 754, have the ability to have certain of the partnership assets receive an internal basis step-up on the death of a partner or member who owns the partnership interest or member interest (assuming the assets have appreciated). This may not be a significant consideration, if the planning goal is to have the stock out of the client's estate by the time of the client's death. Obviously, there would also not be a basis change under that goal and those facts, even if a partnership was used in the transfer planning – a taxpayer cannot receive a basis step-up on the underlying assets of the partnership assets, if the taxpayer does not own a partnership interest at the taxpayer's death.

Nevertheless, to the extent Subchapter S stock has not been transferred, and is included in a decedent's estate, the step-up in basis of a decedent's ownership of the Subchapter S stock will not be proportionately allocated to the subchapter S corporation's low basis assets as would be the case if the decedent owned a partnership interest and an IRC Sec. 754 election were made. However, in some cases, this disadvantage may only be one of timing. For instance, assume in the same year, after the death of the owner of the Subchapter S stock, the subchapter S corporation sells some of its low basis assets for cash in a transaction that generates capital gain. The corporation may use that cash to redeem the Subchapter S stock. The estate will be allocated its share of the gain on that subchapter S corporation sale, which will further increase the estate's basis in its Subchapter S shares. That redemption will generate a capital loss (since the estate's basis is equal to its fair market value at death plus its share of the gain generated by subchapter S corporation sales of the low basis assets), which will be offset by the estate's share of Subchapter S gain on the sale of the low basis assets.

If future generations wish to terminate a subchapter S corporation, there may be immediate capital gains consequences in comparison to the assets being held in a partnership or FLLC. If the assets owned by the subchapter S corporation are sold immediately after, or before, the termination, that capital gains comparative disadvantage to a partnership organization may be mitigated. That inside basis disadvantage may also be mitigated by the use of drop down partnerships and leverage strategies, which are discussed in Section VII of this paper.

b. Any assets of the QSST that are not Subchapter S stock will be taxed under normal Subchapter J rules.

As noted above, under Treas. Reg. §1.1361-1(j)(8), if there is a sale by the trustee of the QSST of any Subchapter S stock owned by the QSST, the QSST will be taxed on that sale under normal Subchapter J principles. The basis of the Subchapter S stock, that is to be sold, could be low because the only basis adjustment, after the sale of Subchapter S stock, will be the income of the corporation accumulated after the sale. It may be very important to eliminate any note outstanding to the Sec. 678 owner of the QSST, before the QSST sells its Subchapter S stock to a third party, in order to circumvent any income tax complications associated with the outstanding debt.

c. State income tax considerations.

Certain states may have different tax rules with respect to subchapter S corporations and the taxation of QSST trusts. Thus, the possibility exists that under many state laws, a sale to a QSST trust may be subject to state capital gains taxes and the beneficiary of the trust will not be taxed on the trust income. For example, a Missouri trust holds S corporation stock that owns Illinois real estate. When the real estate is sold, Illinois would tax the gain on the real estate, but the capital loss on liquidation of the stock would not be Illinois source loss, because the stock is not Illinois property.

VII. POST-MORTEM STRATEGIES THAT LOWER THE NET TOTAL INCOME TAX AND TRANSFER TAX.

A. Use of a Leveraged Buy-Out of a Testamentary Charitable Lead Annuity Trust ("CLAT").

1. The Technique.

a. Introduction.

The "conventional wisdom" this author sometimes hears on this subject is as follows: "one can never self-deal, even on a fair basis, with a foundation or a CLAT;" "the problem with testamentary gifts to charity is that the decedent's family always ends up with substantially less;" or "the problem with testamentary CLATs is that the decedent's family has to wait a long time to have access to the decedent's assets." This "conventional wisdom," under the circumstances discussed below, is incorrect.

Assume a client, at his death, wishes for part of his estate to go to his family and the rest to his favorite charitable causes. One technique that is generally considered under those circumstances is the CLAT.

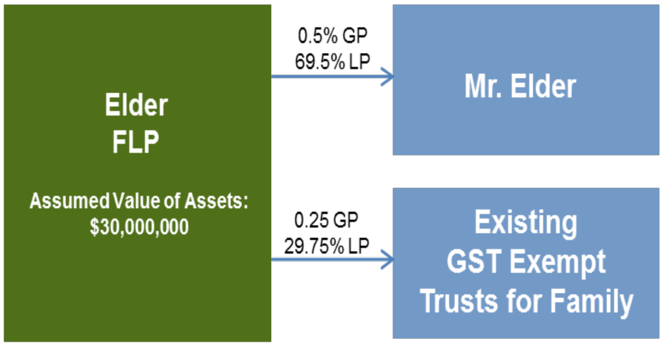
Example 10: Use of a Testamentary CLAT in Conjunction With a
<u>Leveraged Redemption of a Partnership Interest Held by a Decedent</u>

Ed Elder and his family create a FLP. Ed Elder owns 70% of the partnership interests after contributing $30,000,000 in assets to the FLP and doing some lifetime gifting to a generation-skipping trust. Ed does not have any estate tax exemption remaining. The estate tax rate is 40%. However, Ed dies unexpectedly before he has had a chance to make additional transfers of limited partnership interests to trusts for the benefit of his family. It is assumed a valuation discount of 40% of the transferred partnership interests is appropriate. What would be the effect on Ed's estate plan, under those circumstances, if his will bequeaths an upfront dollar gift to trusts for the benefit of his family and the rest to a "zeroed out" testamentary charitable lead annuity trust (CLAT)?

Assume Ed's will provided that the first $3 million of his estate goes to trusts for the benefit of his family and the rest to a 100% "zeroed out" CLAT that is to last for 20 years. Assume that the FLP buys out the charitable lead annuity trust interest in a probate trust *proceeding that fits the requirements of the regulations under IRC Sec. 4941.*[81] *Assume the partnership interest is redeemed with an interest only note (which pays interest equal to the dollar amount that is owed for the annuity payments to the charitable beneficiaries of the CLAT) with the principal of the note being paid in the 20th year. Finally, it is assumed that the IRC Sec. 7520 rate is 1.0% at the time of Ed's death.*

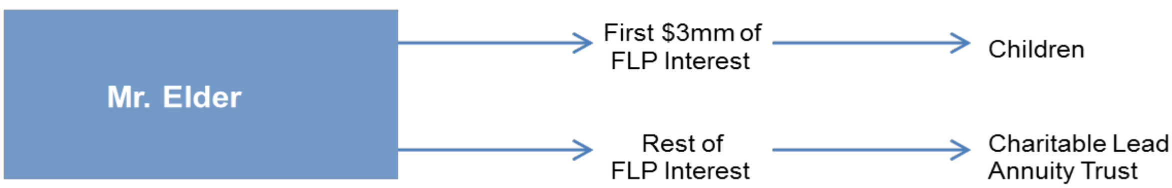
This technique is illustrated below:

During Ed's lifetime he creates a FLP with his family.

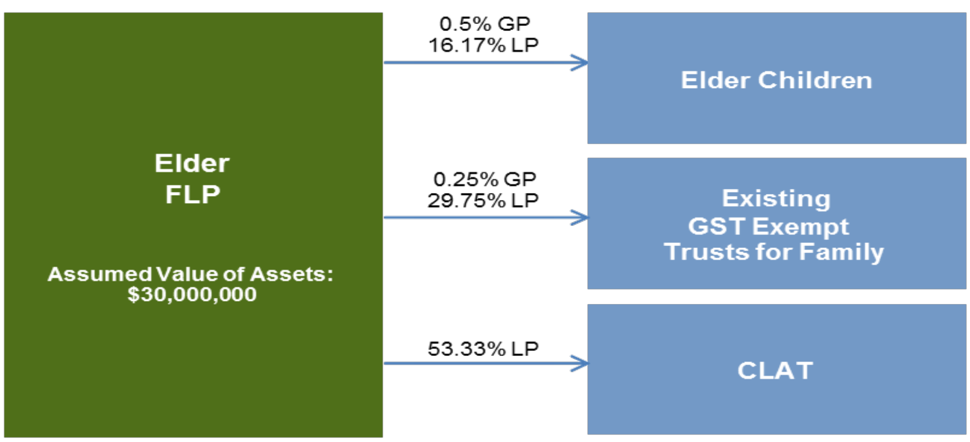


Elder, LP Partner	Ownership (%)
Mr. Elder	0.5% GP; 69.5% LP
Existing GST Exempt Trusts for Family	0.25% GP; 29.75% LP

After Ed's death his will conveys his FLP interest as follows:

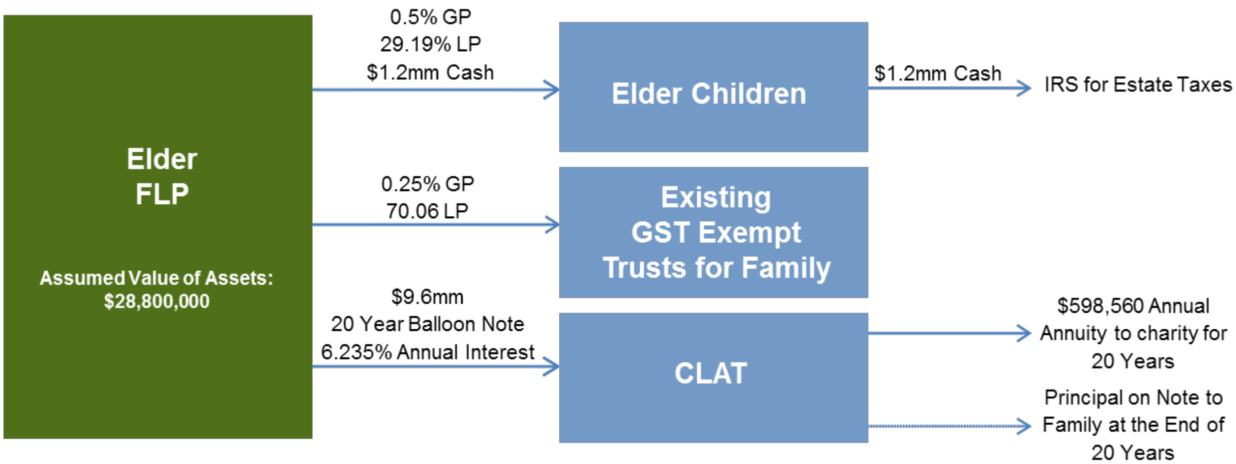


The percentage ownership of Elder FLP before any redemption pursuant to a probate court hearing is as follows:



[81] *See* P.L.R. 200207029 (Nov. 21, 2002); P.L.R. 200124029 (Mar. 22, 2001); P.L.R. 20024052 (Nov. 2, 2001); *see also* Daniels & Leibell, "Planning for the Closely Held Business Owner: The Charitable Options," 40th Philip E. Heckerling Institute on Estate Planning, Chapter 12 (2006).

After a probate hearing the children's interest is partially redeemed and the CLAT's interest is totally redeemed as follows:



b. What is a CLAT?

See Section V C of this paper.

c. What is a leveraged buyout testamentary CLAT?

During probate administration, one of the exceptions to the self-dealing rules, with respect to foundations and CLATs, is that a self-dealing transaction may occur if certain restrictions are met. For instance, if a partnership interest that is to pass to a CLAT is redeemed for a note that may be a permissible transaction.[82] One requirement is that the note has a fair market value that is at least equal to or greater than the fair market value of the existing redeemed partnership interest. Another requirement is that the note must be just as liquid, if not more liquid, than the existing partnership interest. Assuming the appropriate probate court approves the leverage buyout, the note could be structured to be an interest only negotiable note, with the interest rate being higher than the existing AFR rate (e.g. 5.42% in comparison to a long term AFR of 2.18%), with a balloon payment at the end of 20 years (assuming a 20 year testamentary CLAT).

2. Advantages of the Technique.

a. No estate taxes have to be paid with a gift to a properly structured and implemented zeroed-out CLAT.

b. There is a partial step-up in basis in the decedent's partnership interest that is bequeathed to a zeroed-out CLAT.

If a discounted partnership interest is bequeathed to a CLAT the assets of the partnership may receive a partial step-up in basis if an IRC Sec. 754 election is made. The step-up in the partnership assets will need to take into account the valuation discounts that will exist with the bequeathed partnership interests.

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[82] *See* Treas. Reg. §53.4941(d)-2; *see also* Matthew J. Madsen, "Funding a CLAT with a Note," 30 Est. Plan 495, 2003 WL 22213736 (2005).

c. If the decedent bequeaths a dollar gift to his family and the rest of his estate to a zeroed-out CLAT, his will acts like a defined value allocation clause.

Even if all of the assets of the estate are hard to value, the only estate taxes to be paid are on the dollar gifts to the family. Any increase in the value of the estate by the IRS will result in no increase in estate taxes and a future decrease in income tax revenues.

d. Significant improvement in the after tax net worth for both the family of the decedent and the decedent's favorite charitable causes will accrue because of this technique.

What would the results be for Ed's family and his charitable beneficiaries under those circumstances in comparison to a gift only to his family (with the IRS allowing a full discount for the partnership interests)? What would be the comparison if the IRS did not allow any discount for the gift to the family? What difference would it make in comparison of the various alternatives if the family earned 3% before taxes, 7.5% before taxes and 10% before taxes during the 20-year period after Ed's death? What difference would it make if instead of bequeathing $3 million to Ed's family, Ed had bequeathed $10 million to his family with the rest to the zeroed out CLAT? The results of those comparisons are summarized below (please see Schedule 12 attached).

Table 10a
Summary of Results For $30 Million of Assets Growing at 3% Per Year (Pre Tax) – No Further Planning vs. 20 Year Testamentary CLAT Technique; 20 Year Future Values; Post-Death Scenarios (assuming Mr. Elder dies in year 1)

Technique	Elder Children	Elder GST Exempt Trust	Charity	IRS Taxes on Investment Income	IRS Investment Opportunity Cost	IRS Estate Tax	Total
No Further Planning - No Charitable Gift No Discount Allowed	$18,333,733	$15,073,672	$0	$5,253,849	$7,522,083	$8,000,000	$54,183,337
No Further Planning - No Charitable Gift Discount Allowed	$23,059,178	$15,073,672	$0	$5,956,415	$5,294,072	$4,800,000	$54,183,337
Hypothetical Technique - CLAT Redemption Discount Allowed - $3mm to Family	$16,818,670	$17,096,849	$16,083,531	$1,747,005	$1,237,281	$1,200,000	$54,183,337
Hypothetical Technique - CLAT Redemption Discount Allowed - $10mm to Family	$22,778,999	$14,337,710	$4,355,956	$4,501,200	$4,209,472	$4,000,000	$54,183,337

Table 10b

Summary of Results For $30 Million of Assets Growing at 7.50% Per Year (Pre Tax) – No Further Planning vs. 20 Year Testamentary CLAT Technique; 20 Year Future Values; Post-Death Scenarios (assuming Mr. Elder dies in year 1)

Technique	Elder Children	Elder GST Exempt Trust	Charity	IRS Taxes on Investment Income	IRS Investment Opportunity Cost	IRS Estate Tax	Total
No Further Planning - No Discount Allowed	$33,734,275	$27,222,640	$0	$19,049,212	$39,429,406	$8,000,000	$127,435,533
No Further Planning - Discount Allowed	$42,018,677	$27,222,640	$0	$21,535,391	$31,858,825	$4,800,000	$127,435,533
Hypothetical Technique - CLAT Redemption Discount Allowed - $3mm to Family	$26,774,735	$40,677,004	$25,920,450	$16,803,779	$16,059,565	$1,200,000	$127,435,533
Hypothetical Technique - CLAT Redemption Discount Allowed - $10mm to Family	$41,011,327	$27,292,259	$7,020,122	$20,117,950	$27,993,875	$4,000,000	$127,435,533

Table 10c

Summary of Results For $30 Million of Assets Growing at 10% Per Year (Pre Tax) – No Further Planning vs. 20 Year Testamentary CLAT Technique; 20 Year Future Values; Post-Death Scenarios (assuming Mr. Elder dies in year 1)

Technique	Elder Children	Elder GST Exempt Trust	Charity	IRS Taxes on Investment Income	IRS Investment Opportunity Cost	IRS Estate Tax	Total
No Further Planning - No Discount Allowed	$49,533,164	$39,520,097	$0	$29,956,665	$74,815,071	$8,000,000	$201,824,998
No Further Planning - Discount Allowed	$61,335,976	$39,520,097	$0	$33,800,051	$62,368,873	$4,800,000	$201,824,998
Hypothetical Technique - CLAT Redemption Discount Allowed - $3mm to Family	$36,556,659	$63,844,719	$34,282,524	$29,612,351	$36,328,746	$1,200,000	$201,824,998
Hypothetical Technique - CLAT Redemption Discount Allowed - $10mm to Family	$59,592,669	$40,494,791	$9,284,850	$32,455,697	$55,996,990	$4,000,000	$201,824,998

The primary reason the leveraged buy out CLAT technique has a good result for both the client's family and the client's favorite charities, is that, in effect, the client's family is getting two different tax deductions for the interest payments that they are making on the note. There is an estate tax deduction (i.e., the zeroed out CLAT annuity payments) and the family owners of the FLP are also receiving an income tax deduction on the interest payments (assuming there is enough partnership investment income to offset the interest expense). The combined effect of those two different tax deductions is to heavily subsidize the interest payments. Another reason the technique has a good result for the family is that they are not out-of-pocket cash to pay the principal of the note to a third party. From Ed Elder's children's perspective, the principal of the note is, in effect, paid to themselves, since they are the remainderman of the CLAT.

e. The family does not have to wait 20 years to access the investments, if the investments are successful.

One of the downsides of a long term testamentary CLAT (e.g. 20 year term CLAT) is that the remainder beneficiaries have to wait until the CLAT terminates to access the capital of the CLAT. With the leveraged buy-out testamentary CLAT, assuming a conservative sinking fund is set aside to pay future interest payments, the family owners of the partnership may access the rest of the funds of the partnership and, of course, invest the rest of the funds of the partnership.

3. Considerations of the Technique.

a. Need to get probate court approval.

As noted, above the appropriate probate court will need to find that the note has a fair market value equal to or greater than the partnership interest that is being redeemed and the note needs to be more liquid than the redeemed limited partnership interest. The second requirement should be relatively easy to satisfy if the note is negotiable and the first requirement should also be easy to satisfy because subject interest rate should be equal to or greater than the true "fair market value" interest rate.

b. Leverage could work against the family unless a carefully constructed partnership sinking fund is utilized to pay future interest payments.

If the managers of the partnership do not carve off part of the partnership assets to develop a carefully constructed sinking fund that is conservative in order to assure that future interest payments that are paid to the charitable beneficiary of the CLAT, the assets of the partnership, and the assets available to the family, could decrease.

B. The Synergies of a Credit Shelter Trust Becoming a QSST, a Surviving Spouse Creating a FLP and a Surviving Spouse Giving and Selling Interests in the FLP to a New Grantor Trust.

1. The Technique.

A deceased spouse bequeaths her entire estate under a formula marital deduction plan. An amount equal to her remaining unified credit, assumed to be $5,430,000, passes to a credit shelter trust that pays all of its income to her husband. The remainder of her estate passes to her husband.

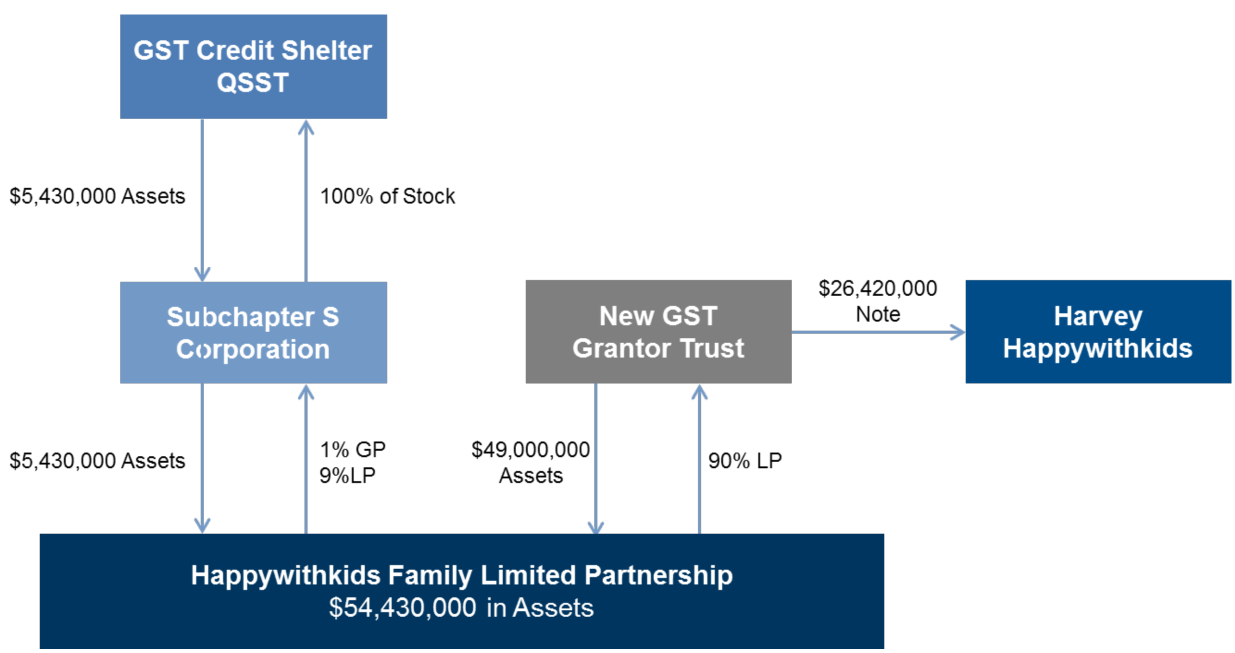
Consider the following example in which the credit shelter trust and the surviving spouse form a FLP together. The credit shelter trust then contributes its share of the partnership to a subchapter S corporation and the credit shelter trust becomes a QSST. The surviving spouse could use the unified credit to create a new grantor GST trust and could sell his remaining partnership interest to the new grantor trust.

Example 11: Harvey Happywithkids and a Credit Shelter Trust Create a FLP, the Credit Shelter Trust Contributes its Partnership Interest to a Subchapter S Corporation, the Credit Shelter Trust Becomes a QSST, and Harvey Gifts and Sells His Partnership Interest to a New Grantor Trust

Helen Happywithkids dies with a substantial $54,430,000 estate that is largely liquid, but has a low basis. Her husband, Harvey, has $1,000,000 in liquid assets. Helen's will bequeaths $5,430,000 to a GST credit shelter trust and the rest of her estate to Harvey. Harvey is the trustee of the credit shelter trust that distributes all of its income to Harvey and has a special power of appointment.

Harvey asks his attorney, Susie Cue, if she has any ideas on how to eliminate the future estate tax after his death. Harvey is very happy with his descendants and the ability to change the objects of his bounty is not important to him. Harvey asks Susie to assume he will live 10 years. Harvey also tells Susie that the liquid assets will annually earn a 7.4% pre-tax return during that 10-year period with 0.6% of the return being taxed at ordinary rates, 2.4% of the return being tax-free and 4.4% of the return being taxed at long-term capital gains rates with a 30% turnover. Harvey tells Susie that he will need around $1,200,000 a year (inflation adjusted) for his consumption needs. Susie assumes a 35% valuation discount is appropriate in valuing the limited partnership interest.

Susie Cue does have a plan. Susie suggests that the credit shelter trust and Harvey contribute their collective assets to a FLP. Harvey will then gift (using his unified credit) and sell his limited partnership interests to a grantor trust that is also a GST trust pursuant to a defined value allocation assignment. The credit shelter trust will contribute its partnership interest to a subchapter S corporation and the credit shelter trust will become a QSST. The technique is illustrated below:



2. Advantages of the Technique.

a. Significant estate taxes can be saved with this technique.

Under the assumptions of this example over $24,000,000 in estate taxes can be saved with this technique in comparison to the first spouse to die creating a conventional credit shelter trust with no further planning. This technique, under the assumptions of this example, simulates the same result that would have been obtained if Harriett Happywithkids had a $45,000,000 unified credit that she used to create a credit shelter trust. See Schedule 13 attached and the table below:

Table 11

	Children (1)	Trust for Children & Grandchildren (2)	Children & Grandchildren (3)	Consumption (4)	Consumption Investment Opportunity Cost (5)	IRS Income Tax (6)	IRS Income Tax Investment Opportunity Costs (7)	IRS Estate Tax (at 40.0%) (8)	Total (9)
10-Year Future Values									
No Further Planning	$36,235,140	$8,878,625	$6,790,000	$13,444,058	$5,213,608	$13,482,783	$4,983,718	$24,156,760	$113,184,692
$45,172,758 Simulated Credit Shelter Trust	$0	$73,862,244	$153,997	$13,444,058	$5,213,608	$15,527,067	$4,983,718	$0	$113,184,692
Hypothetical Technique	$19,926	$11,087,730	$62,754,589	$13,444,058	$5,213,608	$15,667,780	$4,983,718	$13,284	$113,184,692
Present Values (discounted at 2.5%)									
No Further Planning	$28,306,833	$6,935,968	$5,304,337	$10,502,477	$4,072,862	$10,532,728	$3,893,272	$18,871,222	$88,419,700
$45,172,758 Simulated Credit Shelter Trust	$0	$57,701,067	$120,302	$10,502,477	$4,072,862	$12,129,720	$3,893,272	$0	$88,419,700
Hypothetical Technique	$15,566	$8,661,717	$49,023,784	$10,502,477	$4,072,862	$12,239,645	$3,893,272	$10,377	$88,419,700

b. Under this example, Harvey Happywithkids has a considerable safety net of being a beneficiary of the GST credit shelter trust QSST, if he ever needs those resources.

c. Under this example, Harvey Happywithkids does not have to be paid back an equitable adjustment equal to the principal of the note, as is the case with a sale to a QSST.

d. It has all of the advantages of converting a complex trust to a QSST.

See the discussion in Section VI D 2 .

e. It has all of the advantages of a sale to a grantor trust.

See the discussion in Section III A 2 of this paper.

3. Considerations of the Technique.

a. The surviving spouse only has flexibility to change the beneficiaries of the GST credit shelter QSST (assuming the surviving spouse has a power of appointment over the trust) and any assets the surviving spouse owns (which may be significantly depleted by the time of his death).

Thus, this technique lacks the flexibility to change beneficiaries because of changed circumstances in comparison to techniques in which the surviving spouse sells assets to a trust in which the surviving spouse is a beneficiary and has a power of appointment, the surviving spouse has the significant flexibility to redirect assets if circumstances change.

b. This technique has the same considerations of converting a complex trust to a QSST.

See the discussion in Section VI D 3 of this paper. Some of the income tax considerations of having a subchapter S corporation could be mitigated if the subchapter S corporation owned a preferred interest in the partnership.

c. This technique has the same considerations as sales of limited partnership interests to a grantor trust.

See the discussion in Section III A 3 of this paper.

VIII. USING PARTNERSHIP STRUCTURES TO ACHIEVE DIVERSIFICATION WHILE DELAYING THE TAX ON THAT DIVERSIFICATION.

A. Use of Multi-Owner Exchange Funds.

1. The Technique.

The exchange fund is a technique for a taxpayer to consider if he has accumulated highly appreciated stock positions and desires both tax deferral and economic diversification. The strategy needs to be carefully implemented in order to prevent participants from recognizing capital gains due to their participation in the fund.

The exchange fund concept can be applied in many ways through the use of a partnership, but for purposes of the analysis under this Section VIII, the exchange fund is bifurcated into two categories, the "multi-owner," or exchange fund (see the discussion in this Section VIII A below), and the "closely-held family structure" techniques (see the discussion under Sections VIII B and VIII C below).

At its very essence, the exchange fund concept entails the contribution of multiple appreciated marketable security positions from multiple owners in a single partnership in combination with certain non-marketable assets. If certain conditions are met pursuant to IRC Secs. 721, 351, 704(c), 737, 707, 731(c), and 732,[83] then the contribution of the appreciated position by the original owner and the ultimate receipt of non-cash, marketable assets upon liquidation, will not cause a capital gain recognition event to the owner.

[83] For discussion of those IRC Sections, please see Section II A 1 b of this paper.

Example 12: The Use of Multi-Owner Exchange Funds

Four individuals, who are not related, and an investment bank contribute certain assets to a partnership. The partnership is designed to last for 20 years. None of the partners withdraw prior to seven years after the creation of the partnership. Each partner contributes the following assets: Stacy Seattle, who owns a single member, FLLC, contributes $1 million of Microsoft stock owned by her FLLC, with a cost basis of $0; Connie Conglomerate contributes $1 million of General Electric stock, with a cost basis of $0; Wally Walter contributes $1 million of Wal-Mart stock, with a cost basis of $0; Manny Megadrug contributes $1 million of Merck, with a cost basis of $0; and Special, Inc. investment bank contributes $1.1 million of preferred partnership units in an UPREIT structure, with a cost basis of $1.1 million. The initial sharing ratios are as follows: the estate tax protected trust created by Stacy Seattle equals 19.6078%; Connie Conglomerate equals 19.6078%; Wally Walter equals 19.6078%; Manny Megadrug equals 19.6078%; and Special, Inc. equals 21.5686%. After the partnership is formed Stacy Seattle gives a non-managing member interest in his FLLC to a grantor trust.

Seven years and a day later, all of the partners decide to withdraw from the partnership and receive a diversified portfolio appropriate for their sharing ratios. The partners believe at the time of their withdrawal that no capital gains consequences will accrue under current law.

2. Advantages of the Technique.

   a. If a client contributes stock to an exchange fund and then immediately gives a direct or indirect interest in the fund to a grantor trust there may be significant valuation discounts associated with that gift.

There may be significant marketability and lack of control discounts associated with a exchange fund investment because of its illiquidity. Many of the funds are designed where it is difficult to withdraw earlier than one year after it is formed and, of course, the desired diversification may not occur until after a seven-year commitment. After seven years the investment will be liquid, but the lack of control and marketability for a seven-year period may have a significant effect on its value.

Certain of the exchange funds are very conducive to estate planning because the investor can receive preferred units (usually for 95% of the consideration) and common units (usually for 5% of the consideration). The common units can be given away, generally, without fear of IRC Sec. 2701, because no one family is in control of the partnership.

   b. The owner of the exchange fund will achieve diversification of his portfolio that has much less volatility, and achieve a seven-year or longer delay in paying a capital gains tax for that diversification.

Many investment firms market the exchange fund partnership to multiple clients and collect many securities upon formation. In effect, the exchange fund simulates a mutual fund concept that can provide an equity investment alternative to its participants.

Once the partnership terminates, the owner of the exchange fund could sell those securities he or she does not wish to own and keep the rest. The cash proceeds of the stock that is sold could be reinvested in the securities the taxpayer does wish to own. If the owner is a grantor trust, the grantor of the trust will pay the tax on those sales. See the discussion in Section III A of this paper. Thus, diversification occurs immediately for the stock contributed to the exchange fund. There is a seven-year delay in tax on the resulting portfolio on termination of the partnership for the stock that is to be sold, with a longer delay in tax on those securities that are not sold. Using the borrowing techniques discussed in Section I of this paper, there may be tax elimination on the securities that are not sold at the end of seven years. There may also be capital gains tax elimination on any securities that are subject to estate taxes in the taxpayer's estate.

3. Considerations of the Technique.

a. Care needs to be taken to make sure there is not a deemed sale on the formation of the partnership under IRC Sec. 721.

See the discussion of IRC Sec. 721 in Section II A 1 b (1) of this paper.

As the above discussion indicates, the ultimate test under IRC Sec. 721 in this context is one of both diversification and 80% marketability. Under the facts of Example 12, the four individual participants have diversified their holdings through the formation of the partnership. However, the formation of the partnership should not constitute a taxable event to the participants because less than 80% of the assets of the partnership are marketable due to the non-marketable preferred partnership interests in the UPREIT structure.

b. Care should be taken to make sure IRC Secs. 704(c), 737 and 707 do not apply.

See the discussion in Section II A 1 b (2) of this paper about the disguised sales rules under subchapter K.

Under the facts of this example, the facts and circumstances test of the two-year rule of a partner receiving money on other consideration should not be applicable. See IRC Sec. 1.707.3(b)(2).

In this example, assuming the four individuals and the corporation remain in the partnership for seven years without selling any of the appreciated marketable securities, then any transactions involving the distribution of the securities to the partners should not result in a taxable gain pursuant to IRC Sec. 704(c).

c. Care should be taken to make sure the liquidation of the partnership in seven years will not be subject to tax under IRC Secs. 731(c) and 732.

See the discussion in Section II A 1 b (3) of this paper.

Upon the liquidation of a partner's interest, to the extent that partner receives money above the partner's basis in the partnership, the partner will be taxed. Thus, the issue of "money" is pertinent to the extent it is distributed to a partner in excess of his basis. However, if securities are distributed in lieu of cash, then perhaps such a gain can be avoided. Presumably, a exchange fund partnership such as Example 12 would meet the definition of investment partnership pursuant to IRC Sec. 731(c), which is a different definition from the 80% test imposed by IRC Sec. 721, and as such, the distribution of securities should not create a taxable event.

d. Each partner's basis in the assets that each partner receives will equal that partner's total outside basis of the liquidated partnership interest.

See the discussion in Section II A 1 b (4) of this paper.

Under Example 12, if the exchange fund partnership operates for seven years without the sale or disposition of the contributed appreciated securities, then upon liquidation, each partner could receive an approximate 20% interest in all of the underlying partnership assets without the imposition of a capital gains tax. Only when an individual partner sells his distributed assets will that partner recognize capital gains. Under the facts of Example 12, the partnership has provided each partner with the potential of asset diversification and tax deferral.

e. There are economic considerations in using exchange funds.

The limitations of the exchange fund are the lack of liquidity, the financial management fees, the desire of the fund manager to accept certain securities than an investor would otherwise not invest in, and the performance of the other securities accepted into the fund over the seven-year period.

B. Use of Closely Held Family Partnerships.

1. The Technique.

The concepts outlined above that address the formation and management of a multi-owner exchange fund can certainly exist within the framework of a privately-managed partnership with a limited number of partners, perhaps all within the same family. There are no prohibitions among related-party transactions that would impact any of the previously mentioned statutes and regulations. However, in a closely held partnership, attention should be given to the Treasury regulations under IRC Sec. 701 (the so-called "anti-abuse" rules). See the discussion in Section II A 1 b (5) of this paper.

A variety of techniques have been developed over the years using privately-managed partnerships, contributions by partners, withdrawals by partners, loans to partnerships and/or loans to partners to substantially delay the taxation of the monetization that has occurred. In some cases, from the IRS point of view, these techniques constitute disguised sales. The techniques are generally referred to in this paper as "closely-held family" partnership techniques. The IRS, in a series of cases, attacked these techniques using certain common law tax doctrines. The IRS in a period from 1978 to 1983 had several significant losses attacking mixing bowl transactions.[84] This lead to the Tax Reform Act of 1984 in which many of the mechanical rules of subchapter K, which are noted in the prior discussion in Section II A 1 b of this paper. While Congress has now provided mechanical rules, the business purpose of the transaction still needs to be addressed in the context of the common law tax doctrines and the Anti-Abuse Rules of the Treasury regulations under IRC Sec. 701. A sample closely-held family structure technique, which is one of many, is discussed in Example 13 below[85]. In this example the estate tax savings associated with using a family partnership are preserved, while potentially doubling the basis of the family assets.

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[84] *See Otey v. Commr.*, 70 T.C. 312 (1978), aff'd per curium 634 F.2d 1046 (6th Cir. 1980); *Communication Satellite Corp. v. U.S.*, 625 F.2d 997 (Ct. Cl. 1980); *Park Realty Co. v. Commr.*, 77 T.C. 412 (1981), acq. 1982-2 C.B. 2; and *Jupiter Corp. v. U.S.*, 2 Cls Ct 58 (1983).

[85] See Abrams, Howard "Now You See It; Now You Don't: Exiting a Partnership and Making Gain Disappear" (February 16, 2009, Vol. 50, No. 04 TM Memorandum (BNA)).

Example 13: Diversification Planning With a Closely Held Family Partnership
<u>While Preserving the Transfer Tax Advantage of a Closely Held Family Partnership</u>

In 2005, Sam Singlestock contributed $850,000 worth of marketable stock (Marketable Stock, Inc.), with a cost basis of $0 to Growing Interests, Ltd. for an 85% limited partnership interest. His daughter, Betsy Bossdaughter, contributed $75,000 worth of Marketable Stock, Inc., with a cost basis of $0 and his son, Sonny Singlestock, contributed $75,000 worth of Marketable Stock, Inc., with a cost basis of $0 to the partnership and each received a .5% general partnership interest and a 7% limited partnership interest. The initial sharing ratios of the partners are Sam 85%, Betsy 7.5%, and Sonny 7.5%. In 2011, using a financial engineering technique, the Marketable Stock, Inc. stock owned by the partnership is hedged, and the partnership is able to obtain $595,000 in cash, in the form of a cash loan from Investment Bank, Inc. Betsy and Sonny also agree to personally guarantee the note. The partnership invests the loan proceeds in a nonmarketable $595,000 real estate investment.

A few years later (2013), for family reasons and because the partners have significantly different views about the future investment philosophy of the partnership, Sam Singlestock wishes to withdraw from the partnership. There has been no growth in the partnership assets. A professional, independent appraiser determines that because of marketability and minority control discounts, Sam's limited partnership interest is worth $595,000. The partnership distributes the real estate investment worth ($595,000) in liquidation of his limited partnership interest. The partnership makes an IRC Sec. 754 election.

One year later (2014) the partnership sells enough of Marketable Stock to liquidate the loan with the proceeds of the $595,000 sale. After the 754 election the partnership's basis in the $1,000,000 Marketable Stock, Inc. is equal to $595,000. Thus, if all of the $1,000,000 in marketable stock is then sold to retire the $595,000 debt and diversify into other investments there will be $101,250 in capital gains taxes (assuming a 25% rate). After the sale, the partnership and the remaining owners of the partnership, Betsy and Sonny, are left with $303,750.

2. Advantages of the Technique.

In addition to the discussion below, please see the discussion under Section VIII A of this paper.

a. The income tax benefit of the withdrawal: the illustrated "family structure" opportunity can provide the family an ability to manage the position through an appropriate controlled legal entity, while offering the potential for a long-term exit strategy that can be accomplished on a deferred tax basis.

The real estate investment will retain its zero basis without the imposition of a capital gains tax until it is sold, at which time Sam will recognize capital gains taxes. If Sam chooses to operate the real estate until his death, then IRC Sec. 1014 would apply upon his death and the real estate will receive a step-up in basis to its then fair market value. Betsy and Sonny, if the partnership makes an IRC Sec. 754 election, will receive a basis adjustment because of IRC Sec. 734(b) in the retained Marketable Stock that should allow the partnership to retire its debt with modest tax net consequences.

b. In comparison to the exchange fund, the illustrated mixing bowl technique provides the retention of upside in the original appreciated position, albeit without diversification until the stock is sold, and without the lack of control and the outside management fees associated with exchange funds.

c. Transfer tax benefit of a withdrawal from a long-term partnership structure.

The valuation discount associated with the liquidation of Sam's limited partnership interest, if it is accurate, will not result in a gift tax, even though the fair market value of the remaining partnership interests owned by Betsy and Sonny will increase in value. This is because the withdrawing partner, Sam Singlestock, under the assumptions, received full and adequate consideration.

d. The total potential transfer tax and capital gains tax savings may be significant.

The net result of these transactions is that Betsy and Sonny's collective net worth (assuming a 25% capital gains rate) after capital gains taxes and/or contingent capital gains taxes will increase by 170%, as calculated below:

(($1,000,000-$595,000-$101,250)-($150,000-$37,500)), or ($303,750-$112,500), or $191,250, or a 170% improvement ($191,250÷$112,500) after taxes.

3. Considerations of the Technique.

a. Are there any tax consequences on formation of the partnership?

Formation of the partnership should not be a taxable event under IRC Secs. 721 or 351, because there is not any diversification. Each partner is still exposed to the same original Marketable Stock, Inc. position. There should not be any gift tax consequences on the formation of the partnership.

b. Are there any tax consequences when Sam redeems his interest?

After formation, in order to properly diversify into another asset, while still allowing the family members to participate in the upside potential of the marketable stock, the partnership could hedge its position in Marketable Stock, Inc. The hedging strategies could either be structured as a single long-dated contract or multiple contracts over time that do not cause the original security to be sold for income tax purposes. The hedging could be accomplished through a collar with a margin loan, or a pre-paid variable share forward structure. The partnership could invest the cash in a nonmarketable asset (e.g., privately held real estate or oil and gas investments).

Assuming the partnership is seven years old, or older, the partnership can enter into the transactions of this example without directly violating IRC Secs. 704(c), 737 and 731(c). Under the facts of this example, due to family investment reasons, the partnership decides to redeem Sam. In order to redeem that member, the partnership first determines the value of Sam's interest in the partnership. If Sam's interest is valued at $595,000 (assuming a 30% valuation discount), the partnership could either redeem Sam's interest for cash, or the $595,000 non-marketable real estate investment. If the partnership redeems Sam's interest for cash, Sam will be subject to capital gain recognition under IRC Sec. 731(a). If Sam's interest is redeemed with the non-marketable real estate, applying the rules of IRC Secs. 732 and 752, Sam would have a "0" basis in the non-marketable real estate, Sam would pay no immediate capital gains tax and the partnership, because of the application of IRC Sec. 734(b), would have a $595,000 basis in its remaining assets (the hedged Marketable Stock, Inc. stock).

The partnership portfolio is still subject to the $595,000 note payable that must be repaid at some time in the future. The partnership could make a Section 754 election after the redemption of Sam's interest, and because of IRC Sec. 734(b) the remaining marketable stock would receive a proportionate basis adjustment. The partnership could sell enough Marketable Stock to eliminate the debt. The sale of the Marketable Stock by the partnership may result in a much smaller taxable gain than if the redemption and the Section 754 election had not occurred.

c. There is exposure that Congress could change the law, by the time a partner withdraws (e.g., IRC Secs. 732 or 752 of the Code could be amended) and that the favorable liquidation rules would no longer be available. There is also exposure in that the IRS could change its regulations.

For instance, the IRS has recently proposed changes to its regulations under IRC Sec 752 to address perceived abuses associated with the so-called popular "leveraged partnership" technique. Under this technique, one partner contributes a business and receives a small interest in the partnership and the proceeds from a borrowing incurred by the partnership shortly after its formation. Generally in a transaction where a partner contributes property and receives shortly thereafter cash from the partnership, the receipt of the cash will be treated as a disguised sale under IRC Sec. 707. There is an exception, if the partnership borrows funds from a third party and that borrowing is fully allocable to the "business contributing" partner in a properly structured transaction. With a properly structured transaction, the gain from the simulated sale is deferred until the earlier of the partnership terminating or the loan being repaid. The key to the success of the leveraged partnership technique is for the entire partnership liability to be properly allocable to the "business contributing" partner who receives the proceeds of the third party loan to the partnership.

The proposed regulations will change how certain of the leveraged partnerships have been structured in the past. (See proposed Treas. Reg. §§1.752-2(b) and 1.752-2(f)). For instance, under the proposed regulation changes, if a limited partner guarantees a recourse liability the guarantor's share of the recourse liability will be zero, if the general partner has net value sufficient to satisfy the obligation. Another change is that certain guarantees will not work, if they are so-called "bottom dollar guarantees." Another example of a proposed change occurs if a partner agrees to indemnify the first losses that the "business contributing" partner may have as guarantor on a partnership debt. Under those circumstances the guarantee will not work.

d. Like all leverage techniques, if the underlying assets stay flat or decline there is not any advantage to the technique and to the extent a gift tax exemption is used, the technique operates at a disadvantage.

C. The Use of a Retained Preferred Partnership Interest and Third Party Leverage to Generate Effective Estate Planning and Basis Planning.

1. The Technique.

Borrowing against low basis assets and using the loan proceeds in estate planning transactions is a popular alternative to achieve a step-up in basis on the death of a taxpayer and also mitigate the taxpayer's estate taxes. One form of that technique is for a taxpayer who owns assets that are highly appreciated (e.g., depreciated real estate) to consider creating a single member limited liability company with preferred and growth member interests. The preferred interest coupon could be cumulative and could be paid in cash or in kind. The taxpayer could contribute the zero basis asset to the single member limited liability company in exchange for a preferred interest. The taxpayer could contribute cash that the taxpayer owns, or borrows, to the single member limited liability company in exchange for the "growth" interests. The taxpayer could then engage in advanced gifting techniques to remove the growth interests from her estate. Consider the following example.

Example 14: Use of a Leveraged Estate Freeze to
<u>*Obtain a Basis Adjustment at Death and to Save Estate Taxes*</u>

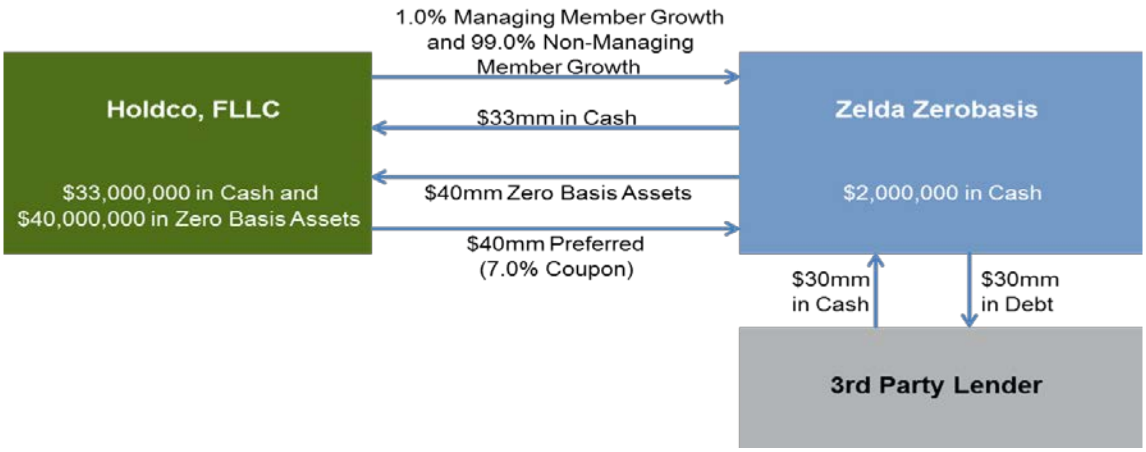
Zelda Zerobasis owns $40,000,000 in zero basis assets and $5,000,000 in cash or near cash assets that have full basis. She tells her advisor, Pam Planner, she wants a plan in which the following goals are met: (i) she does not wish to pay any gift taxes; (ii) she wishes her heirs to pay the lowest possible combination of estate taxes and capital gains taxes at her death; (iii) she wishes to maintain investment control of her assets; and (iv) she wishes to maintain her current lifestyle of $500,000 a year before inflation.

Zelda asks Pam to assume that her zero basis assets will grow at 5% a year and generate 3% ordinary taxable income a year. Zelda asks Pam to assume she will live 20 years and that she will not sell the low basis assets during her lifetime. Zelda tells Pam that based on her assumptions that her zero basis assets will be worth over $106,000,00 at her death, which will cause a terrible estate tax problem, or a capital gains tax problem if she uses gifting techniques to remove the low basis assets from her estate to escape estate taxes.

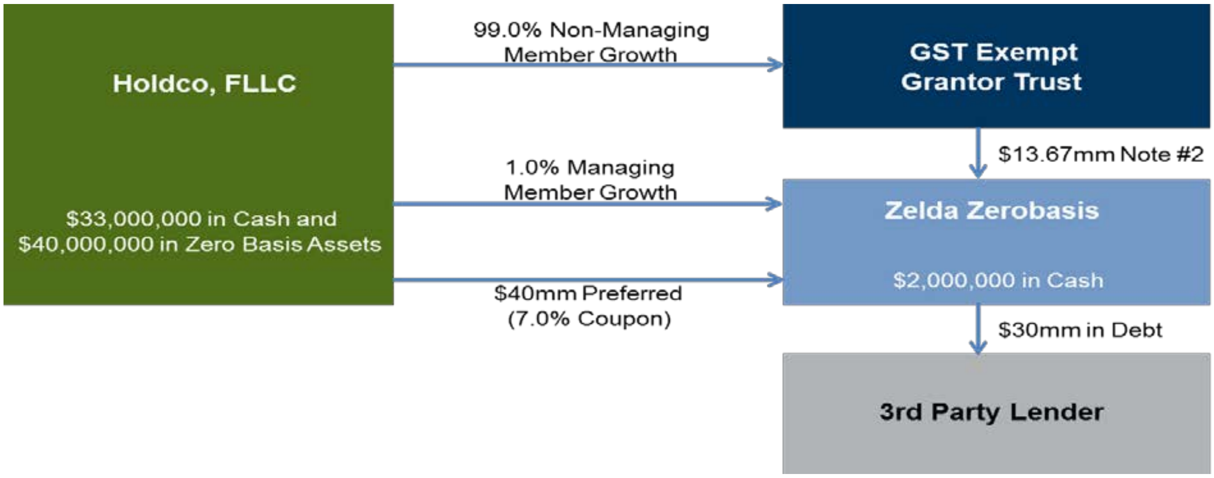
Zelda also asks Pam to assume her cash and near cash investments will have a 7.4% pre-tax rate of return with 0.6% of the return being taxed at ordinary rates, 2.4% of return being tax-free, and 4.4% of the return being taxed at long-term capital gains rates with a 30% turnover.

Pam suggests to Zelda that she create a single member limited liability company with three classes: (i) a "growth" managing member interest; (ii) a "growth" non-managing member interest; and (iii) a preferred non-managing member interest that would pay a coupon of 7% that is cumulative. It is assumed the 7% coupon will be based on the valuation principles of Revenue Ruling 83-120 and will produce a fair market value for the preferred equal to the "par" value of the preferred. The preferred interest will also have a right to $40,000,000 upon liquidation in preference to the growth interests.

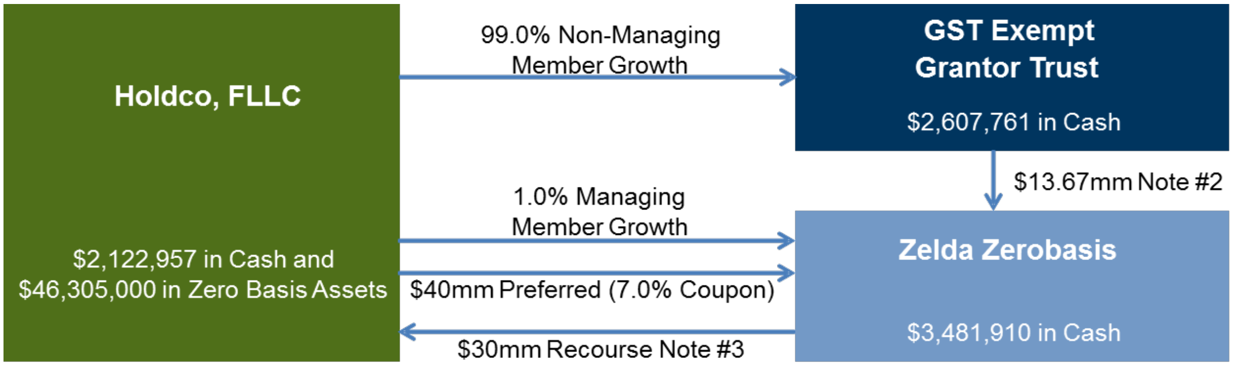
The single member FLLC would terminate on the earlier of her death or 35 years. Pam suggests that Zelda could contribute her low basis assets for the preferred interest. Pam also suggests that Zelda borrow $30,000,000 in cash from a third party lender on a recourse basis and contribute $33,000,000 in cash to the single member FLLC for the growth interests. The diagram below illustrates these transactions.



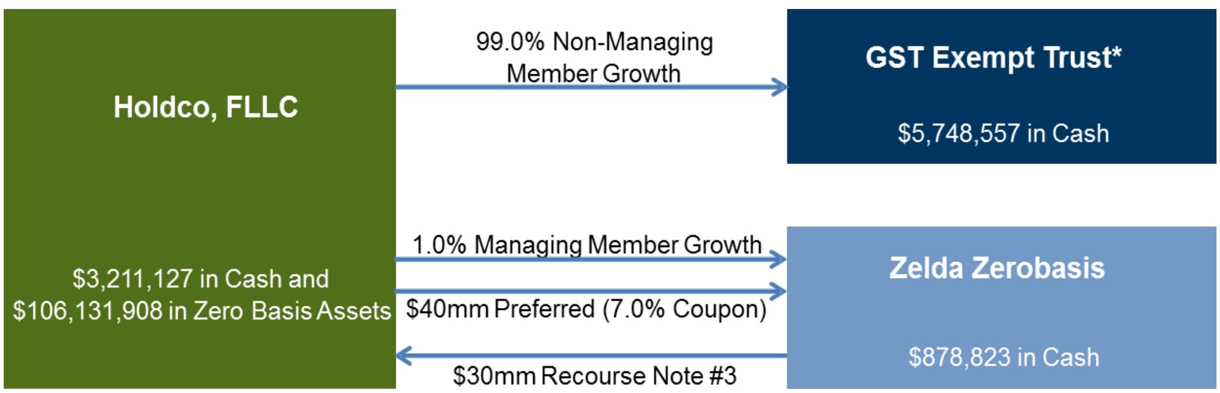
Pam suggests that Zelda could then gift (using her $5,340,000 gift tax exemption) the non-managing member growth interests and sell the remaining non-managing member growth interests to a GST exempt grantor trust in separate independent transactions. Assuming a 40% valuation discount is appropriate because of the liquidation preference and income preference of the retained preferred interest, these transactions could be represented by the following diagram:



After three years Zelda may wish to borrow cash from Holdco, FLLC on a long-term recourse, unsecured basis to pay her recourse loan from the third party lender. (See the discussion in Section IV of this paper.) After the payment of the loan to the third party lender the structure will be as shown below:



The moment before Zelda's death in 20 years the structure under the above assumptions may be as follows (also see attached Schedule 14):



*Grantor Trust status removed in year 18.

At Zelda's death the single member FLLC could terminate and her estate would pay the note owed to the single member FLLC. Her estate would receive a step-up in basis for the preferred interest in Holdco. Holdco, FLLC could sell the zero basis assets after an IRC Sec. 754 election is made. The balance in Zelda's estate and the GST exempt trust, after capitals gains taxes, but before estate taxes, would be as follows (see attached Schedule 14):

*Grantor Trust status removed in year 18.

2. Advantages of the Technique.

a. The net after tax savings to Zelda are projected to be substantial. See the table below and attached Schedule 14.

Table 12

	Zerobasis Children (1)	Zerobasis Children & Grandchildren (2)	Consumption (3)	Consumption Investment Opportunity Cost (4)	Opportunity Cost/(Benefit) of Borrowing from 3rd Party Lender (5)	IRS Income Tax (6)	IRS Income Tax Investment Opportunity Costs (7)	Estate Taxes (8)	Total (9)
20-Year Future Values									
No Further Planning: Bequeaths Estate to Family	$44,616,886	$8,530,000	$12,772,329	$13,053,175	$0	$15,575,474	$15,627,875	$29,744,590	$139,920,329
Hypothetical Technique: Bequeaths Remaining Estate to Family	$3,135,638	$82,597,794	$12,772,329	$13,053,175	($11,079,903)	$22,247,774	$15,103,098	$2,090,425	$139,920,329
Present Values (Discounted at 2.5%)									
No Further Planning: Bequeaths Estate to Family	$27,228,389	$5,205,611	$7,794,581	$7,965,974	$0	$9,505,259	$9,537,238	$18,152,259	$85,389,311
Hypothetical Technique: Bequeaths Remaining Estate to Family	$1,913,589	$50,407,034	$7,794,581	$7,965,974	($6,761,743)	$13,577,170	$9,216,982	$1,275,726	$85,389,311

Unlike a traditional gift planning technique, that eliminates estate taxes by removing an asset from the taxpayer's estate, there will be a significant step-up in basis on the death Zelda. Under this example there will be a step-up on the $40,000,000 preferred interest, which before her death had a zero basis. Assuming an IRC Sec. 754 election is made that outside basis may be allocated to the assets owned by the partnership.

b. This technique has the same advantages as a sale to a grantor trust.

See the discussion in Section III A 2 of this paper.

c. This technique has the same advantages as using borrowing with a grantor trust to achieve basis adjustment in low basis assets.

See the discussion in Section IV A 2 of this paper.

3. Considerations of the Technique.

a. This technique has the same considerations as a sale to a grantor trust, except this technique may address step-up in basis planning in a more advantageous manner.

See the discussion in Section III A 3 of this paper.

b. Care must be taken to comply with the gift tax valuation rules of IRC Sec. 2701.

Among other factors, the preferred interest must be structured (or treated by election and administered) as a "qualified payment right" for purposes of IRC Sec. 2701(c)(3) and Treas. Reg. §25.2701-2(b)(6). See the discussion in Section V B 2 f of this paper.

c. Third party financing, at least on a temporary basis, may be necessary.

The after-tax interest costs of third party financing may lower the amount accruing to the family. However, in this example, it was assumed the financial assets purchased would produce a higher rate of return than the interest rate cost.

d. This technique has many of the same considerations as using borrowing with a grantor trust to achieve basis adjustment in low basis assets.

See the discussion in Section IV A 3 of this paper.

IX. USE OF THE LEVERAGED REVERSE FREEZE TO PAY FOR INCOME TAX EFFICIENT LIFE INSURANCE AND TO MAKE CASCADING PURCHASES OF GROWTH FLP INTERESTS

A. The Technique.

The "conventional wisdom" this author sometimes hears on this subject is as follows: "using a preferred partnership interest is dead after the passage of IRC Sec. 2701;" or "it is impossible, after the split dollar reform, for a trust to pay for premiums on a significant life insurance policy with its inherent income tax advantages without paying significant gift taxes." This "conventional wisdom," under the circumstances discussed below, is incorrect.

One of the somewhat unexplored areas of estate planning is the utilization of what some practitioners call "reverse freeze" planning. This planning takes advantage of the truism that investors have the potential of making a successful investment, if they engage in a leveraged purchase of a high yield preferred interest. The following idea exploits the current differentiation in yields between high yield fixed income and treasuries.

Consider the following example, which illustrates the potential of combining a leveraged sale of a high yielding preferred to a grantor trust with the trust using its excess cash flow to purchase income tax efficient life insurance and make cascading purchases of the growth partnership interests:

Example 15: Ian and Inez Insurance Wish to Transfer $150,000,000 of Their
<u>Financial Assets to Their Children in the Most Efficient Transfer Tax Manner Possible</u>

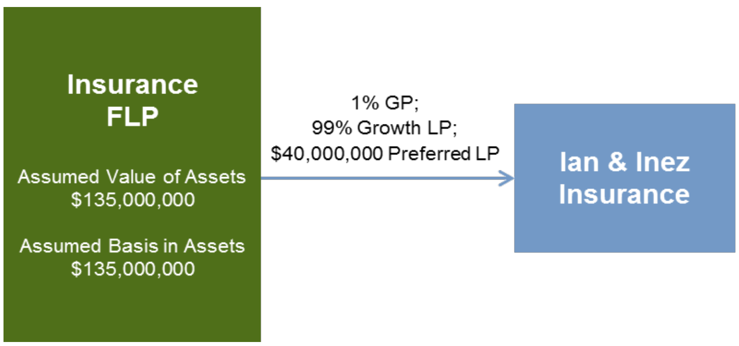
Ian and Inez Insurance own significant financial assets, $150,000,000. They are not fond of paying substantial gift taxes. Ian and Inez want their tax planner, Pam Planner, to devise a plan in which their consumption needs are addressed and in which their stewardship goals are met.

Ian and Inez tell Pam that they are both 60 years of age and are in excellent health. Ian and Inez would like Pam to assume that they will consume $1,750,000 a year with a 3% inflation adjustment for the next 30 years above whatever is necessary to pay their income tax bill. Ian and Inez ask Pam to assume that the assets will earn 7.4% pre-tax, with 0.6% of the return being taxed at ordinary income rate, 2.4% of the return being tax-free and 4.4% of the return being taxed at capital gains rates, with a 30% turnover in capital gains investments.

Ian and Inez desire for Pam to develop a plan in which there are minimum gift tax consequences, and which eliminates, as much as possible, their estate taxes, even if they both die in 10 years. Ian and Inez tell Pam to also assume the survivor will live 30 years.

Pam tells Ian and Inez that she believes that a plan exists, under the assumptions that they have asked her to incorporate, which could accomplish their goals. The first step of the plan is to create a FLP or a FLLC between Ian and Inez that has growth and preferred partnership interests. Pam engages a valuation expert and asks her to apply the IRS's valuation parameters inherent in Revenue Ruling 83-120.[86] *Assume, for purposes of the analysis below, the expert appraiser tells Pam that a non-cumulative preferred partnership interest, under those parameters and under the facts of the proposed FLP, should have a coupon equal to 7.5% in order to support par value for the preferred. Ian and Inez Insurance will initially own a $40,000,000 preferred partnership interest with the rest of the $135,000,000 they have contributed to the FLP being represented by a general partnership interest or a growth limited partnership interest.*

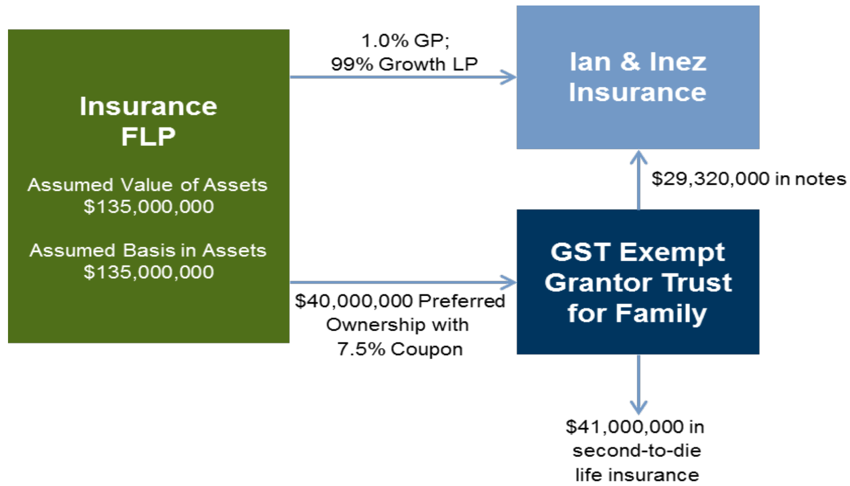
This technique is illustrated below:



Partner	Ownership (%)
Ian & Inez Insurance	1% GP; 99% Growth LP; $40,000,000 Preferred LP

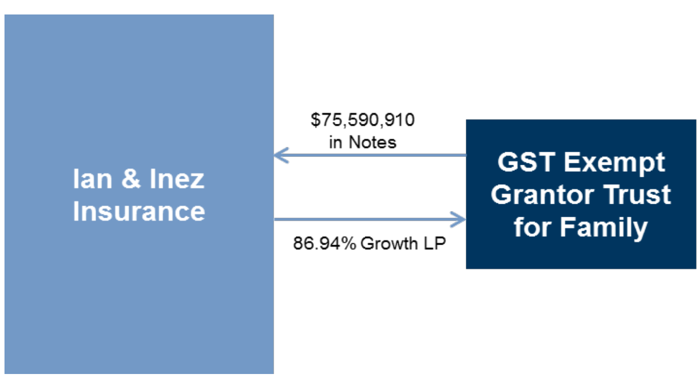
After the FLP has been created Ian and Inez Insurance transfer, by gift, a $10,680,000 preferred partnership interest to some generation-skipping transfer trusts for the benefit of their children, grandchildren and future descendants. In April of 2014 Ian and Inez also sell the remaining $29,320,000 preferred interests to those trusts in exchange for notes that will pay a blended AFR rate of 1.81%. (For purposes of the calculations and the illustration below, it is assumed that the coupon of the preferred partnership interest will be 7.5%) See the illustration below:

[86] 1983-2 C.B. 170.



The grantor trusts, after that sale, will purchase $41,000,000 in second-to-die life insurance. Ian and Inez will be the insured. It is assumed that the GST will use its net cash flow to pay the projected $400,000 annual insurance premium. The remaining cash flow inherent in the trust (the difference between the yield on the 7.5% preferred interest owned by the trust and the interest on the $29,320,000 note) will be utilized to pay interest and principal on the notes, or to purchase additional growth limited partnership interests from Ian and Inez.

Approximately three years after the transfer of the preferred partnership interests, the GST grantor trust could purchase from Ian and Inez their remaining growth interests that have not been sold in prior years in exchange for notes (on which, it is again assumed there will be a blended 1.81% interest rate). During the interim three-year period, it is assumed that around 12% of the growth limited partnership interests will have been purchased. The purchase of the remaining growth interests could occur in a manner in which there is a defined value sale and in which a stated dollar amount (around $75,590,910) in value of the transferred growth limited partnership interest, as finally determined for federal gift tax purposes, passes to the generation-skipping trusts and any excess in value passes to a near zero GRAT or a marital deduction trust. Please see the illustration below:



Partner	Ownership (%)
Ian & Inez Insurance	1% GP; $104, 910,000 Note Receivable
GST Exempt Grantor Trust for Family	$40,000,000 Preferred LP 99% Growth LP; $104,910,000 Note Payable

B. Advantages of the Technique.

1. Valuation Advantage: IRS Concedes Preferred Partnership Interests Should Have a High Coupon.

See the discussion in Section V B 2 h of this paper.

2. IRC Sec. 2036 Advantage.

See the discussion in Section V B 2 i of this paper.

3. The Valuation Rules of IRC Sec. 2701 Should Not Apply, if One Generation Transfers the Preferred Partnership Interests to the Second Generation.

See the discussion in Section V B 2 f of this paper.

4. The Effect of Cascading Sales to an Intentionally Defective Grantor Trust.

A somewhat largely unexplored estate planning area is the advantages of cascading sales to an intentionally defective grantor trust. Certain commentators believe that in order to have an effective sale to an intentionally defective grantor trust in consideration for a note and to have the note treated as a note for property law purposes and tax purposes instead of a retained interest in the trust, it is necessary to have around 10% equity in that intentionally defective grantor trust. However, certain clients are resistant, in significant situations, to making significant gifts to an intentionally defective trust to support the proposition that the trust has at least 10% equity at the time of the note sale. One way to ameliorate that concern is for the client, over time, to have cascading sales to that grantor trust. That is, sales could be made to that intentionally defective grantor trust over a period of time as that trust has sufficient equity to support the cascading sales to that trust. The increase in value of previously sold property would constitute equity for purposes of subsequent sales. Arguably, however, only the value of trust property in excess of currently outstanding notes should "count" as equity for this purpose.

5. Life Insurance Proceeds, if the Policy is Properly Structured, are Not Subject to Income Taxes Under IRC Sec. 101.

If a variable life insurance policy is used, income tax inefficient asset classes that the client's family wishes to own could be located as part of the cash value of the policy. That allocation could save the family significant income taxes. See the discussion in Section III A 2 d.

6. The Taxpayer Could Save Much of His Unified Credit to Assist With a Step-up in Basis at Death and Refrain From Any Additional Gifting Strategies Except as Are Necessary to Pay For the Life Insurance, Which Will Offset Any Estate Taxes Due at Death of the Taxpayer.

7. Whether Taxpayers Live Past Their Collective Life Expectancies or Live a Shortened Life Expectancy, the Comparative Outcome Under the Proposed Plan is Very Advantageous.

Please see attached Schedule 15. Over time, substantial wealth will be transferred from Ian and Inez Insurance to their children and future descendants because of the power of the estate freeze and the power of indirectly paying the income taxes for the benefit of their family using the intentionally defective grantor trust technique. However, both for the estate freeze and for the inherent power in paying future income taxes to work, a substantial period of time is required.

Ian and Inez may not have that period of time, since they are mortals. The $41,000,000 second-to-die life insurance policy provides an interesting hedge to the strategy. Obviously, if Ian and Inez both die before their time (e.g., when they are 70) the second-to-die policy will be a spectacular investment that could put their descendants in almost the same position, as they would have been if Ian and Inez would have had the full benefit of the estate freeze and the full benefit of indirectly paying the income taxes for their family for 30 years.

The tables below indicate the results that could accrue under the assumptions given to Pam Planner by Ian and Inez and also assuming a $400,000 a year premium and a 40% discount on the growth partnership interests (because of the effect of the preferred partnership interests). The results are extremely powerful. Assuming that Ian and Inez die in 10 years, the 30 year future values and present values (assuming a 3% inflation present value discount) of the hypothetical integrated plan in comparison to not doing any further planning is as follows (see attached Schedule 15):

Table 13a
30 Year Future Values (Death in 10 Years)

	Insurance Children	Insurance Children & Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	IRS Estate Tax (at 40%)	Investment Opportunity Cost/(Benefit) of Buying Life Insurance	Total
30-Year Future Values (Death in 10 Years)									
No Further Planning; Bequeaths Estate to Family in 10 Years (assumes $13.3mm estate tax exemption available in 10 years)	$518,454,579	$0	$20,061,789	$95,693,446	$100,387,186	$446,483,369	$96,004,325	$0	$1,277,084,694
Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)	$228,280,974	$557,267,326	$20,061,789	$95,693,446	$148,985,957	$329,382,789	$44,879,416	($147,467,002)	$1,277,084,694

Table 13b
Present Value of the 30 Year Future Values (Death in 10 Years)

	Insurance Children	Insurance Children & Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	IRS Estate Tax (at 40%)	Investment Opportunity Cost/(Benefit) of Buying Life Insurance	Total
Present Value of the 30-Year Future Values (Death in 10 Years)									
No Further Planning; Bequeaths Estate to Family in 10 Years (assumes $13.3mm estate tax exemption available in 10 years)	$213,596,422	$0	$8,265,191	$39,424,433	$41,358,191	$183,945,237	$39,552,511	$0	$526,141,985
Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)	$94,048,739	$229,586,760	$8,265,191	$39,424,433	$61,380,242	$135,701,348	$18,489,725	($60,754,452)	$526,141,985

If the survivor of Ian and Inez Insurance dies in 30 years, the future value in 30 years of what their descendants will receive under the hypothetical plan in comparison to no further planning and the present values of those future values (assuming a 3% present value discount) are as follows (see attached Schedule 15):

Table 13c
<u>Future Value (Death in 30 Years)</u>

	Insurance Children	Insurance Children & Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	IRS Estate Tax (at 40%)	Investment Opportunity Cost/(Benefit) of Buying Life Insurance	Total
30-Year Future Values (Death in 30 Years)									
No Further Planning; Bequeaths Estate to Family in 30 Years (assumes $21.8mm estate tax exemption available in 30 years)	$421,834,314	$0	$83,256,977	$158,825,116	$131,688,888	$214,816,523	$266,662,876	$0	$1,277,084,694
Hypothetical Technique: Bequeaths Estate to Family in 30 Years (assumes $11.2mm estate tax exemption available in 30 years)	$9,414,203	$700,602,974	$83,256,977	$158,825,116	$138,943,238	$186,426,522	$0	($384,335)	$1,277,084,694

Table 13d
<u>Present Value of the 30 Year Future Values (Death in 30 Years)</u>

	Insurance Children	Insurance Children & Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	IRS Estate Tax (at 40%)	Investment Opportunity Cost/(Benefit) of Buying Life Insurance	Total
Present Value of the 30-Year Future Values (Death in 30 Years)									
No Further Planning; Bequeaths Estate to Family in 30 Years (assumes $21.8mm estate tax exemption available in 30 years)	$173,790,152	$0	$34,300,772	$65,433,845	$54,254,078	$88,501,563	$109,861,574	$0	$526,141,985
Hypothetical Technique: Bequeaths Estate to Family in 30 Years (assumes $11.2mm estate tax exemption available in 30 years)	$3,878,527	$288,639,149	$34,300,772	$65,433,845	$57,242,774	$76,805,259	$0	($158,341)	$526,141,985

Significant wealth may be able to be transferred from one generation to the next using the valuation arbitrage that may exist between a coupon on a preferred partnership interest determined under the parameters of Revenue Ruling 83-120 and the AFR rate on intra-family notes. This valuation arbitrage has an inherent advantage over the valuation arbitrage that exists for a sale of a pro rata partnership interest for two reasons. The "rate of return" difference between the arbitrage for high yield non-marketable preferred and an AFR denominated notes is probably greater, in the current market, than the difference between a pro rata partnership interest and an AFR denominated note. Secondly, the IRS agrees that the marketability discount exists for closely held preferred partnership interests.

8. Significant Life Insurance Can Be Purchased With This Technique.

The arbitrage noted above may make possible the purchase of significance life insurance without the payment of gift taxes. That arbitrage could also operate to have a "Pac-man" effect in buying the retained growth interest held by the senior generation, but that takes time. In order to hedge against the possibility that long planning period may not exist, due to the early deaths of clients, the insurance could also serve a role to put the family in almost the same position they would have been in if the patriarch and matriarch had lived their life expectancies or beyond their life expectancies.

C. Considerations of the Technique.

1. The Same Considerations as Sales to Grantor Trusts.

Please see Section III A 3 of this paper.

2. If the Insured Live Beyond Their Life Expectancy There May Be an Investment Opportunity Cost in Buying Life Insurance.

As Table 13c above demonstrates, under certain circumstances, an investment in life insurance may not produce the same after tax results as the insured's other assets.

Schedule 1
Danny Lowbasis (Texas Resident)
Single Stock Analysis
Hypothetical Integrated Income and Estate Tax Plan Comparisons with an Initial Portfolio Value of $5,340,000
Assuming 15 Year Life Expectancy and 9.24% Annual Return on Single Stock Equity Portfolio

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.

This material is based on the assumptions stated herein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown.

	15-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning: Stock Sold at Death (assumes $7.54mm estate tax exemption available at death)				
Danny Lowbasis (Texas Resident)	20,106,667	-	-	0.00%
Lowbasis Children	-	15,080,000	9,679,278	75.00%
IRS - Income Tax	-	-	-	0.00%
IRS - Estate Tax (at 40.0%)	-	5,026,667	3,226,426	25.00%
Total	**$20,106,667**	**$20,106,667**	**$12,905,704**	**100.00%**
Hypothetical Technique: Gift of $5.34mm in Single Stock to a Grantor Trust (assumes $2.20mm estate tax exemption available at death)				
Danny Lowbasis (Texas Resident)	-	-	-	0.00%
Lowbasis Children	15,080,000	15,080,000	9,679,278	75.00%
IRS - Income Tax	5,026,667	5,026,667	3,226,426	25.00%
IRS - Estate Tax (at 40.0%)	-	-	-	0.00%
Total	**$20,106,667**	**$20,106,667**	**$12,905,704**	**100.00%**

	No Further Planning	Hypothetical Technique
Estate Tax Exemption Calculation (assuming 2.5% inflation)		
Current Estate and Gift Tax Exemption	$5,340,000	$5,340,000
Gifts Made	$0	($5,340,000)
Estate Tax Exemption Available in 15 Years	7,540,000	$2,200,000

Schedule 1
Danny Lowbasis (Texas Resident)
Single Stock Analysis
Asset Page

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	Danny Lowbasis
Assets	
FMV: Single Stock Equity Portfolio	$5,340,000
Basis: Single Stock Equity Portfolio	$0

Schedule 1
Danny Lowbasis (Texas Resident)
Single Stock Analysis - Assuming 15 Year Life Expectancy and 9.24% Annual Return on Single Stock Equity Portfolio
No Further Planning: Stock Sold at Death (assumes $7.54mm estate tax exemption available at death)

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Assumptions:	**Financial Assets**	**Single Stock Equity Portfolio**
Total Estimated Rate of Return	9.24%	9.24%
Rate of Return Taxed at Ordinary Rates	0.00%	0.00%
Rate of Return Taxed at Capital Gains Rates	9.24%	9.24%
Turnover Rate (% of Capital Gains Recognized/Year)	0.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	25.00%	
Ordinary and Health Care Tax Rate	44.60%	

Danny Lowbasis (Texas Resident)

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	5,340,000	493,482	-	5,833,482	5,833,482
Year 2	-	-	-	-	-	-	5,833,482	539,086	-	6,372,567	6,372,567
Year 3	-	-	-	-	-	-	6,372,567	588,904	-	6,961,471	6,961,471
Year 4	-	-	-	-	-	-	6,961,471	643,326	-	7,604,797	7,604,797
Year 5	-	-	-	-	-	-	7,604,797	702,777	-	8,307,574	8,307,574
Year 6	-	-	-	-	-	-	8,307,574	767,722	-	9,075,296	9,075,296
Year 7	-	-	-	-	-	-	9,075,296	838,669	-	9,913,965	9,913,965
Year 8	-	-	-	-	-	-	9,913,965	916,172	-	10,830,137	10,830,137
Year 9	-	-	-	-	-	-	10,830,137	1,000,838	-	11,830,975	11,830,975
Year 10	-	-	-	-	-	-	11,830,975	1,093,328	-	12,924,303	12,924,303
Year 11	-	-	-	-	-	-	12,924,303	1,194,365	-	14,118,668	14,118,668
Year 12	-	-	-	-	-	-	14,118,668	1,304,739	-	15,423,407	15,423,407
Year 13	-	-	-	-	-	-	15,423,407	1,425,313	-	16,848,720	16,848,720
Year 14	-	-	-	-	-	-	16,848,720	1,557,029	-	18,405,749	18,405,749
Year 15	-	-	-	20,106,667	-	20,106,667	18,405,749	1,700,918	(20,106,667)	-	20,106,667

Schedule 1
Danny Lowbasis (Texas Resident)
Single Stock Analysis - Assuming 15 Year Life Expectancy, 9.24% Annual Return on Portfolio and 25% Long Term Capital Gain Tax Rate
Hypothetical Technique: Gift of $5.34mm in Single Stock to a Grantor Trust (assumes $2.20mm estate tax exemption available at death)

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Assumptions:	**Financial Assets**	**Single Stock Equity Portfolio**
Total Estimated Rate of Return	9.24%	9.24%
Rate of Return Taxed at Ordinary Rates	0.00%	0.00%
Rate of Return Taxed at Capital Gains Rates	9.24%	9.24%
Turnover Rate (% of Capital Gains Recognized/Year)	0.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	25.00%	
Ordinary and Health Care Tax Rate	44.60%	

Danny Lowbasis (Texas Resident)

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-	-	-	-	-
Year 11	-	-	-	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-	-	-	-

Grantor Trust

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Reinvest Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Reinvest in Same Stock	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	-	5,340,000	493,482	-	-	5,833,482	5,833,482
Year 2	-	-	-	-	-	-	-	5,833,482	539,086	-	-	6,372,567	6,372,567
Year 3	-	-	-	-	-	-	-	6,372,567	588,904	-	-	6,961,471	6,961,471
Year 4	-	-	-	-	-	-	-	6,961,471	643,326	-	-	7,604,797	7,604,797
Year 5	-	-	-	-	-	-	-	7,604,797	702,777	-	-	8,307,574	8,307,574
Year 6	-	-	-	-	-	-	-	8,307,574	767,722	-	-	9,075,296	9,075,296
Year 7	-	-	-	-	-	-	-	9,075,296	838,669	-	-	9,913,965	9,913,965
Year 8	-	-	-	-	-	-	-	9,913,965	916,172	-	-	10,830,137	10,830,137
Year 9	-	-	-	-	-	-	-	10,830,137	1,000,838	-	-	11,830,975	11,830,975
Year 10	-	-	-	-	-	-	-	11,830,975	1,093,328	-	-	12,924,303	12,924,303
Year 11	-	-	-	-	-	-	-	12,924,303	1,194,365	-	-	14,118,668	14,118,668
Year 12	-	-	-	-	-	-	-	14,118,668	1,304,739	-	-	15,423,407	15,423,407
Year 13	-	-	-	-	-	-	-	15,423,407	1,425,313	-	-	16,848,720	16,848,720
Year 14	-	-	-	-	-	-	-	16,848,720	1,557,029	-	-	18,405,749	18,405,749
Year 15	-	-	-	20,106,667	-	(5,026,667)	15,080,000	18,405,749	1,700,918	-	(20,106,667)	-	15,080,000

Schedule 2
Danny Lowbasis (California Resident)
Single Stock Analysis
Hypothetical Integrated Income and Estate Tax Plan Comparisons with an Initial Portfolio Value of $5,340,000
Assuming 15 Year Life Expectancy and 17.75% Annual Return on Single Stock Equity Portfolio

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	15-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning: Stock Sold at Death (assumes $7.54mm estate tax exemption available at death)				
Danny Lowbasis (California Resident)	61,930,185	-	-	0.00%
Lowbasis Children	-	40,174,111	25,786,233	64.87%
IRS - Income Tax	-	-	-	0.00%
IRS - Estate Tax (at 40.0%)	-	21,756,074	13,964,396	35.13%
Total	**$61,930,185**	**$61,930,185**	**$39,750,629**	**100.00%**
Hypothetical Technique: Gift of $5.34mm in Single Stock to a Grantor Trust (assumes $2.20mm estate tax exemption available at death)				
Danny Lowbasis (California Resident)	-	-	-	0.00%
Lowbasis Children	40,174,111	40,174,111	25,786,233	64.87%
IRS - Income Tax	21,756,074	21,756,074	13,964,396	35.13%
IRS - Estate Tax (at 40.0%)	-	-	-	0.00%
Total	**$61,930,185**	**$61,930,185**	**$39,750,629**	**100.00%**

	No Further Planning	Hypothetical Technique
Estate Tax Exemption Calculation (assuming 2.5% inflation)		
Current Estate and Gift Tax Exemption	$5,340,000	$5,340,000
Gifts Made	$0	($5,340,000)
Estate Tax Exemption Available in 15 Years	7,540,000	$2,200,000

Schedule 2
Danny Lowbasis (California Resident)
Single Stock Analysis
Asset Page

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	Danny Lowbasis
Assets	
FMV: Single Stock Equity Portfolio	$5,340,000
Basis: Single Stock Equity Portfolio	$0

Schedule 2
Danny Lowbasis (California Resident)
Single Stock Analysis - Assuming 15 Year Life Expectancy and 17.75% Annual Return on Single Stock Equity Portfolio
No Further Planning: Stock Sold at Death (assumes $7.54mm estate tax exemption available at death)

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Assumptions:	Financial Assets	Single Stock Equity Portfolio
Total Estimated Rate of Return	17.75%	17.75%
Rate of Return Taxed at Ordinary Rates	0.00%	0.00%
Rate of Return Taxed at Capital Gains Rates	17.75%	17.75%
Turnover Rate (% of Capital Gains Recognized/Year)	0.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	35.13%	
Ordinary and Health Care Tax Rate	52.63%	

Danny Lowbasis (California Resident)

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	5,340,000	947,799	-	6,287,799	6,287,799
Year 2	-	-	-	-	-	-	6,287,799	1,116,025	-	7,403,824	7,403,824
Year 3	-	-	-	-	-	-	7,403,824	1,314,108	-	8,717,932	8,717,932
Year 4	-	-	-	-	-	-	8,717,932	1,547,350	-	10,265,282	10,265,282
Year 5	-	-	-	-	-	-	10,265,282	1,821,990	-	12,087,272	12,087,272
Year 6	-	-	-	-	-	-	12,087,272	2,145,376	-	14,232,648	14,232,648
Year 7	-	-	-	-	-	-	14,232,648	2,526,160	-	16,758,808	16,758,808
Year 8	-	-	-	-	-	-	16,758,808	2,974,529	-	19,733,336	19,733,336
Year 9	-	-	-	-	-	-	19,733,336	3,502,480	-	23,235,816	23,235,816
Year 10	-	-	-	-	-	-	23,235,816	4,124,136	-	27,359,952	27,359,952
Year 11	-	-	-	-	-	-	27,359,952	4,856,131	-	32,216,084	32,216,084
Year 12	-	-	-	-	-	-	32,216,084	5,718,048	-	37,934,132	37,934,132
Year 13	-	-	-	-	-	-	37,934,132	6,732,948	-	44,667,080	44,667,080
Year 14	-	-	-	-	-	-	44,667,080	7,927,982	-	52,595,062	52,595,062
Year 15	-	-	-	61,930,185	-	61,930,185	52,595,062	9,335,123	(61,930,185)	-	61,930,185

Schedule 2
Danny Lowbasis (California Resident)
Single Stock Analysis - Assuming 15 Year Life Expectancy, 17.75% Annual Return on Portfolio and 25% Long Term Capital Gain Tax Rate
Hypothetical Technique: Gift of $5.34mm in Single Stock to a Grantor Trust (assumes $2.20mm estate tax exemption available at death)

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Assumptions:	Financial Assets	Single Stock Equity Portfolio
Total Estimated Rate of Return	17.75%	17.75%
Rate of Return Taxed at Ordinary Rates	0.00%	0.00%
Rate of Return Taxed at Capital Gains Rates	17.75%	17.75%
Turnover Rate (% of Capital Gains Recognized/Year)	0.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	35.13%	
Ordinary and Health Care Tax Rate	52.63%	

Individual

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-	-	-	-	-
Year 11	-	-	-	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-	-	-	-

Grantor Trust

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Reinvest Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Reinvest in Same Stock	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	-	5,340,000	947,799	-	-	6,287,799	6,287,799
Year 2	-	-	-	-	-	-	-	6,287,799	1,116,025	-	-	7,403,824	7,403,824
Year 3	-	-	-	-	-	-	-	7,403,824	1,314,108	-	-	8,717,932	8,717,932
Year 4	-	-	-	-	-	-	-	8,717,932	1,547,350	-	-	10,265,282	10,265,282
Year 5	-	-	-	-	-	-	-	10,265,282	1,821,990	-	-	12,087,272	12,087,272
Year 6	-	-	-	-	-	-	-	12,087,272	2,145,376	-	-	14,232,648	14,232,648
Year 7	-	-	-	-	-	-	-	14,232,648	2,526,160	-	-	16,758,808	16,758,808
Year 8	-	-	-	-	-	-	-	16,758,808	2,974,529	-	-	19,733,336	19,733,336
Year 9	-	-	-	-	-	-	-	19,733,336	3,502,480	-	-	23,235,816	23,235,816
Year 10	-	-	-	-	-	-	-	23,235,816	4,124,136	-	-	27,359,952	27,359,952
Year 11	-	-	-	-	-	-	-	27,359,952	4,856,131	-	-	32,216,084	32,216,084
Year 12	-	-	-	-	-	-	-	32,216,084	5,718,048	-	-	37,934,132	37,934,132
Year 13	-	-	-	-	-	-	-	37,934,132	6,732,948	-	-	44,667,080	44,667,080
Year 14	-	-	-	-	-	-	-	44,667,080	7,927,982	-	-	52,595,062	52,595,062
Year 15	-	-	-	61,930,185	-	(21,756,074)	40,174,111	52,595,062	9,335,123	-	(61,930,185)	-	40,174,111

Schedule 3
Danny Lowbasis (Texas Resident)
Single Stock Analysis
Hypothetical Integrated Income and Estate Tax Plan Comparisons with an Initial Portfolio Value of $5,340,000
Assuming 15 Year Life Expectancy and 6.76% Annual Return on Single Stock Equity Portfolio

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	15-Year Future Values		Present Values (Discounted at 0.0%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning: Stock Sold at Death (assumes $5.34mm estate tax exemption available at death)				
Danny Lowbasis (Texas Resident)	14,240,000	-	-	0.00%
Lowbasis Children	-	10,680,000	6,855,086	75.00%
IRS - Income Tax	-	-	-	0.00%
IRS - Estate Tax (at 40.0%)	-	3,560,000	2,285,029	25.00%
Total	**$14,240,000**	**$14,240,000**	**$9,140,114**	**100.00%**
Hypothetical Technique: Gift of $5.34mm in Single Stock to a Grantor Trust (assumes $0.00mm estate tax exemption available at death)				
Danny Lowbasis (Texas Resident)	-	-	-	0.00%
Lowbasis Children	10,680,000	10,680,000	6,855,086	75.00%
IRS - Income Tax	3,560,000	3,560,000	2,285,029	25.00%
IRS - Estate Tax (at 40.0%)	-	-	-	0.00%
Total	**$14,240,000**	**$14,240,000**	**$9,140,114**	**100.00%**

	No Further Planning	Hypothetical Technique
Estate Tax Exemption Calculation (assuming 0.0% inflation)		
Current Estate and Gift Tax Exemption	$5,340,000	$5,340,000
Gifts Made	$0	($5,340,000)
Estate Tax Exemption Available in 15 Years	5,340,000	$0

Schedule 3
Danny Lowbasis (Texas Resident)
Single Stock Analysis
Asset Page

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	Danny Lowbasis
Assets	
FMV: Single Stock Equity Portfolio	$5,340,000
Basis: Single Stock Equity Portfolio	$0

Schedule 3

Danny Lowbasis (Texas Resident)

Single Stock Analysis - Assuming 15 Year Life Expectancy and 6.76% Annual Return on Single Stock Equity Portfolio

No Further Planning: Stock Sold at Death (assumes $5.34mm estate tax exemption available at death)

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Assumptions:	Financial Assets	Single Stock Equity Portfolio
Total Estimated Rate of Return	6.76%	6.76%
Rate of Return Taxed at Ordinary Rates	0.00%	0.00%
Rate of Return Taxed at Capital Gains Rates	6.76%	6.76%
Turnover Rate (% of Capital Gains Recognized/Year)	0.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	25.00%	
Ordinary and Health Care Tax Rate	44.60%	

Danny Lowbasis (Texas Resident)

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	5,340,000	360,844	-	5,700,844	5,700,844
Year 2	-	-	-	-	-	-	5,700,844	385,228	-	6,086,072	6,086,072
Year 3	-	-	-	-	-	-	6,086,072	411,259	-	6,497,331	6,497,331
Year 4	-	-	-	-	-	-	6,497,331	439,049	-	6,936,381	6,936,381
Year 5	-	-	-	-	-	-	6,936,381	468,718	-	7,405,098	7,405,098
Year 6	-	-	-	-	-	-	7,405,098	500,391	-	7,905,489	7,905,489
Year 7	-	-	-	-	-	-	7,905,489	534,204	-	8,439,693	8,439,693
Year 8	-	-	-	-	-	-	8,439,693	570,302	-	9,009,996	9,009,996
Year 9	-	-	-	-	-	-	9,009,996	608,840	-	9,618,835	9,618,835
Year 10	-	-	-	-	-	-	9,618,835	649,981	-	10,268,817	10,268,817
Year 11	-	-	-	-	-	-	10,268,817	693,903	-	10,962,720	10,962,720
Year 12	-	-	-	-	-	-	10,962,720	740,793	-	11,703,513	11,703,513
Year 13	-	-	-	-	-	-	11,703,513	790,851	-	12,494,364	12,494,364
Year 14	-	-	-	-	-	-	12,494,364	844,292	-	13,338,656	13,338,656
Year 15	-	-	-	14,240,000	-	14,240,000	13,338,656	901,344	(14,240,000)	-	14,240,000

Schedule 3
Danny Lowbasis (Texas Resident)
Single Stock Analysis - Assuming 15 Year Life Expectancy, 6.76% Annual Return on Portfolio and 25% Long Term Capital Gain Tax Rate
Hypothetical Technique: Gift of $5.34mm in Single Stock to a Grantor Trust (assumes $0.00mm estate tax exemption available at death)

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Assumptions:	Financial Assets	Single Stock Equity Portfolio
Total Estimated Rate of Return	6.76%	6.76%
Rate of Return Taxed at Ordinary Rates	0.00%	0.00%
Rate of Return Taxed at Capital Gains Rates	6.76%	6.76%
Turnover Rate (% of Capital Gains Recognized/Year)	0.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	25.00%	
Ordinary and Health Care Tax Rate	44.60%	

Danny Lowbasis (Texas Resident)

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-	-	-	-	-
Year 11	-	-	-	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-	-	-	-

Grantor Trust

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Reinvest Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Reinvest in Same Stock	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	-	5,340,000	360,844	-	-	5,700,844	5,700,844
Year 2	-	-	-	-	-	-	-	5,700,844	385,228	-	-	6,086,072	6,086,072
Year 3	-	-	-	-	-	-	-	6,086,072	411,259	-	-	6,497,331	6,497,331
Year 4	-	-	-	-	-	-	-	6,497,331	439,049	-	-	6,936,381	6,936,381
Year 5	-	-	-	-	-	-	-	6,936,381	468,718	-	-	7,405,098	7,405,098
Year 6	-	-	-	-	-	-	-	7,405,098	500,391	-	-	7,905,489	7,905,489
Year 7	-	-	-	-	-	-	-	7,905,489	534,204	-	-	8,439,693	8,439,693
Year 8	-	-	-	-	-	-	-	8,439,693	570,302	-	-	9,009,996	9,009,996
Year 9	-	-	-	-	-	-	-	9,009,996	608,840	-	-	9,618,835	9,618,835
Year 10	-	-	-	-	-	-	-	9,618,835	649,981	-	-	10,268,817	10,268,817
Year 11	-	-	-	-	-	-	-	10,268,817	693,903	-	-	10,962,720	10,962,720
Year 12	-	-	-	-	-	-	-	10,962,720	740,793	-	-	11,703,513	11,703,513
Year 13	-	-	-	-	-	-	-	11,703,513	790,851	-	-	12,494,364	12,494,364
Year 14	-	-	-	-	-	-	-	12,494,364	844,292	-	-	13,338,656	13,338,656
Year 15	-	-	-	14,240,000	-	(3,560,000)	10,680,000	13,338,656	901,344	-	(14,240,000)	-	10,680,000

Schedule 4
Danny Lowbasis (California Resident)
Single Stock Analysis
Hypothetical Integrated Income and Estate Tax Plan Comparisons with an Initial Portfolio Value of $5,340,000
Assuming 15 Year Life Expectancy and 15.07% Annual Return on Single Stock Equity Portfolio

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	15-Year Future Values		Present Values (Discounted at 0.0%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning: Stock Sold at Death (assumes $5.34mm estate tax exemption available at death)				
Danny Lowbasis (California Resident)	43,860,370	-	-	0.00%
Lowbasis Children	-	28,452,222	18,262,398	64.87%
IRS - Income Tax	-	-	-	0.00%
IRS - Estate Tax (at 40.0%)	-	15,408,148	9,889,904	35.13%
Total	**$43,860,370**	**$43,860,370**	**$28,152,302**	**100.00%**
Hypothetical Technique: Gift of $5.34mm in Single Stock to a Grantor Trust (assumes $0.00mm estate tax exemption available at death)				
Danny Lowbasis (California Resident)	-	-	-	0.00%
Lowbasis Children	28,452,222	28,452,222	18,262,398	64.87%
IRS - Income Tax	15,408,148	15,408,148	9,889,904	35.13%
IRS - Estate Tax (at 40.0%)	-	-	-	0.00%
Total	**$43,860,370**	**$43,860,370**	**$28,152,302**	**100.00%**

	No Further Planning	Hypothetical Technique
Estate Tax Exemption Calculation (assuming 0.0% inflation)		
Current Estate and Gift Tax Exemption	$5,340,000	$5,340,000
Gifts Made	$0	($5,340,000)
Estate Tax Exemption Available in 15 Years	5,340,000	$0

Schedule 4
Danny Lowbasis (California Resident)
Single Stock Analysis
Asset Page

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	Danny Lowbasis
Assets	
FMV: Single Stock Equity Portfolio	$5,340,000
Basis: Single Stock Equity Portfolio	$0

Schedule 4

Danny Lowbasis (California Resident)

Single Stock Analysis - Assuming 15 Year Life Expectancy and 15.07% Annual Return on Single Stock Equity Portfolio

No Further Planning: Stock Sold at Death (assumes $5.34mm estate tax exemption available at death)

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Assumptions:	**Financial Assets**	**Single Stock Equity Portfolio**
Total Estimated Rate of Return	15.07%	15.07%
Rate of Return Taxed at Ordinary Rates	0.00%	0.00%
Rate of Return Taxed at Capital Gains Rates	15.07%	15.07%
Turnover Rate (% of Capital Gains Recognized/Year)	0.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	35.13%	
Ordinary and Health Care Tax Rate	52.63%	

Danny Lowbasis (California Resident)

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	5,340,000	804,832	-	6,144,832	6,144,832
Year 2	-	-	-	-	-	-	6,144,832	926,134	-	7,070,966	7,070,966
Year 3	-	-	-	-	-	-	7,070,966	1,065,719	-	8,136,684	8,136,684
Year 4	-	-	-	-	-	-	8,136,684	1,226,341	-	9,363,025	9,363,025
Year 5	-	-	-	-	-	-	9,363,025	1,411,172	-	10,774,198	10,774,198
Year 6	-	-	-	-	-	-	10,774,198	1,623,861	-	12,398,058	12,398,058
Year 7	-	-	-	-	-	-	12,398,058	1,868,605	-	14,266,663	14,266,663
Year 8	-	-	-	-	-	-	14,266,663	2,150,236	-	16,416,900	16,416,900
Year 9	-	-	-	-	-	-	16,416,900	2,474,315	-	18,891,214	18,891,214
Year 10	-	-	-	-	-	-	18,891,214	2,847,237	-	21,738,452	21,738,452
Year 11	-	-	-	-	-	-	21,738,452	3,276,366	-	25,014,818	25,014,818
Year 12	-	-	-	-	-	-	25,014,818	3,770,172	-	28,784,990	28,784,990
Year 13	-	-	-	-	-	-	28,784,990	4,338,403	-	33,123,393	33,123,393
Year 14	-	-	-	-	-	-	33,123,393	4,992,277	-	38,115,669	38,115,669
Year 15	-	-	-	43,860,370	-	43,860,370	38,115,669	5,744,700	(43,860,370)	-	43,860,370

Schedule 4
Danny Lowbasis (California Resident)
Single Stock Analysis - Assuming 15 Year Life Expectancy, 15.07% Annual Return on Portfolio and 25% Long Term Capital Gain Tax Rate
Hypothetical Technique: Gift of $5.34mm in Single Stock to a Grantor Trust (assumes $0.00mm estate tax exemption available at death)

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Assumptions:	Financial Assets	Single Stock Equity Portfolio
Total Estimated Rate of Return	15.07%	15.07%
Rate of Return Taxed at Ordinary Rates	0.00%	0.00%
Rate of Return Taxed at Capital Gains Rates	15.07%	15.07%
Turnover Rate (% of Capital Gains Recognized/Year)	0.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	35.13%	
Ordinary and Health Care Tax Rate	52.63%	

Individual

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-	-	-	-	-
Year 11	-	-	-	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-	-	-	-

Grantor Trust

	Beginning of Year Financial Assets	Income	Growth	Stock Sale Proceeds	Reinvest Sale Proceeds	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Reinvest in Same Stock	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	-	-	-	-	-	-	-	5,340,000	804,832	-	-	6,144,832	6,144,832
Year 2	-	-	-	-	-	-	-	6,144,832	926,134	-	-	7,070,966	7,070,966
Year 3	-	-	-	-	-	-	-	7,070,966	1,065,719	-	-	8,136,684	8,136,684
Year 4	-	-	-	-	-	-	-	8,136,684	1,226,341	-	-	9,363,025	9,363,025
Year 5	-	-	-	-	-	-	-	9,363,025	1,411,172	-	-	10,774,198	10,774,198
Year 6	-	-	-	-	-	-	-	10,774,198	1,623,861	-	-	12,398,058	12,398,058
Year 7	-	-	-	-	-	-	-	12,398,058	1,868,605	-	-	14,266,663	14,266,663
Year 8	-	-	-	-	-	-	-	14,266,663	2,150,236	-	-	16,416,900	16,416,900
Year 9	-	-	-	-	-	-	-	16,416,900	2,474,315	-	-	18,891,214	18,891,214
Year 10	-	-	-	-	-	-	-	18,891,214	2,847,237	-	-	21,738,452	21,738,452
Year 11	-	-	-	-	-	-	-	21,738,452	3,276,366	-	-	25,014,818	25,014,818
Year 12	-	-	-	-	-	-	-	25,014,818	3,770,172	-	-	28,784,990	28,784,990
Year 13	-	-	-	-	-	-	-	28,784,990	4,338,403	-	-	33,123,393	33,123,393
Year 14	-	-	-	-	-	-	-	33,123,393	4,992,277	-	-	38,115,669	38,115,669
Year 15	-	-	-	43,860,370	-	(15,408,148)	28,452,222	38,115,669	5,744,700	-	(43,860,370)	-	28,452,222

Schedule 5
Danny Diversified
Asset Page

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	Individual
Assets	
FMV: Financial Assets	$2,500,000
Basis: Financial Assets	$2,500,000
FMV: Single Stock Equity Portfolio	$45,340,000
Basis: Single Stock Equity Portfolio	$0
Total Assets:	**$47,840,000**
Total Basis:	**$2,500,000**

Schedule 5a

Danny Diversified - Texas Resident - Single Stock Analysis

Hypothetical Integrated Income and Estate Tax Plan Comparisons with an Initial Portfolio Value of $45,340,000

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.

This material is based on the assumptions stated herein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown.

	15-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning, Stock Held Until Death (assumes $7.54mm estate tax exemption available at death)				
Danny Diversified - Texas Resident	128,430,318	-	-	0.00%
Diversified Children	-	80,074,191	51,396,576	57.36%
Consumption - Direct Cost	5,379,578	5,379,578	3,452,946	3.85%
Consumption - Opportunity Cost	3,617,730	3,617,730	2,322,083	2.59%
IRS Income Tax - Direct Cost	3,526,594	3,526,594	2,263,587	2.53%
IRS Income Tax - Investment Opportunity Costs	2,032,989	2,032,989	1,304,898	1.46%
IRS Estate Tax (at 40.0%)	-	48,356,127	31,037,958	34.64%
How Much (More) or Less the Stock Must Grow to Match Results of Hypothetical Technique	(3,396,861)	(3,396,861)	(2,180,316)	-2.43%
Total	**$139,590,348**	**$139,590,348**	**$89,597,733**	**100.00%**
Hypothetical Technique: Stock Contributed to a FLP; Gift of $5.34mm in LP to a Grantor Trust; Sell Balance of LP to the Grantor Trust; Stock Sold				
Danny Diversified - Texas Resident	9,055,316	-	-	0.00%
Diversified Children	73,761,001	80,074,191	51,396,576	57.36%
Consumption - Direct Cost	5,379,578	5,379,578	3,452,946	3.85%
Consumption - Opportunity Cost	3,617,730	3,617,730	2,322,083	2.59%
IRS Income Tax - Direct Cost	22,804,761	22,804,761	14,637,508	16.34%
IRS Income Tax - Investment Opportunity Costs	24,971,963	24,971,963	16,028,553	17.89%
IRS Estate Tax (at 40.0%)	-	2,742,126	1,760,067	1.96%
Total	**$139,590,348**	**$139,590,348**	**$89,597,733**	**100.00%**

	No Further Planning	Hypothetical Technique
Estate Tax Exemption Calculation		
Current Estate and Gift Tax Exemption	$5,340,000	$5,340,000
Gifts Made	$0	($5,340,000)
Estate Tax Exemption Available in 15 Years	$7,540,000	$2,200,000

Schedule 5a

Danny Diversified - Texas Resident - Single Stock Analysis

No Further Planning, Stock Held Until Death (assumes $7.54mm estate tax exemption available at death)

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Assumptions:	**Financial Assets**	**Single Stock Equity Portfolio**
Total Estimated Rate of Return	7.40%	7.59%
Rate of Return Taxed at Ordinary Rates	0.60%	0.00%
Rate of Return Tax Free	2.40%	0.00%
Ordinary Dividends	0.00%	1.00%
Rate of Return Taxed at Capital Gains Rates	4.40%	6.59%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	25.00%	
Ordinary and Health Care Tax Rate	44.60%	
Annual Consumption (increasing 2.5% per year)	$300,000	

Individual

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Dividends	Stock Sale Proceeds	Consumption	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	2,500,000	15,000	60,000	110,000	453,400	-	(300,000)	(128,290)	2,710,110	45,340,000	2,989,582	-	48,329,582	51,039,692
Year 2	2,710,110	16,261	65,043	119,245	483,296	-	(307,500)	(142,795)	2,943,659	48,329,582	3,186,706	-	51,516,289	54,459,948
Year 3	2,943,659	17,662	70,648	129,521	515,163	-	(315,188)	(156,685)	3,204,781	51,516,289	3,396,828	-	54,913,117	58,117,898
Year 4	3,204,781	19,229	76,915	141,010	549,131	-	(323,067)	(170,446)	3,497,552	54,913,117	3,620,805	-	58,533,922	62,031,474
Year 5	3,497,552	20,985	83,941	153,892	585,339	-	(331,144)	(184,448)	3,826,119	58,533,922	3,859,550	-	62,393,472	66,219,591
Year 6	3,826,119	22,957	91,827	168,349	623,935	-	(339,422)	(198,976)	4,194,788	62,393,472	4,114,037	-	66,507,509	70,702,297
Year 7	4,194,788	25,169	100,675	184,571	665,075	-	(347,908)	(214,264)	4,608,105	66,507,509	4,385,304	-	70,892,813	75,500,918
Year 8	4,608,105	27,649	110,595	202,757	708,928	-	(356,606)	(230,509)	5,070,918	70,892,813	4,674,458	-	75,567,270	80,638,188
Year 9	5,070,918	30,426	121,702	223,120	755,673	-	(365,521)	(247,884)	5,588,434	75,567,270	4,982,677	-	80,549,948	86,138,381
Year 10	5,588,434	33,531	134,122	245,891	805,499	-	(374,659)	(266,549)	6,166,270	80,549,948	5,311,220	-	85,861,168	92,027,437
Year 11	6,166,270	36,998	147,990	271,316	858,612	-	(384,025)	(286,656)	6,810,504	85,861,168	5,661,426	-	91,522,593	98,333,097
Year 12	6,810,504	40,863	163,452	299,662	915,226	-	(393,626)	(308,358)	7,527,724	91,522,593	6,034,723	-	97,557,316	105,085,040
Year 13	7,527,724	45,166	180,665	331,220	975,573	-	(403,467)	(331,807)	8,325,074	97,557,316	6,432,634	-	103,989,951	112,315,025
Year 14	8,325,074	49,950	199,802	366,303	1,039,900	-	(413,553)	(357,164)	9,210,312	103,989,951	6,856,783	-	110,846,734	120,057,045
Year 15	9,210,312	55,262	221,047	405,254	1,108,467	118,155,632	(423,892)	(301,764)	128,430,318	110,846,734	7,308,898	(118,155,632)	-	128,430,318

Schedule 5a

Danny Diversified - Texas Resident - Single Stock Analysi

Hypothetical Technique: Stock Contributed to a FLP; Gift of $5.34mm in LP to a Grantor Trust; Sell Balance of LP to the Grantor Trust; Stock Sold

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.

This material is based on the assumptions stated herein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown.

Assumptions:	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Ordinary Dividends	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	25.00%
Ordinary and Health Care Tax Rate	44.60%
Annual Consumption (increasing 2.5% per year)	$300,000

Assumptions (continued):	
Diversified Family Limited Partnership Valuation Discount	35.00%
Intra-Family Interest Rate - June 2014	1.91%

Individual

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	FLP Distributions	Note Payments	Consumption	Income Taxes	End of Year Financial Assets
Year 1	2,500,000	15,000	60,000	110,000	120,262	11,905,952	(300,000)	(11,620,892)	2,790,322
Year 2	2,790,322	16,742	66,968	122,774	6,377	631,369	(307,500)	(346,319)	2,980,733
Year 3	2,980,733	17,884	71,538	131,152	7,119	704,746	(315,188)	(417,859)	3,180,125
Year 4	3,180,125	19,081	76,323	139,926	7,754	767,600	(323,067)	(477,764)	3,389,977
Year 5	3,389,977	20,340	81,359	149,159	8,319	823,574	(331,144)	(529,994)	3,611,590
Year 6	3,611,590	21,670	86,678	158,910	8,841	875,276	(339,422)	(577,380)	3,846,162
Year 7	3,846,162	23,077	92,308	169,231	9,339	924,577	(347,908)	(621,958)	4,094,828
Year 8	4,094,828	24,569	98,276	180,172	9,827	972,837	(356,606)	(665,200)	4,358,704
Year 9	4,358,704	26,152	104,609	191,783	10,314	1,021,053	(365,521)	(708,187)	4,638,907
Year 10	4,638,907	27,833	111,334	204,112	10,808	1,069,967	(374,659)	(751,724)	4,936,578
Year 11	4,936,578	29,619	118,478	217,209	11,315	1,120,146	(384,025)	(796,423)	5,252,897
Year 12	5,252,897	31,517	126,070	231,127	11,839	1,172,035	(393,626)	(842,765)	5,589,095
Year 13	5,589,095	33,535	134,138	245,920	12,384	1,225,993	(403,467)	(891,136)	5,946,462
Year 14	5,946,462	35,679	142,715	261,644	12,953	1,282,324	(413,553)	(941,864)	6,326,359
Year 15	6,326,359	37,958	151,833	278,360	45,549	1,937,002	(423,892)	(42,913)	8,310,256

Diversified Family Limited Partnership

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Distributions	End of Year Financial Assets	Ownership: Danny Diversified	Ownership: Grantor Trust
Year 1	45,340,000	272,040	1,088,160	1,994,960	(12,026,214)	36,668,946	1.0%	99.0%
Year 2	36,668,946	220,014	880,055	1,613,434	(637,746)	38,744,702	1.0%	99.0%
Year 3	38,744,702	232,468	929,873	1,704,767	(711,865)	40,899,945	1.0%	99.0%
Year 4	40,899,945	245,400	981,599	1,799,598	(775,353)	43,151,188	1.0%	99.0%
Year 5	43,151,188	258,907	1,035,629	1,898,652	(831,893)	45,512,482	1.0%	99.0%
Year 6	45,512,482	273,075	1,092,300	2,002,549	(884,117)	47,996,290	1.0%	99.0%
Year 7	47,996,290	287,978	1,151,911	2,111,837	(933,916)	50,614,099	1.0%	99.0%
Year 8	50,614,099	303,685	1,214,738	2,227,020	(982,664)	53,376,878	1.0%	99.0%
Year 9	53,376,878	320,261	1,281,045	2,348,583	(1,031,366)	56,295,401	1.0%	99.0%
Year 10	56,295,401	337,772	1,351,090	2,476,998	(1,080,775)	59,380,486	1.0%	99.0%
Year 11	59,380,486	356,283	1,425,132	2,612,741	(1,131,461)	62,643,181	1.0%	99.0%
Year 12	62,643,181	375,859	1,503,436	2,756,300	(1,183,873)	66,094,903	1.0%	99.0%
Year 13	66,094,903	396,569	1,586,278	2,908,176	(1,238,376)	69,747,549	1.0%	99.0%
Year 14	69,747,549	418,485	1,673,941	3,068,892	(1,295,277)	73,613,591	1.0%	99.0%
Year 15	73,613,591	441,682	1,766,726	3,238,998	(4,554,935)	74,506,062	1.0%	99.0%

Grantor Trust

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	FLP Distributions	Note Payments	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	-	11,905,952	(11,905,952)	-	-
Year 2	-	-	-	-	631,369	(631,369)	-	-
Year 3	-	-	-	-	704,746	(704,746)	-	-
Year 4	-	-	-	-	767,600	(767,600)	-	-
Year 5	-	-	-	-	823,574	(823,574)	-	-
Year 6	-	-	-	-	875,276	(875,276)	-	-
Year 7	-	-	-	-	924,577	(924,577)	-	-
Year 8	-	-	-	-	972,837	(972,837)	-	-
Year 9	-	-	-	-	1,021,053	(1,021,053)	-	-
Year 10	-	-	-	-	1,069,967	(1,069,967)	-	-
Year 11	-	-	-	-	1,120,146	(1,120,146)	-	-
Year 12	-	-	-	-	1,172,035	(1,172,035)	-	-
Year 13	-	-	-	-	1,225,993	(1,225,993)	-	-
Year 14	-	-	-	-	1,282,324	(1,282,324)	-	-
Year 15	-	-	-	-	4,509,385	(1,937,002)	(2,572,384)	-

Note Between Danny Lowbasis and Grantor Trust

	Beginning of Year Principal	Interest	Note Payment	End of Year Principal
Year 1	23,836,290	455,273	(11,905,952)	12,385,611
Year 2	12,385,611	236,565	(631,369)	11,990,807
Year 3	11,990,807	229,024	(704,746)	11,515,086
Year 4	11,515,086	219,938	(767,600)	10,967,425
Year 5	10,967,425	209,478	(823,574)	10,353,328
Year 6	10,353,328	197,749	(875,276)	9,675,801
Year 7	9,675,801	184,808	(924,577)	8,936,032
Year 8	8,936,032	170,678	(972,837)	8,133,873
Year 9	8,133,873	155,357	(1,021,053)	7,268,177
Year 10	7,268,177	138,822	(1,069,967)	6,337,032
Year 11	6,337,032	121,037	(1,120,146)	5,337,923
Year 12	5,337,923	101,954	(1,172,035)	4,267,843
Year 13	4,267,843	81,516	(1,225,993)	3,123,366
Year 14	3,123,366	59,656	(1,282,324)	1,900,698
Year 15	1,900,698	36,303	(1,937,002)	-

Schedule 5b

Danny Diversified - Texas Resident - Single Stock Analysis

Hypothetical Integrated Income and Estate Tax Plan Comparisons with an Initial Portfolio Value of $45,340,000

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.

This material is based on the assumptions stated herein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown.

	15-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning Except Stock Sold and Proceeds Invested in a Diversified Portfolio (assumes $7.54mm estate tax exemption available at death)				
Danny Diversified - Texas Resident	85,217,695	-	-	0.00%
Diversified Children	-	54,146,617	34,754,653	38.79%
Consumption - Direct Cost	5,379,578	5,379,578	3,452,946	3.85%
Consumption - Opportunity Cost	3,617,730	3,617,730	2,322,083	2.59%
IRS Income Tax - Direct Cost	20,403,383	20,403,383	13,096,155	14.62%
IRS Income Tax - Investment Opportunity Costs	24,971,963	24,971,963	16,028,553	17.89%
IRS Estate Tax (at 40.0%)	-	31,071,078	19,943,343	22.26%
Total	**$139,590,348**	**$139,590,348**	**$89,597,733**	**100.00%**
No Further Planning, Stock Held Until Death (assumes $7.54mm estate tax exemption available at death)				
Danny Diversified - Texas Resident	85,217,695	-	-	0.00%
Diversified Children	-	54,146,617	34,754,653	38.79%
Consumption - Direct Cost	5,379,578	5,379,578	3,452,946	3.85%
Consumption - Opportunity Cost	3,617,730	3,617,730	2,322,083	2.59%
IRS Income Tax - Direct Cost	2,909,754	2,909,754	1,867,660	2.08%
IRS Income Tax - Investment Opportunity Costs	1,824,203	1,824,203	1,170,886	1.31%
IRS Estate Tax (at 40.0%)	-	31,071,078	19,943,343	22.26%
How Much (More) or Less the Stock Must Grow to Match Results of No Further Planning with Stock Sale and Diversification	40,641,389	40,641,389	26,086,161	29.11%
Total	**$139,590,348**	**$139,590,348**	**$89,597,733**	**100.00%**

	No Further Planning	Hypothetical Technique
Estate Tax Exemption Calculation		
Current Estate and Gift Tax Exemption	$5,340,000	$5,340,000
Gifts Made	$0	($5,340,000)
Estate Tax Exemption Available in 15 Years	$7,540,000	$2,200,000

Schedule 5b

Danny Diversified - Texas Resident - Single Stock Analysis

No Further Planning Except Stock Sold and Proceeds Invested in a Diversified Portfolio (assumes $7.54mm estate tax exemption available at death)

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Assumptions:	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Ordinary Dividends	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	25.00%
Ordinary and Health Care Tax Rate	44.60%
Annual Consumption (increasing 2.5% per year)	$300,000

Individual

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Consumption	Income Taxes	End of Year Financial Assets
Year 1	47,840,000	287,040	1,148,160	2,104,960	(300,000)	(11,620,892)	39,459,268
Year 2	39,459,268	236,756	947,022	1,736,208	(307,500)	(346,319)	41,725,435
Year 3	41,725,435	250,353	1,001,410	1,835,919	(315,188)	(417,859)	44,080,070
Year 4	44,080,070	264,480	1,057,922	1,939,523	(323,067)	(477,764)	46,541,164
Year 5	46,541,164	279,247	1,116,988	2,047,811	(331,144)	(529,994)	49,124,073
Year 6	49,124,073	294,744	1,178,978	2,161,459	(339,422)	(577,380)	51,842,451
Year 7	51,842,451	311,055	1,244,219	2,281,068	(347,908)	(621,958)	54,708,927
Year 8	54,708,927	328,254	1,313,014	2,407,193	(356,606)	(665,200)	57,735,582
Year 9	57,735,582	346,413	1,385,654	2,540,366	(365,521)	(708,187)	60,934,308
Year 10	60,934,308	365,606	1,462,423	2,681,110	(374,659)	(751,724)	64,317,064
Year 11	64,317,064	385,902	1,543,610	2,829,951	(384,025)	(796,423)	67,896,078
Year 12	67,896,078	407,376	1,629,506	2,987,427	(393,626)	(842,765)	71,683,997
Year 13	71,683,997	430,104	1,720,416	3,154,096	(403,467)	(891,136)	75,694,010
Year 14	75,694,010	454,164	1,816,656	3,330,536	(413,553)	(941,864)	79,939,950
Year 15	79,939,950	479,640	1,918,559	3,517,358	(423,892)	(213,919)	85,217,695

Schedule 5b
Danny Diversified - Texas Resident - Single Stock Analysis
No Further Planning, Stock Held Until Death (assumes $7.54mm estate tax exemption available at death)

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This material is based on the assumptions stated herein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown.

Assumptions:	Financial Assets	Single Stock Equity Portfolio
Total Estimated Rate of Return	7.40%	4.60%
Rate of Return Taxed at Ordinary Rates	0.60%	0.00%
Rate of Return Tax Free	2.40%	0.00%
Ordinary Dividends	0.00%	1.00%
Rate of Return Taxed at Capital Gains Rates	4.40%	3.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	25.00%	
Ordinary and Health Care Tax Rate	44.60%	
Annual Consumption (increasing 2.5% per year)	$300,000	

Individual

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Dividends	Stock Sale Proceeds	Consumption	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	2,500,000	15,000	60,000	110,000	453,400	-	(300,000)	(128,290)	2,710,110	45,340,000	1,634,205	-	46,974,205	49,684,315
Year 2	2,710,110	16,261	65,043	119,245	469,742	-	(307,500)	(139,406)	2,933,494	46,974,205	1,693,107	-	48,667,312	51,600,806
Year 3	2,933,494	17,601	70,404	129,074	486,673	-	(315,188)	(149,502)	3,172,557	48,667,312	1,754,132	-	50,421,444	53,594,000
Year 4	3,172,557	19,035	76,141	139,592	504,214	-	(323,067)	(159,001)	3,429,472	50,421,444	1,817,357	-	52,238,800	55,668,272
Year 5	3,429,472	20,577	82,307	150,897	522,388	-	(331,144)	(168,212)	3,706,285	52,238,800	1,882,860	-	54,121,661	57,827,946
Year 6	3,706,285	22,238	88,951	163,077	541,217	-	(339,422)	(177,359)	4,004,985	54,121,661	1,950,725	-	56,072,386	60,077,371
Year 7	4,004,985	24,030	96,120	176,219	560,724	-	(347,908)	(186,611)	4,327,559	56,072,386	2,021,036	-	58,093,421	62,420,980
Year 8	4,327,559	25,965	103,861	190,413	580,934	-	(356,606)	(196,094)	4,676,033	58,093,421	2,093,880	-	60,187,302	64,863,335
Year 9	4,676,033	28,056	112,225	205,745	601,873	-	(365,521)	(205,908)	5,052,503	60,187,302	2,169,351	-	62,356,653	67,409,156
Year 10	5,052,503	30,315	121,260	222,310	623,567	-	(374,659)	(216,134)	5,459,162	62,356,653	2,247,542	-	64,604,194	70,063,357
Year 11	5,459,162	32,755	131,020	240,203	646,042	-	(384,025)	(226,840)	5,898,317	64,604,194	2,328,550	-	66,932,745	72,831,062
Year 12	5,898,317	35,390	141,560	259,526	669,327	-	(393,626)	(238,085)	6,372,409	66,932,745	2,412,479	-	69,345,224	75,717,633
Year 13	6,372,409	38,234	152,938	280,386	693,452	-	(403,467)	(249,923)	6,884,030	69,345,224	2,499,433	-	71,844,657	78,728,687
Year 14	6,884,030	41,304	165,217	302,897	718,447	-	(413,553)	(262,406)	7,435,936	71,844,657	2,589,521	-	74,434,178	81,870,114
Year 15	7,435,936	44,616	178,462	327,181	744,342	77,117,034	(423,892)	(205,984)	85,217,695	74,434,178	2,682,856	(77,117,034)	-	85,217,695

Schedule 5c

Danny Diversified - California Resident - Single Stock Analysis

Hypothetical Integrated Income and Estate Tax Plan Comparisons with an Initial Portfolio Value of $45,340,000

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.

This material is based on the assumptions stated herein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown.

	15-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning, Stock Held Until Death (assumes $7.54mm estate tax exemption available at death)				
Danny Diversified - California Resident	107,017,361	-	-	0.00%
Diversified Children	-	67,226,416	43,150,079	48.16%
Consumption - Direct Cost	5,379,578	5,379,578	3,452,946	3.85%
Consumption - Opportunity Cost	3,617,730	3,617,730	2,322,083	2.59%
NY & IRS Income Tax - Direct Cost	4,417,805	4,417,805	2,835,621	3.16%
NY & IRS Income Tax - Investment Opportunity Costs	2,666,588	2,666,588	1,711,581	1.91%
NY & IRS Estate Tax	-	39,790,944	25,540,293	28.51%
How Much (More) or Less the Stock Must Grow to Match Results of Hypothetical Technique	16,491,287	16,491,287	10,585,130	11.81%
Total	**$139,590,348**	**$139,590,348**	**$89,597,733**	**100.00%**
Hypothetical Technique: Stock Contributed to a FLP; Gift of $5.34mm in LP to a Grantor Trust; Sell Balance of LP to the Grantor Trust; Stock Sold				
Danny Diversified - California Resident	712,427	-	-	0.00%
Diversified Children	66,513,990	67,226,416	43,150,079	48.16%
Consumption - Direct Cost	5,379,578	5,379,578	3,452,946	3.85%
Consumption - Opportunity Cost	3,617,730	3,617,730	2,322,083	2.59%
NY & IRS Income Tax - Direct Cost	29,427,252	29,427,252	18,888,233	21.08%
NY & IRS Income Tax - Investment Opportunity Costs	33,939,372	33,939,372	21,784,391	24.31%
NY & IRS Estate Tax	-	-	-	0.00%
Total	**$139,590,348**	**$139,590,348**	**$89,597,733**	**100.00%**

	No Further Planning	Hypothetical Technique
Estate Tax Exemption Calculation		
Current Estate and Gift Tax Exemption	$5,340,000	$5,340,000
Gifts Made	$0	($5,340,000)
Estate Tax Exemption Available in 15 Years	$7,540,000	$2,200,000

Schedule 5c

Danny Diversified - California Resident - Single Stock Analysis

No Further Planning, Stock Held Until Death (assumes $7.54mm estate tax exemption available at death)

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.

This material is based on the assumptions stated herein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown.

Assumptions:	**Financial Assets**	**Single Stock Equity Portfolio**
Total Estimated Rate of Return	7.40%	6.38%
Rate of Return Taxed at Ordinary Rates	0.60%	0.00%
Rate of Return Tax Free	2.40%	0.00%
Ordinary Dividends	0.00%	1.00%
Rate of Return Taxed at Capital Gains Rates	4.40%	5.38%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	35.13%	
Ordinary and Health Care Tax Rate	52.63%	
Annual Consumption (increasing 2.5% per year)	$300,000	

Individual

	Beginning of Year Financial Assets	**Income**	**Tax Free Income**	**Growth**	**Dividends**	**Stock Sale Proceeds**	**Consumption**	**Income Taxes**	**End of Year Financial Assets**	**Beginning of Year Single Stock Equity Portfolio**	**Growth**	**Stock Sale**	**End of Year Single Stock Equity Portfolio**	**End of Year Financial & Other Assets**
Year 1	2,500,000	15,000	60,000	110,000	453,400	-	(300,000)	(178,767)	2,659,633	45,340,000	2,441,241	-	47,781,241	50,440,874
Year 2	2,659,633	15,958	63,831	117,024	477,812	-	(307,500)	(196,702)	2,830,056	47,781,241	2,572,684	-	50,353,925	53,183,981
Year 3	2,830,056	16,980	67,921	124,522	503,539	-	(315,188)	(213,267)	3,014,565	50,353,925	2,711,205	-	53,065,130	56,079,695
Year 4	3,014,565	18,087	72,350	132,641	530,651	-	(323,067)	(229,122)	3,216,105	53,065,130	2,857,185	-	55,922,315	59,138,419
Year 5	3,216,105	19,297	77,187	141,509	559,223	-	(331,144)	(244,754)	3,437,422	55,922,315	3,011,024	-	58,933,339	62,370,760
Year 6	3,437,422	20,625	82,498	151,247	589,333	-	(339,422)	(260,528)	3,681,174	58,933,339	3,173,146	-	62,106,485	65,787,659
Year 7	3,681,174	22,087	88,348	161,972	621,065	-	(347,908)	(276,723)	3,950,015	62,106,485	3,343,998	-	65,450,483	69,400,498
Year 8	3,950,015	23,700	94,800	173,801	654,505	-	(356,606)	(293,561)	4,246,655	65,450,483	3,524,049	-	68,974,532	73,221,187
Year 9	4,246,655	25,480	101,920	186,853	689,745	-	(365,521)	(311,222)	4,573,910	68,974,532	3,713,794	-	72,688,327	77,262,236
Year 10	4,573,910	27,443	109,774	201,252	726,883	-	(374,659)	(329,860)	4,934,743	72,688,327	3,913,756	-	76,602,082	81,536,826
Year 11	4,934,743	29,608	118,434	217,129	766,021	-	(384,025)	(349,613)	5,332,296	76,602,082	4,124,484	-	80,726,567	86,058,863
Year 12	5,332,296	31,994	127,975	234,621	807,266	-	(393,626)	(370,607)	5,769,920	80,726,567	4,346,559	-	85,073,125	90,843,045
Year 13	5,769,920	34,620	138,478	253,876	850,731	-	(403,467)	(392,961)	6,251,197	85,073,125	4,580,590	-	89,653,716	95,904,913
Year 14	6,251,197	37,507	150,029	275,053	896,537	-	(413,553)	(416,797)	6,779,973	89,653,716	4,827,223	-	94,480,939	101,260,912
Year 15	6,779,973	40,680	162,719	298,319	944,809	99,568,074	(423,892)	(353,321)	107,017,361	94,480,939	5,087,135	(99,568,074)	-	107,017,361

Schedule 5c

Danny Diversified - California Resident - Single Stock Analysi

Hypothetical Technique: Stock Contributed to a FLP; Gift of $5.34mm in LP to a Grantor Trust; Sell Balance of LP to the Grantor Trust; Stock Sold

Assumptions:	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Ordinary Dividends	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	35.13%
Ordinary and Health Care Tax Rate	52.63%
Annual Consumption (increasing 2.5% per year)	$300,000

Assumptions (continued):	
Diversified Family Limited Partnership Valuation Discount	35.00%
Intra-Family Interest Rate - June 2014	1.91%

Individual

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	FLP Distributions	Note Payments	Consumption	Income Taxes	End of Year Financial Assets
Year 1	2,500,000	15,000	60,000	110,000	167,489	16,581,365	(300,000)	(16,300,853)	2,833,001
Year 2	2,833,001	16,998	67,992	124,652	7,108	703,694	(307,500)	(426,393)	3,019,553
Year 3	3,019,553	18,117	72,469	132,860	7,917	783,815	(315,188)	(507,041)	3,212,504
Year 4	3,212,504	19,275	77,100	141,350	8,606	851,952	(323,067)	(574,141)	3,413,578
Year 5	3,413,578	20,481	81,926	150,197	9,213	912,114	(331,144)	(632,157)	3,624,209
Year 6	3,624,209	21,745	86,981	159,465	9,769	967,169	(339,422)	(684,282)	3,845,634
Year 7	3,845,634	23,074	92,295	169,208	10,295	1,019,178	(347,908)	(732,810)	4,078,965
Year 8	4,078,965	24,474	97,895	179,474	32,573	3,224,740	(356,606)	(779,401)	6,502,115
Year 9	6,502,115	39,013	156,051	286,093	12,797	-	(365,521)	(825,264)	5,805,284
Year 10	5,805,284	34,832	139,327	255,433	13,360	-	(374,659)	(871,294)	5,002,283
Year 11	5,002,283	30,014	120,055	220,100	13,948	-	(384,025)	(918,161)	4,084,214
Year 12	4,084,214	24,505	98,021	179,705	14,562	-	(393,626)	(966,384)	3,040,998
Year 13	3,040,998	18,246	72,984	133,804	15,203	-	(403,467)	(1,016,368)	1,861,400
Year 14	1,861,400	11,168	44,674	81,902	15,872	-	(413,553)	(1,068,448)	533,014
Year 15	533,014	3,198	12,792	23,453	31,262	-	(423,892)	(29,346)	150,481

Diversified Family Limited Partnership

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Distributions	End of Year Financial Assets	Ownership: Danny Diversified	Ownership: Grantor Trust
Year 1	45,340,000	272,040	1,088,160	1,994,960	(16,748,854)	31,946,306	1.0%	99.0%
Year 2	31,946,306	191,678	766,711	1,405,637	(710,802)	33,599,530	1.0%	99.0%
Year 3	33,599,530	201,597	806,389	1,478,379	(791,732)	35,294,164	1.0%	99.0%
Year 4	35,294,164	211,765	847,060	1,552,943	(860,558)	37,045,374	1.0%	99.0%
Year 5	37,045,374	222,272	889,089	1,629,996	(921,328)	38,865,404	1.0%	99.0%
Year 6	38,865,404	233,192	932,770	1,710,078	(976,938)	40,764,506	1.0%	99.0%
Year 7	40,764,506	244,587	978,348	1,793,638	(1,029,472)	42,751,607	1.0%	99.0%
Year 8	42,751,607	256,510	1,026,039	1,881,071	(3,257,313)	42,657,913	1.0%	99.0%
Year 9	42,657,913	255,947	1,023,790	1,876,948	(1,279,737)	44,534,861	1.0%	99.0%
Year 10	44,534,861	267,209	1,068,837	1,959,534	(1,336,046)	46,494,395	1.0%	99.0%
Year 11	46,494,395	278,966	1,115,865	2,045,753	(1,394,832)	48,540,148	1.0%	99.0%
Year 12	48,540,148	291,241	1,164,964	2,135,767	(1,456,204)	50,675,915	1.0%	99.0%
Year 13	50,675,915	304,055	1,216,222	2,229,740	(1,520,277)	52,905,655	1.0%	99.0%
Year 14	52,905,655	317,434	1,269,736	2,327,849	(1,587,170)	55,233,504	1.0%	99.0%
Year 15	55,233,504	331,401	1,325,604	2,430,274	(3,126,171)	56,194,612	1.0%	99.0%

Grantor Trust

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	FLP Distributions	Note Payments	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	-	16,581,365	(16,581,365)	-	-
Year 2	-	-	-	-	703,694	(703,694)	-	-
Year 3	-	-	-	-	783,815	(783,815)	-	-
Year 4	-	-	-	-	851,952	(851,952)	-	-
Year 5	-	-	-	-	912,114	(912,114)	-	-
Year 6	-	-	-	-	967,169	(967,169)	-	-
Year 7	-	-	-	-	1,019,178	(1,019,178)	-	-
Year 8	-	-	-	-	3,224,740	(3,224,740)	-	-
Year 9	-	-	-	-	1,266,940	-	-	1,266,940
Year 10	1,266,940	7,602	30,407	55,745	1,322,685	-	-	2,683,379
Year 11	2,683,379	16,100	64,401	118,069	1,380,884	-	-	4,262,833
Year 12	4,262,833	25,577	102,308	187,565	1,441,642	-	-	6,019,925
Year 13	6,019,925	36,120	144,478	264,877	1,505,075	-	-	7,970,474
Year 14	7,970,474	47,823	191,291	350,701	1,571,298	-	-	10,131,587
Year 15	10,131,587	60,790	243,158	445,790	3,094,909	-	(3,094,909)	10,881,324

Note Between Danny Lowbasis and Grantor Trust

	Beginning of Year Principal	Interest	Note Payment	End of Year Principal
Year 1	23,836,290	455,273	(16,581,365)	7,710,198
Year 2	7,710,198	147,265	(703,694)	7,153,768
Year 3	7,153,768	136,637	(783,815)	6,506,591
Year 4	6,506,591	124,276	(851,952)	5,778,914
Year 5	5,778,914	110,377	(912,114)	4,977,177
Year 6	4,977,177	95,064	(967,169)	4,105,072
Year 7	4,105,072	78,407	(1,019,178)	3,164,302
Year 8	3,164,302	60,438	(3,224,740)	-
Year 9	-	-	-	-
Year 10	-	-	-	-
Year 11	-	-	-	-
Year 12	-	-	-	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-

Schedule 5d

Danny Diversified - California Resident - Single Stock Analysis

Hypothetical Integrated Income and Estate Tax Plan Comparisons with an Initial Portfolio Value of $45,340,000

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	15-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning Except Stock Sold and Proceeds Invested in a Diversified Portfolio (assumes $7.54mm estate tax exemption available at death)				
Danny Diversified - California Resident	70,142,579	-	-	0.00%
Diversified Children	-	45,101,547	28,948,967	32.31%
Consumption - Direct Cost	5,379,578	5,379,578	3,452,946	3.85%
Consumption - Opportunity Cost	3,617,730	3,617,730	2,322,083	2.59%
NY & IRS Income Tax - Direct Cost	26,511,090	26,511,090	17,016,460	18.99%
NY & IRS Income Tax - Investment Opportunity Costs	33,939,372	33,939,372	21,784,391	24.31%
NY & IRS Estate Tax	-	25,041,032	16,072,885	17.94%
Total	**$139,590,348**	**$139,590,348**	**$89,597,733**	**100.00%**
No Further Planning, Stock Held Until Death (assumes $7.54mm estate tax exemption available at death)				
Danny Diversified - California Resident	70,142,579	-	-	0.00%
Diversified Children	-	45,101,547	28,948,967	32.31%
Consumption - Direct Cost	5,379,578	5,379,578	3,452,946	3.85%
Consumption - Opportunity Cost	3,617,730	3,617,730	2,322,083	2.59%
NY & IRS Income Tax - Direct Cost	3,643,258	3,643,258	2,338,469	2.61%
NY & IRS Income Tax - Investment Opportunity Costs	2,393,997	2,393,997	1,536,616	1.72%
NY & IRS Estate Tax	-	25,041,032	16,072,885	17.94%
How Much (More) or Less the Stock Must Grow to Match Results of Hypothetical Technique	54,413,206	54,413,206	34,925,766	38.98%
Total	**$139,590,348**	**$139,590,348**	**$89,597,733**	**100.00%**

	No Further Planning	Hypothetical Technique
Estate Tax Exemption Calculation		
Current Estate and Gift Tax Exemption	$5,340,000	$5,340,000
Gifts Made	$0	($5,340,000)
Estate Tax Exemption Available in 15 Years	$7,540,000	$2,200,000

Schedule 5d

Danny Diversified - California Resident - Single Stock Analysis

No Further Planning Except Stock Sold and Proceeds Invested in a Diversified Portfolio (assumes $7.54mm estate tax exemption available at death)

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Assumptions:	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Ordinary Dividends	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	35.13%
Ordinary and Health Care Tax Rate	52.63%
Annual Consumption (increasing 2.5% per year)	$300,000

Individual

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Consumption	Income Taxes	End of Year Financial Assets
Year 1	47,840,000	287,040	1,148,160	2,104,960	(300,000)	(16,300,853)	34,779,307
Year 2	34,779,307	208,676	834,703	1,530,290	(307,500)	(426,393)	36,619,083
Year 3	36,619,083	219,714	878,858	1,611,240	(315,188)	(507,041)	38,506,667
Year 4	38,506,667	231,040	924,160	1,694,293	(323,067)	(574,141)	40,458,952
Year 5	40,458,952	242,754	971,015	1,780,194	(331,144)	(632,157)	42,489,613
Year 6	42,489,613	254,938	1,019,751	1,869,543	(339,422)	(684,282)	44,610,140
Year 7	44,610,140	267,661	1,070,643	1,962,846	(347,908)	(732,810)	46,830,572
Year 8	46,830,572	280,983	1,123,934	2,060,545	(356,606)	(779,401)	49,160,028
Year 9	49,160,028	294,960	1,179,841	2,163,041	(365,521)	(825,264)	51,607,085
Year 10	51,607,085	309,643	1,238,570	2,270,712	(374,659)	(871,294)	54,180,057
Year 11	54,180,057	325,080	1,300,321	2,383,923	(384,025)	(918,161)	56,887,194
Year 12	56,887,194	341,323	1,365,293	2,503,037	(393,626)	(966,384)	59,736,837
Year 13	59,736,837	358,421	1,433,684	2,628,421	(403,467)	(1,016,368)	62,737,529
Year 14	62,737,529	376,425	1,505,701	2,760,451	(413,553)	(1,068,448)	65,898,104
Year 15	65,898,104	395,389	1,581,555	2,899,517	(423,892)	(208,093)	70,142,579

Schedule 5d

Danny Diversified - California Resident - Single Stock Analysis

No Further Planning, Stock Held Until Death (assumes $7.54mm estate tax exemption available at death)

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Total Estimated Rate of Return	7.40%	3.37%
Rate of Return Taxed at Ordinary Rates	0.60%	0.00%
Rate of Return Tax Free	2.40%	0.00%
Ordinary Dividends	0.00%	1.00%
Rate of Return Taxed at Capital Gains Rates	4.40%	2.37%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%	0.00%
Long-Term Capital Gain, Dividends & Health Care Tax Rate	35.13%	
Ordinary and Health Care Tax Rate	52.63%	
Annual Consumption (increasing 2.5% per year)	$300,000	

Individual

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Dividends	Stock Sale Proceeds	Consumption	Income Taxes	End of Year Financial Assets	Beginning of Year Single Stock Equity Portfolio	Growth	Stock Sale	End of Year Single Stock Equity Portfolio	End of Year Financial & Other Assets
Year 1	2,500,000	15,000	60,000	110,000	453,400	-	(300,000)	(178,767)	2,659,633	45,340,000	1,072,886	-	46,412,886	49,072,519
Year 2	2,659,633	15,958	63,831	117,024	464,129	-	(307,500)	(191,895)	2,821,180	46,412,886	1,098,274	-	47,511,159	50,332,339
Year 3	2,821,180	16,927	67,708	124,132	475,112	-	(315,188)	(203,211)	2,986,660	47,511,159	1,124,262	-	48,635,421	51,622,081
Year 4	2,986,660	17,920	71,680	131,413	486,354	-	(323,067)	(213,314)	3,157,645	48,635,421	1,150,866	-	49,786,287	52,943,932
Year 5	3,157,645	18,946	75,783	138,936	497,863	-	(331,144)	(222,632)	3,335,398	49,786,287	1,178,099	-	50,964,386	54,299,784
Year 6	3,335,398	20,012	80,050	146,758	509,644	-	(339,422)	(231,470)	3,520,969	50,964,386	1,205,976	-	52,170,362	55,691,331
Year 7	3,520,969	21,126	84,503	154,923	521,704	-	(347,908)	(240,050)	3,715,266	52,170,362	1,234,513	-	53,404,875	57,120,142
Year 8	3,715,266	22,292	89,166	163,472	534,049	-	(356,606)	(248,532)	3,919,107	53,404,875	1,263,726	-	54,668,601	58,587,709
Year 9	3,919,107	23,515	94,059	172,441	546,686	-	(365,521)	(257,032)	4,133,255	54,668,601	1,293,630	-	55,962,231	60,095,485
Year 10	4,133,255	24,800	99,198	181,863	559,622	-	(374,659)	(265,638)	4,358,441	55,962,231	1,324,241	-	57,286,471	61,644,913
Year 11	4,358,441	26,151	104,603	191,771	572,865	-	(384,025)	(274,414)	4,595,391	57,286,471	1,355,576	-	58,642,048	63,237,439
Year 12	4,595,391	27,572	110,289	202,197	586,420	-	(393,626)	(283,413)	4,844,831	58,642,048	1,387,654	-	60,029,702	64,874,533
Year 13	4,844,831	29,069	116,276	213,173	600,297	-	(403,467)	(292,674)	5,107,505	60,029,702	1,420,490	-	61,450,191	66,557,696
Year 14	5,107,505	30,645	122,580	224,730	614,502	-	(413,553)	(302,231)	5,384,178	61,450,191	1,454,103	-	62,904,295	68,288,472
Year 15	5,384,178	32,305	129,220	236,904	629,043	64,392,806	(423,892)	(237,985)	70,142,579	62,904,295	1,488,512	(64,392,806)	-	70,142,579

Schedule 6 - Cam Compatible

A: Fund is Owned by Investor and Investor's Estate is Not Subject to Estate Tax Because of Existing Exemptions and/or Charitable Bequests

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	6.338%	8.161%	10.863%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Dividend Income Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Indexed Fund - 5% Turnover - 6.338% Growth Rate

	Beginning of Year	Dividend Income	Growth	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	63,382	(6,413)	-	1,076,969
Year 2	1,076,969	21,539	68,261	(6,991)	-	1,159,778
Year 3	1,159,778	23,196	73,509	(8,243)	-	1,248,240
Year 4	1,248,240	24,965	79,116	(9,552)	-	1,342,769
Year 5	1,342,769	26,855	85,108	(10,923)	-	1,443,809
Year 6	1,443,809	28,876	91,512	(12,362)	-	1,551,835
Year 7	1,551,835	31,037	98,359	(13,874)	-	1,667,356
Year 8	1,667,356	33,347	105,681	(15,467)	-	1,790,917
Year 9	1,790,917	35,818	113,513	(17,147)	-	1,923,100
Year 10	1,923,100	38,462	121,891	(18,922)	-	2,064,530

Managed Fund - 50% Turnover - 8.161% Growth Rate

	Beginning of Year	Dividend Income	Growth	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	81,608	(23,199)	-	1,078,409
Year 2	1,078,409	21,568	88,007	(24,649)	-	1,163,335
Year 3	1,163,335	23,267	94,937	(29,638)	-	1,251,900
Year 4	1,251,900	25,038	102,165	(33,444)	-	1,345,659
Year 5	1,345,659	26,913	109,816	(36,738)	-	1,445,651
Year 6	1,445,651	28,913	117,976	(39,871)	-	1,552,669
Year 7	1,552,669	31,053	126,710	(43,028)	-	1,667,405
Year 8	1,667,405	33,348	136,073	(46,312)	-	1,790,514
Year 9	1,790,514	35,810	146,120	(49,785)	-	1,922,659
Year 10	1,922,659	38,453	156,904	(53,487)	-	2,064,530

Schedule 6 - Cam Compatible

A: Fund is Owned by Investor and Investor's Estate is Not Subject to Estate Tax Because of Existing Exemptions and/or Charitable Bequests

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	6.338%	8.161%	10.863%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Dividend Income Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Managed Fund - 200% Turnover - 10.863% Growth Rate

	Beginning of Year	Dividend Income	Growth	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	108,632	(53,450)	-	1,075,182
Year 2	1,075,182	21,504	116,800	(57,469)	-	1,156,017
Year 3	1,156,017	23,120	125,581	(61,789)	-	1,242,929
Year 4	1,242,929	24,859	135,022	(66,435)	-	1,336,376
Year 5	1,336,376	26,728	145,174	(71,429)	-	1,436,847
Year 6	1,436,847	28,737	156,088	(76,800)	-	1,544,873
Year 7	1,544,873	30,897	167,823	(82,574)	-	1,661,020
Year 8	1,661,020	33,220	180,441	(88,782)	-	1,785,899
Year 9	1,785,899	35,718	194,007	(95,456)	-	1,920,168
Year 10	1,920,168	38,403	208,592	(102,633)	-	2,064,530

Schedule 6 - Cam Compatible

B: Fund is Owned by Investor and is Fully Taxable in the Investor's Estate

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	12.205%	15.622%	21.035%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Ordinary and Health Care Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Indexed Fund - 5% Turnover - 12.205% Growth Rate

	Beginning of Year	Dividend Income	Growth	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	122,050	(7,722)	-	1,134,329
Year 2	1,134,329	22,687	138,445	(8,852)	-	1,286,609
Year 3	1,286,609	25,732	157,031	(11,417)	-	1,457,955
Year 4	1,457,955	29,159	177,944	(14,249)	-	1,650,809
Year 5	1,650,809	33,016	201,482	(17,384)	-	1,867,924
Year 6	1,867,924	37,358	227,981	(20,862)	-	2,112,400
Year 7	2,112,400	42,248	257,819	(24,731)	-	2,387,736
Year 8	2,387,736	47,755	291,424	(29,042)	-	2,697,872
Year 9	2,697,872	53,957	329,276	(33,854)	-	3,047,252
Year 10	3,047,252	60,945	371,918	(39,231)	(1,376,354)	2,064,530

Managed Fund - 50% Turnover - 15.622% Growth Rate

	Beginning of Year	Dividend Income	Growth	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	156,216	(39,836)	-	1,136,379
Year 2	1,136,379	22,728	177,520	(43,898)	-	1,292,729
Year 3	1,292,729	25,855	201,944	(55,762)	-	1,464,765
Year 4	1,464,765	29,295	228,819	(66,182)	-	1,656,698
Year 5	1,656,698	33,134	258,802	(76,403)	-	1,872,230
Year 6	1,872,230	37,445	292,471	(87,146)	-	2,115,001
Year 7	2,115,001	42,300	330,396	(98,861)	-	2,388,835
Year 8	2,388,835	47,777	373,173	(111,877)	-	2,697,909
Year 9	2,697,909	53,958	421,455	(126,463)	-	3,046,858
Year 10	3,046,858	60,937	475,967	(142,878)	(1,376,354)	2,064,530

Schedule 6 - Cam Compatible

B: Fund is Owned by Investor and is Fully Taxable in the Investor's Estate

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	12.205%	15.622%	21.035%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Ordinary and Health Care Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Managed Fund - 200% Turnover - 21.035% Growth Rate

	Beginning of Year	Dividend Income	Growth	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	210,347	(98,815)	-	1,131,532
Year 2	1,131,532	22,631	238,015	(111,812)	-	1,280,366
Year 3	1,280,366	25,607	269,322	(126,519)	-	1,448,775
Year 4	1,448,775	28,976	304,746	(143,161)	-	1,639,336
Year 5	1,639,336	32,787	344,830	(161,991)	-	1,854,962
Year 6	1,854,962	37,099	390,186	(183,298)	-	2,098,950
Year 7	2,098,950	41,979	441,509	(207,408)	-	2,375,030
Year 8	2,375,030	47,501	499,581	(234,688)	-	2,687,423
Year 9	2,687,423	53,748	565,292	(265,557)	-	3,040,906
Year 10	3,040,906	60,818	639,647	(300,488)	(1,376,353)	2,064,530

Schedule 6 - Cam Compatible

C: Fund is in a Grantor Trust and Grantor Buys the Assets from the Grantor Trust for Cash Shortly Before Grantor's Death

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	6.000%	6.906%	7.944%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Dividend Income Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Indexed Fund - 5% Turnover - 6.000% Growth Rate

	Beginning of Year	Dividend Income	Growth	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	60,000	2,535	(6,338)	-	1,076,197
Year 2	1,076,197	21,524	64,572	2,760	(6,901)	-	1,158,153
Year 3	1,158,153	23,163	69,489	3,241	(8,103)	-	1,245,943
Year 4	1,245,943	24,919	74,757	3,744	(9,361)	-	1,340,002
Year 5	1,340,002	26,800	80,400	4,272	(10,680)	-	1,440,794
Year 6	1,440,794	28,816	86,448	4,826	(12,065)	-	1,548,819
Year 7	1,548,819	30,976	92,929	5,410	(13,524)	-	1,664,610
Year 8	1,664,610	33,292	99,877	6,025	(15,062)	-	1,788,741
Year 9	1,788,741	35,775	107,324	6,675	(16,688)	-	1,921,828
Year 10	1,921,828	38,437	115,310	7,363	(18,407)	-	2,064,530

Managed Fund - 50% Turnover - 6.906% Growth Rate

	Beginning of Year	Dividend Income	Growth	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	69,061	8,160	(20,401)	-	1,076,821
Year 2	1,076,821	21,536	74,366	8,666	(21,664)	-	1,159,725
Year 3	1,159,725	23,194	80,092	10,365	(25,912)	-	1,247,463
Year 4	1,247,463	24,949	86,151	11,669	(29,174)	-	1,341,059
Year 5	1,341,059	26,821	92,615	12,808	(32,019)	-	1,441,283
Year 6	1,441,283	28,826	99,536	13,898	(34,744)	-	1,548,799
Year 7	1,548,799	30,976	106,961	15,001	(37,504)	-	1,664,234
Year 8	1,664,234	33,285	114,933	16,153	(40,384)	-	1,788,222
Year 9	1,788,222	35,764	123,496	17,374	(43,435)	-	1,921,422
Year 10	1,921,422	38,428	132,695	18,677	(46,692)	-	2,064,530

Schedule 6 - Cam Compatible

C: Fund is in a Grantor Trust and Grantor Buys the Assets from the Grantor Trust for Cash Shortly Before Grantor's Death

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	6.000%	6.906%	7.944%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Dividend Income Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Managed Fund - 200% Turnover - 7.944% Growth Rate

	Beginning of Year	Dividend Income	Growth	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	79,441	16,172	(40,431)	-	1,075,182
Year 2	1,075,182	21,504	85,413	17,388	(43,470)	-	1,156,017
Year 3	1,156,017	23,120	91,835	18,695	(46,738)	-	1,242,929
Year 4	1,242,929	24,859	98,739	20,101	(50,252)	-	1,336,376
Year 5	1,336,376	26,728	106,163	21,612	(54,030)	-	1,436,847
Year 6	1,436,847	28,737	114,144	23,237	(58,093)	-	1,544,873
Year 7	1,544,873	30,897	122,726	24,984	(62,460)	-	1,661,020
Year 8	1,661,020	33,220	131,953	26,862	(67,156)	-	1,785,900
Year 9	1,785,900	35,718	141,873	28,882	(72,205)	-	1,920,168
Year 10	1,920,168	38,403	152,539	31,053	(77,633)	-	2,064,530

Schedule 6 - Cam Compatible

D: Fund is in a Grantor Trust at Investor's Death and Remaining Unrealized Income is Taxed in 10 Years Before Grantor Dies

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	6.593%	7.046%	7.944%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Ordinary and Health Care Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Indexed Fund - 5% Turnover - 6.593% Growth Rate

	Beginning of Year	Dividend Income	Growth	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	65,926	2,588	(6,470)	-	1,082,044
Year 2	1,082,044	21,641	71,335	2,834	(7,085)	-	1,170,769
Year 3	1,170,769	23,415	77,184	3,364	(8,409)	-	1,266,322
Year 4	1,266,322	25,326	83,484	3,921	(9,803)	-	1,369,251
Year 5	1,369,251	27,385	90,269	4,509	(11,272)	-	1,480,141
Year 6	1,480,141	29,603	97,580	5,130	(12,825)	-	1,599,629
Year 7	1,599,629	31,993	105,457	5,788	(14,470)	-	1,728,396
Year 8	1,728,396	34,568	113,946	6,486	(16,214)	-	1,867,182
Year 9	1,867,182	37,344	123,096	7,227	(18,068)	-	2,016,780
Year 10	2,016,780	40,336	132,958	83,696	(209,240)	-	2,064,530

Managed Fund - 50% Turnover - 7.046% Growth Rate

	Beginning of Year	Dividend Income	Growth	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	70,460	8,285	(20,713)	-	1,078,033
Year 2	1,078,033	21,561	75,958	8,805	(22,013)	-	1,162,344
Year 3	1,162,344	23,247	81,899	10,547	(26,367)	-	1,251,669
Year 4	1,251,669	25,033	88,193	11,888	(29,721)	-	1,347,063
Year 5	1,347,063	26,941	94,914	13,062	(32,656)	-	1,449,325
Year 6	1,449,325	28,986	102,120	14,190	(35,474)	-	1,559,146
Year 7	1,559,146	31,183	109,858	15,333	(38,333)	-	1,677,187
Year 8	1,677,187	33,544	118,175	16,529	(41,322)	-	1,804,113
Year 9	1,804,113	36,082	127,118	17,797	(44,493)	-	1,940,617
Year 10	1,940,617	38,812	136,736	34,424	(86,059)	-	2,064,530

Schedule 6 - Cam Compatible

D: Fund is in a Grantor Trust at Investor's Death and Remaining Unrealized Income is Taxed in 10 Years Before Grantor Dies

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	6.593%	7.046%	7.944%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Ordinary and Health Care Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Managed Fund - 200% Turnover - 7.944% Growth Rate

	Beginning of Year	Dividend Income	Growth	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	79,441	16,172	(40,431)	-	1,075,182
Year 2	1,075,182	21,504	85,413	17,388	(43,470)	-	1,156,017
Year 3	1,156,017	23,120	91,835	18,695	(46,738)	-	1,242,929
Year 4	1,242,929	24,859	98,739	20,101	(50,252)	-	1,336,375
Year 5	1,336,375	26,728	106,163	21,612	(54,030)	-	1,436,847
Year 6	1,436,847	28,737	114,144	23,237	(58,092)	-	1,544,873
Year 7	1,544,873	30,897	122,726	24,984	(62,460)	-	1,661,020
Year 8	1,661,020	33,220	131,953	26,862	(67,156)	-	1,785,899
Year 9	1,785,899	35,718	141,873	28,882	(72,205)	-	1,920,167
Year 10	1,920,167	38,403	152,539	31,053	(77,633)	-	2,064,530

Schedule 6 - Cam Compatible

E: Fund is in a Grantor Trust at Investor's Death and Remaining Unrealized Income is Taxed in 10 Years After Grantor Dies

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	7.062%	7.374%	7.944%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Ordinary and Health Care Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Indexed Fund - 5% Turnover - 7.062% Growth Rate

	Beginning of Year	Dividend Income	Growth	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	70,623	2,630	(6,575)	-	1,086,678
Year 2	1,086,678	21,734	76,744	2,893	(7,231)	-	1,180,817
Year 3	1,180,817	23,616	83,393	3,462	(8,655)	-	1,282,633
Year 4	1,282,633	25,653	90,583	4,063	(10,158)	-	1,392,774
Year 5	1,392,774	27,855	98,362	4,701	(11,751)	-	1,511,941
Year 6	1,511,941	30,239	106,778	5,377	(13,443)	-	1,640,892
Year 7	1,640,892	32,818	115,885	6,097	(15,242)	-	1,780,449
Year 8	1,780,449	35,609	125,740	6,864	(17,159)	-	1,931,503
Year 9	1,931,503	38,630	136,408	7,683	(19,207)	-	2,095,017
Year 10	2,095,017	41,900	147,956	8,559	(228,903)	-	2,064,530

Managed Fund - 50% Turnover - 7.374% Growth Rate

	Beginning of Year	Dividend Income	Growth	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	73,742	8,578	(21,444)	-	1,080,875
Year 2	1,080,875	21,617	79,705	10,590	(26,476)	-	1,166,313
Year 3	1,166,313	23,326	86,006	12,765	(31,913)	-	1,256,497
Year 4	1,256,497	25,130	92,656	14,428	(36,071)	-	1,352,640
Year 5	1,352,640	27,053	99,746	15,875	(39,686)	-	1,455,627
Year 6	1,455,627	29,113	107,340	17,257	(43,141)	-	1,566,195
Year 7	1,566,195	31,324	115,494	18,655	(46,638)	-	1,685,030
Year 8	1,685,030	33,701	124,257	20,115	(50,288)	-	1,812,814
Year 9	1,812,814	36,256	133,680	21,663	(54,158)	-	1,950,255
Year 10	1,950,255	39,005	143,815	23,317	(91,862)	-	2,064,530

Schedule 6 - Cam Compatible

E: Fund is in a Grantor Trust at Investor's Death and Remaining Unrealized Income is Taxed in 10 Years After Grantor Dies

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	7.062%	7.374%	7.944%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Ordinary and Health Care Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Managed Fund - 200% Turnover - 7.944% Growth Rate

	Beginning of Year	Dividend Income	Growth	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	20,000	79,441	16,172	(40,431)	-	1,075,182
Year 2	1,075,182	21,504	85,413	17,388	(43,470)	-	1,156,017
Year 3	1,156,017	23,120	91,835	18,695	(46,738)	-	1,242,929
Year 4	1,242,929	24,859	98,739	20,101	(50,252)	-	1,336,375
Year 5	1,336,375	26,728	106,163	21,612	(54,030)	-	1,436,847
Year 6	1,436,847	28,737	114,144	23,237	(58,092)	-	1,544,873
Year 7	1,544,873	30,897	122,726	24,984	(62,460)	-	1,661,020
Year 8	1,661,020	33,220	131,953	26,862	(67,156)	-	1,785,899
Year 9	1,785,899	35,718	141,873	28,882	(72,205)	-	1,920,167
Year 10	1,920,167	38,403	152,539	31,053	(77,633)	-	2,064,530

Schedule 6 - Cam Compatible

F: Fund is Held in a Non-Grantor Trust and Remaining Unrealized Income is Taxed in 10 Years

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	7.487%	8.481%	10.863%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Ordinary and Health Care Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Indexed Fund - 5% Turnover - 7.487% Growth Rate

	Beginning of Year	Dividend Income	Growth	Income Taxes	Estate Taxes	End of Year
Year 1	1,000,000	20,000	74,869	(6,670)	-	1,088,199
Year 2	1,088,199	21,764	81,472	(7,348)	-	1,184,087
Year 3	1,184,087	23,682	88,651	(8,841)	-	1,287,579
Year 4	1,287,579	25,752	96,400	(10,417)	-	1,399,314
Year 5	1,399,314	27,986	104,765	(12,086)	-	1,519,978
Year 6	1,519,978	30,400	113,799	(13,858)	-	1,650,319
Year 7	1,650,319	33,006	123,558	(15,741)	-	1,791,142
Year 8	1,791,142	35,823	134,101	(17,747)	-	1,943,319
Year 9	1,943,319	38,866	145,494	(19,887)	-	2,107,793
Year 10	2,107,793	42,156	157,808	(243,227)	-	2,064,530

Managed Fund - 50% Turnover - 8.481% Growth Rate

	Beginning of Year	Dividend Income	Growth	Income Taxes	Estate Taxes	End of Year
Year 1	1,000,000	20,000	84,809	(23,912)	-	1,080,897
Year 2	1,080,897	21,618	91,670	(25,449)	-	1,168,736
Year 3	1,168,736	23,375	99,119	(30,684)	-	1,260,545
Year 4	1,260,545	25,211	106,905	(34,705)	-	1,357,956
Year 5	1,357,956	27,159	115,167	(38,208)	-	1,462,074
Year 6	1,462,074	29,241	123,997	(41,557)	-	1,573,755
Year 7	1,573,755	31,475	133,468	(44,946)	-	1,693,753
Year 8	1,693,753	33,875	143,645	(48,482)	-	1,822,791
Year 9	1,822,791	36,456	154,589	(52,232)	-	1,961,604
Year 10	1,961,604	39,232	166,361	(102,668)	-	2,064,530

Schedule 6 - Cam Compatible

F: Fund is Held in a Non-Grantor Trust and Remaining Unrealized Income is Taxed in 10 Years

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Assumptions:	Indexed Fund 5% Turnover	Managed Fund 50% Turnover	Managed Fund 200% Turnover
Rate of Return Taxed at Dividend Income Rate	2.000%	2.000%	2.000%
Rate of Return Taxed at Capital Gains Rates	7.487%	8.481%	10.863%
Turnover Rate (% of Capital Gains Recognized/Year)	5.000%	50.000%	100.000%
Long Term Capital Gain and Health Care Tax Rate	25.000%	25.000%	25.000%
Short Term Capital Gain and Health Care Tax Rate	44.600%	44.600%	44.600%
Ordinary and Health Care Tax Rate	25.000%	25.000%	25.000%
Federal Estate Taxes	40.000%	40.000%	40.000%

Managed Fund - 200% Turnover - 10.863% Growth Rate

	Beginning of Year	Dividend Income	Growth	Income Taxes	Estate Taxes	End of Year
Year 1	1,000,000	20,000	108,632	(53,450)	-	1,075,182
Year 2	1,075,182	21,504	116,800	(57,469)	-	1,156,017
Year 3	1,156,017	23,120	125,581	(61,789)	-	1,242,929
Year 4	1,242,929	24,859	135,022	(66,435)	-	1,336,376
Year 5	1,336,376	26,728	145,174	(71,429)	-	1,436,847
Year 6	1,436,847	28,737	156,088	(76,800)	-	1,544,873
Year 7	1,544,873	30,897	167,823	(82,574)	-	1,661,020
Year 8	1,661,020	33,220	180,441	(88,782)	-	1,785,899
Year 9	1,785,899	35,718	194,007	(95,456)	-	1,920,168
Year 10	1,920,168	38,403	208,592	(102,633)	-	2,064,530

Schedule 7 - Cam Compatible

A: Fund is Owned by Investor and is Fully Taxable in the Investor's Estate

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Assumptions:	**Tax Free Bond Fund**	**Taxable Bond Fund**
Rate of Return - Tax Free Income	8.398%	0.000%
Rate of Return Taxed at Ordinary Rates	0.000%	15.159%
Ordinary Income Tax	44.600%	44.600%
Federal Estate Tax	40.000%	40.000%

Tax Free Bond Fund - 8.398% Interest Rate

	Beginning of Year	Tax Free Income	Ordinary Income	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	83,982	-	-	-	1,083,982
Year 2	1,083,982	91,035	-	-	-	1,175,017
Year 3	1,175,017	98,680	-	-	-	1,273,697
Year 4	1,273,697	106,968	-	-	-	1,380,665
Year 5	1,380,665	115,951	-	-	-	1,496,616
Year 6	1,496,616	125,689	-	-	-	1,622,305
Year 7	1,622,305	136,245	-	-	-	1,758,550
Year 8	1,758,550	147,687	-	-	-	1,906,236
Year 9	1,906,236	160,090	-	-	-	2,066,326
Year 10	2,066,326	173,534	-	-	(895,944)	1,343,916

Taxable Bond Fund - 15.159% Interest Rate

	Beginning of Year	Tax Free Income	Ordinary Income	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	-	151,592	(67,610)	-	1,083,982
Year 2	1,083,982	-	164,323	(73,288)	-	1,175,017
Year 3	1,175,017	-	178,123	(79,443)	-	1,273,697
Year 4	1,273,697	-	193,082	(86,115)	-	1,380,665
Year 5	1,380,665	-	209,298	(93,347)	-	1,496,616
Year 6	1,496,616	-	226,875	(101,186)	-	1,622,305
Year 7	1,622,305	-	245,929	(109,684)	-	1,758,549
Year 8	1,758,549	-	266,582	(118,896)	-	1,906,236
Year 9	1,906,236	-	288,970	(128,881)	-	2,066,325
Year 10	2,066,325	-	313,239	(139,704)	(895,944)	1,343,916

Schedule 7 - Cam Compatible

B: Fund is Held in a Grantor Trust at Investor's Death

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Assumptions:	Tax Free Bond Fund	Taxable Bond Fund
Rate of Return - Tax Free Income	3.000%	0.000%
Rate of Return Taxed at Ordinary Rates	0.000%	4.096%
Ordinary Income Tax	44.600%	44.600%
Federal Estate Tax	40.000%	40.000%

Tax Free Bond Fund - 3.000% Interest Rate

	Beginning of Year	Tax Free Income	Ordinary Income	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	30,000	-	-	-	-	1,030,000
Year 2	1,030,000	30,900	-	-	-	-	1,060,900
Year 3	1,060,900	31,827	-	-	-	-	1,092,727
Year 4	1,092,727	32,782	-	-	-	-	1,125,509
Year 5	1,125,509	33,765	-	-	-	-	1,159,274
Year 6	1,159,274	34,778	-	-	-	-	1,194,052
Year 7	1,194,052	35,822	-	-	-	-	1,229,874
Year 8	1,229,874	36,896	-	-	-	-	1,266,770
Year 9	1,266,770	38,003	-	-	-	-	1,304,773
Year 10	1,304,773	39,143	-	-	-	-	1,343,916

Taxable Bond Fund - 4.096% Interest Rate

	Beginning of Year	Tax Free Income	Ordinary Income	Grantor Trust 40% Estate Tax Benefit	Income Tax Withdrawals	Estate Taxes	End of Year
Year 1	1,000,000	-	40,961	7,307	(18,269)	-	1,030,000
Year 2	1,030,000	-	42,190	7,527	(18,817)	-	1,060,900
Year 3	1,060,900	-	43,456	7,753	(19,381)	-	1,092,727
Year 4	1,092,727	-	44,759	7,985	(19,963)	-	1,125,509
Year 5	1,125,509	-	46,102	8,225	(20,562)	-	1,159,274
Year 6	1,159,274	-	47,485	8,471	(21,178)	-	1,194,052
Year 7	1,194,052	-	48,910	8,726	(21,814)	-	1,229,874
Year 8	1,229,874	-	50,377	8,987	(22,468)	-	1,266,770
Year 9	1,266,770	-	51,888	9,257	(23,142)	-	1,304,773
Year 10	1,304,773	-	53,445	9,535	(23,837)	-	1,343,916

Schedule 7 - Cam Compatible

C: Fund is Held in a Non-Grantor Trust; or Fund is Owned by Investor and Investor's Estate is Lower than Remaining Estate Tax Exemption; or a Bequest of Fund is Made to Charity at Investor's Death

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Assumptions:	**Tax Free Bond Fund**	**Taxable Bond Fund**
Rate of Return - Tax Free Income	3.000%	0.000%
Rate of Return Taxed at Ordinary Rates	0.000%	5.415%
Ordinary Income Tax	44.600%	44.600%
Federal Estate Tax	40.000%	40.000%

Tax Free Bond Fund - 3.000% Interest Rate

	Beginning of Year	Tax Free Income	Ordinary Income	Income Taxes	Estate Taxes	End of Year
Year 1	1,000,000	30,000	-	-	-	1,030,000
Year 2	1,030,000	30,900	-	-	-	1,060,900
Year 3	1,060,900	31,827	-	-	-	1,092,727
Year 4	1,092,727	32,782	-	-	-	1,125,509
Year 5	1,125,509	33,765	-	-	-	1,159,274
Year 6	1,159,274	34,778	-	-	-	1,194,052
Year 7	1,194,052	35,822	-	-	-	1,229,874
Year 8	1,229,874	36,896	-	-	-	1,266,770
Year 9	1,266,770	38,003	-	-	-	1,304,773
Year 10	1,304,773	39,143	-	-	-	1,343,916

Taxable Bond Fund - 5.415% Interest Rate

	Beginning of Year	Tax Free Income	Ordinary Income	Income Taxes	Estate Taxes	End of Year
Year 1	1,000,000	-	54,152	(24,152)	-	1,030,000
Year 2	1,030,000	-	55,776	(24,876)	-	1,060,900
Year 3	1,060,900	-	57,449	(25,622)	-	1,092,727
Year 4	1,092,727	-	59,173	(26,391)	-	1,125,509
Year 5	1,125,509	-	60,948	(27,183)	-	1,159,274
Year 6	1,159,274	-	62,777	(27,998)	-	1,194,052
Year 7	1,194,052	-	64,660	(28,838)	-	1,229,874
Year 8	1,229,874	-	66,600	(29,703)	-	1,266,770
Year 9	1,266,770	-	68,598	(30,595)	-	1,304,773
Year 10	1,304,773	-	70,656	(31,512)	-	1,343,916

Schedule 8

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

Numerical Summary of Alternatives - Future Values

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Hypothetical Technique (Assumes $9.65mm Estate Tax Exemption Available)	Charlie's Children	Charlie's Descendants (GST Exempt)	Charity	Charlie's Consumption Direct Costs	Consumption Investment Opportunity Costs	IRS Taxes on Investment Income	IRS Investment Opportunity Costs	IRS Estate Taxes (@40.0%)	Total
Future Values at the end of 25 Years Assuming an Annual Compounded Rate of Return at 7.4%									
Stock Sale, No Planning	$10,023,860	$9,650,000	$0	$5,123,665	$7,440,046	$11,792,247	$23,763,728	$6,682,574	$74,476,121
Simulated Tax Holiday (No Initial Capital Gains Tax and No Estate Tax) 76% - 24% Split Between Family and Charity	$0	$26,583,325	$8,207,700	$5,123,665	$7,440,046	$11,817,313	$15,304,071	$0	$74,476,121
FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity	$0	$24,472,697	$8,207,700	$5,123,665	$7,440,046	$12,516,445	$16,715,568	$0	$74,476,121
FLP/Grantor Trust Sale, Charlie gives remaining estate to family	$0	$25,621,226	$0	$5,123,665	$7,440,046	$12,527,456	$23,763,729	$0	$74,476,121

Schedule 8

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

Stock Sale, No Planning

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Assumptions:	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Tax Free	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Consumption (increasing at 3% per year)	$150,000

Charlie Charitable

	Beginning of Year	Income	Tax Free Income	Growth	Consumption	Taxes on Investment Income	End of Year
Year 1	12,500,000	375,000	-	550,000	(150,000)	(2,708,500)	10,566,500
Year 2	10,566,500	316,995	-	464,926	(153,750)	(205,124)	10,989,547
Year 3	10,989,547	329,686	-	483,540	(157,594)	(227,927)	11,417,253
Year 4	11,417,253	342,518	-	502,359	(161,534)	(247,060)	11,853,535
Year 5	11,853,535	355,606	-	521,556	(165,572)	(263,725)	12,301,400
Year 6	12,301,400	369,042	-	541,262	(169,711)	(278,775)	12,763,217
Year 7	12,763,217	382,897	-	561,582	(173,954)	(292,818)	13,240,924
Year 8	13,240,924	397,228	-	582,601	(178,303)	(306,291)	13,736,158
Year 9	13,736,158	412,085	-	604,391	(182,760)	(319,508)	14,250,365
Year 10	14,250,365	427,511	-	627,016	(187,329)	(332,699)	14,784,864
Year 11	14,784,864	443,546	-	650,534	(192,013)	(346,032)	15,340,899
Year 12	15,340,899	460,227	-	675,000	(196,813)	(359,633)	15,919,679
Year 13	15,919,679	477,590	-	700,466	(201,733)	(373,601)	16,522,401
Year 14	16,522,401	495,672	-	726,986	(206,777)	(388,011)	17,150,272
Year 15	17,150,272	514,508	-	754,612	(211,946)	(402,925)	17,804,521
Year 16	17,804,521	534,136	-	783,399	(217,245)	(418,398)	18,486,413
Year 17	18,486,413	554,592	-	813,402	(222,676)	(434,474)	19,197,257
Year 18	19,197,257	575,918	-	844,679	(228,243)	(451,199)	19,938,413
Year 19	19,938,413	598,152	-	877,290	(233,949)	(468,610)	20,711,296
Year 20	20,711,296	621,339	-	911,297	(239,798)	(486,748)	21,517,386
Year 21	21,517,386	645,522	-	946,765	(245,792)	(505,652)	22,358,228
Year 22	22,358,228	670,747	-	983,762	(251,937)	(525,360)	23,235,440
Year 23	23,235,440	697,063	-	1,022,359	(258,236)	(545,912)	24,150,715
Year 24	24,150,715	724,521	-	1,062,631	(264,692)	(567,349)	25,105,828
Year 25	25,105,828	753,175	-	1,104,656	(271,309)	(335,916)	26,356,434

Schedule 8

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

Simulated Tax Holiday (No Initial Capital Gains Tax and No Estate Tax) 76% - 24% Split Between Family and Charit

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Assumptions:	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Tax Free	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%

Charlie Charitable

	Beginning of Year	Income	Tax Free Income	Growth	Consumption	Taxes on Investment Income	End of Year
Year 1	12,500,000	375,000	-	550,000	(150,000)	(208,500)	13,066,500
Year 2	13,066,500	391,995	-	574,926	(153,750)	(246,824)	13,632,847
Year 3	13,632,847	408,985	-	599,845	(157,594)	(277,792)	14,206,292
Year 4	14,206,292	426,189	-	625,077	(161,534)	(303,730)	14,792,294
Year 5	14,792,294	443,769	-	650,861	(165,572)	(326,290)	15,395,061
Year 6	15,395,061	461,852	-	677,383	(169,711)	(346,648)	16,017,936
Year 7	16,017,936	480,538	-	704,789	(173,954)	(365,643)	16,663,666
Year 8	16,663,666	499,910	-	733,201	(178,303)	(383,876)	17,334,599
Year 9	17,334,599	520,038	-	762,722	(182,760)	(401,782)	18,032,816
Year 10	18,032,816	540,984	-	793,444	(187,329)	(419,679)	18,760,236
Year 11	18,760,236	562,807	-	825,450	(192,013)	(437,801)	19,518,680
Year 12	19,518,680	585,560	-	858,822	(196,813)	(456,324)	20,309,926
Year 13	20,309,926	609,298	-	893,637	(201,733)	(475,384)	21,135,743
Year 14	21,135,743	634,072	-	929,973	(206,777)	(495,090)	21,997,921
Year 15	21,997,921	659,938	-	967,909	(211,946)	(515,531)	22,898,289
Year 16	22,898,289	686,949	-	1,007,525	(217,245)	(536,783)	23,838,735
Year 17	23,838,735	715,162	-	1,048,904	(222,676)	(558,913)	24,821,213
Year 18	24,821,213	744,636	-	1,092,133	(228,243)	(581,983)	25,847,757
Year 19	25,847,757	775,433	-	1,137,301	(233,949)	(606,053)	26,920,489
Year 20	26,920,489	807,615	-	1,184,502	(239,798)	(631,181)	28,041,627
Year 21	28,041,627	841,249	-	1,233,832	(245,792)	(657,424)	29,213,491
Year 22	29,213,491	876,405	-	1,285,394	(251,937)	(684,840)	30,438,512
Year 23	30,438,512	913,155	-	1,339,295	(258,236)	(713,489)	31,719,238
Year 24	31,719,238	951,577	-	1,395,646	(264,692)	(743,432)	33,058,338
Year 25	33,058,338	991,750	-	1,454,567	(271,309)	(442,321)	34,791,025

Schedule 8

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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Assumptions:	
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Rate of Return Tax Free	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Consumption (increasing at 3% per year)	$150,000
Intra-Family Note Interest Percentage	1.91%
IRS 7520 Rate (Best)	2.40%
Unitrust Percentage	11.024%

Assumptions (continued):	
Charitable Deduction	$1,000,200
Income Tax Benefit to Charlie	$446,089
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Charlie Charitable FLP Valuation Discount	35.00%
CRUT Starting Value	$10,000,000
CRUT Actuarial Discount (10%)	($1,000,000)
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Partnership Discount (35%)	($3,150,000)
Discounted Value of Partnership Actuarial Interest	$5,850,000
Face Value of Note (99% Transferred to Grantor Trust)	$5,791,500

Charlie Charitable FLP

	Beginning of Year	Income	Tax Free Income	Growth	Unitrust Payments	Distributions	End of Year	Ownership: Charlie Charitable	Ownership: Grantor Trust
Year 1	-	-	-	-	1,102,400	(834,400)	268,000	1.00%	99.00%
Year 2	268,000	8,040	-	11,792	1,062,449	(826,752)	523,529	1.00%	99.00%
Year 3	523,529	15,706	-	23,035	1,023,946	(819,953)	766,263	1.00%	99.00%
Year 4	766,263	22,988	-	33,716	986,838	(813,770)	996,035	1.00%	99.00%
Year 5	996,035	29,881	-	43,826	951,075	(808,031)	1,212,785	1.00%	99.00%
Year 6	1,212,785	36,384	-	53,363	916,608	(802,616)	1,416,523	1.00%	99.00%
Year 7	1,416,523	42,496	-	62,327	883,390	(797,436)	1,607,300	1.00%	99.00%
Year 8	1,607,300	48,219	-	70,721	851,376	(792,427)	1,785,189	1.00%	99.00%
Year 9	1,785,189	53,556	-	78,548	820,522	(787,539)	1,950,277	1.00%	99.00%
Year 10	1,950,277	58,508	-	85,812	790,787	(782,737)	2,102,647	1.00%	99.00%
Year 11	2,102,647	63,079	-	92,516	762,128	(777,991)	2,242,380	1.00%	99.00%
Year 12	2,242,380	67,271	-	98,665	734,509	(773,280)	2,369,545	1.00%	99.00%
Year 13	2,369,545	71,086	-	104,260	707,890	(768,585)	2,484,197	1.00%	99.00%
Year 14	2,484,197	74,526	-	109,305	682,236	(763,890)	2,586,374	1.00%	99.00%
Year 15	2,586,374	77,591	-	113,800	657,512	(759,181)	2,676,096	1.00%	99.00%
Year 16	2,676,096	80,283	-	117,748	633,684	(754,447)	2,753,365	1.00%	99.00%
Year 17	2,753,365	82,601	-	121,148	610,719	(749,675)	2,818,158	1.00%	99.00%
Year 18	2,818,158	84,545	-	123,999	588,587	(744,854)	2,870,435	1.00%	99.00%
Year 19	2,870,435	86,113	-	126,299	567,256	(739,974)	2,910,130	1.00%	99.00%
Year 20	2,910,130	87,304	-	128,046	546,699	(735,023)	2,937,155	1.00%	99.00%
Year 21	2,937,155	88,115	-	129,235	-	(70,168)	3,084,337	1.00%	99.00%
Year 22	3,084,337	92,530	-	135,711	-	(73,055)	3,239,523	1.00%	99.00%
Year 23	3,239,523	97,186	-	142,539	-	(76,286)	3,402,963	1.00%	99.00%
Year 24	3,402,963	102,089	-	149,730	-	(79,820)	3,574,962	1.00%	99.00%
Year 25	3,574,962	107,249	-	157,298	-	(167,164)	3,672,345	1.00%	99.00%

Schedule 8
Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust
FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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Unitrust Percentage	11.024%

Assumptions (continued):	
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Income Tax Benefit to Charlie	$446,089
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CRUT Starting Value	$10,000,000
CRUT Actuarial Discount (10%)	($1,000,000)
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Partnership Discount (35%)	($3,150,000)
Discounted Value of Partnership Actuarial Interest	$5,850,000
Face Value of Note (99% Transferred to Grantor Trust)	$5,791,500

Charitable Remainder Unitrust

	Beginning of Year	Income	Tax Free Income	Growth	Unitrust Payment	Payment to Charity	End of Year
Year 1	10,000,000	300,000	-	440,000	(1,102,400)	-	9,637,600
Year 2	9,637,600	289,128	-	424,054	(1,062,449)	-	9,288,333
Year 3	9,288,333	278,650	-	408,687	(1,023,946)	-	8,951,724
Year 4	8,951,724	268,552	-	393,876	(986,838)	-	8,627,314
Year 5	8,627,314	258,819	-	379,602	(951,075)	-	8,314,660
Year 6	8,314,660	249,440	-	365,845	(916,608)	-	8,013,337
Year 7	8,013,337	240,400	-	352,587	(883,390)	-	7,722,933
Year 8	7,722,933	231,688	-	339,809	(851,376)	-	7,443,054
Year 9	7,443,054	223,292	-	327,494	(820,522)	-	7,173,318
Year 10	7,173,318	215,200	-	315,626	(790,787)	-	6,913,357
Year 11	6,913,357	207,401	-	304,188	(762,128)	-	6,662,817
Year 12	6,662,817	199,885	-	293,164	(734,509)	-	6,421,356
Year 13	6,421,356	192,641	-	282,540	(707,890)	-	6,188,646
Year 14	6,188,646	185,659	-	272,300	(682,236)	-	5,964,370
Year 15	5,964,370	178,931	-	262,432	(657,512)	-	5,748,221
Year 16	5,748,221	172,447	-	252,922	(633,684)	-	5,539,906
Year 17	5,539,906	166,197	-	243,756	(610,719)	-	5,339,139
Year 18	5,339,139	160,174	-	234,922	(588,587)	-	5,145,649
Year 19	5,145,649	154,369	-	226,409	(567,256)	-	4,959,171
Year 20	4,959,171	148,775	-	218,204	(546,699)	(4,779,450)	-

Schedule 8

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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IRS 7520 Rate (Best)	2.40%
Unitrust Percentage	11.024%

Assumptions (continued):	
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Income Tax Benefit to Charlie	$446,089
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
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CRUT Starting Value	$10,000,000
CRUT Actuarial Discount (10%)	($1,000,000)
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Partnership Discount (35%)	($3,150,000)
Discounted Value of Partnership Actuarial Interest	$5,850,000
Face Value of Note (99% Transferred to Grantor Trust)	$5,791,500

Charlie Charitable

	Beginning of Year	Income	Tax Free Income	Growth	Distribution from Partnership	Note Payments	Consumption	Taxes on Investment Income	End of Year
Year 1	2,500,000	75,000	-	110,000	8,344	826,056	(150,000)	64,214	3,433,614
Year 2	3,433,614	103,008	-	151,079	8,268	818,484	(153,750)	(389,799)	3,970,904
Year 3	3,970,904	119,127	-	174,720	8,200	811,754	(157,594)	(398,162)	4,528,948
Year 4	4,528,948	135,868	-	199,274	8,138	805,632	(161,534)	(406,867)	5,109,459
Year 5	5,109,459	153,284	-	224,816	8,080	799,951	(165,572)	(416,007)	5,714,011
Year 6	5,714,011	171,420	-	251,417	8,026	794,590	(169,711)	(425,654)	6,344,099
Year 7	6,344,099	190,323	-	279,140	7,974	789,462	(173,954)	(435,865)	7,001,180
Year 8	7,001,180	210,035	-	308,052	7,924	640,297	(178,303)	(446,688)	7,542,499
Year 9	7,542,499	226,275	-	331,870	7,875	-	(182,760)	(458,163)	7,467,596
Year 10	7,467,596	224,028	-	328,574	7,827	-	(187,329)	(470,327)	7,370,369
Year 11	7,370,369	221,111	-	324,296	7,780	-	(192,013)	(483,215)	7,248,328
Year 12	7,248,328	217,450	-	318,926	7,733	-	(196,813)	(496,859)	7,098,765
Year 13	7,098,765	212,963	-	312,346	7,686	-	(201,733)	(511,292)	6,918,734
Year 14	6,918,734	207,562	-	304,424	7,639	-	(206,777)	(526,547)	6,705,035
Year 15	6,705,035	201,151	-	295,022	7,592	-	(211,946)	(542,658)	6,454,196
Year 16	6,454,196	193,626	-	283,985	7,544	-	(217,245)	(559,658)	6,162,448
Year 17	6,162,448	184,873	-	271,148	7,497	-	(222,676)	(577,584)	5,825,706
Year 18	5,825,706	174,771	-	256,331	7,449	-	(228,243)	(596,474)	5,439,540
Year 19	5,439,540	163,186	-	239,340	7,400	-	(233,949)	(616,367)	4,999,149
Year 20	4,999,149	149,974	-	219,963	7,350	-	(239,798)	(637,305)	4,499,334
Year 21	4,499,334	134,980	-	197,971	702	-	(245,792)	(499,506)	4,087,687
Year 22	4,087,687	122,631	-	179,858	731	-	(251,937)	(522,336)	3,616,634
Year 23	3,616,634	108,499	-	159,132	763	-	(258,236)	(545,160)	3,081,631
Year 24	3,081,631	92,449	-	135,592	798	-	(264,692)	(568,274)	2,477,505
Year 25	2,477,505	74,325	-	109,010	1,672	-	(271,309)	(1,049,890)	1,341,313

Schedule 8

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FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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Assumptions (continued):	
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Discounted Value of Partnership Actuarial Interest	$5,850,000
Face Value of Note (99% Transferred to Grantor Trust)	$5,791,500

Charlie Charitable Family's Grantor Trust

	Beginning of Year	Income	Tax Free Income	Growth	Distribution from Partnerships	Note Payments	Taxes on Investment Income	End of Year
Year 1	-	-	-	-	826,056	(826,056)	-	-
Year 2	-	-	-	-	818,484	(818,484)	-	-
Year 3	-	-	-	-	811,754	(811,754)	-	-
Year 4	-	-	-	-	805,632	(805,632)	-	-
Year 5	-	-	-	-	799,951	(799,951)	-	-
Year 6	-	-	-	-	794,590	(794,590)	-	-
Year 7	-	-	-	-	789,462	(789,462)	-	-
Year 8	-	-	-	-	784,503	(640,297)	-	144,205
Year 9	144,205	4,326	-	6,345	779,664	-	-	934,540
Year 10	934,540	28,036	-	41,120	774,909	-	-	1,778,605
Year 11	1,778,605	53,358	-	78,259	770,211	-	-	2,680,433
Year 12	2,680,433	80,413	-	117,939	765,547	-	-	3,644,332
Year 13	3,644,332	109,330	-	160,351	760,899	-	-	4,674,912
Year 14	4,674,912	140,247	-	205,696	756,251	-	-	5,777,106
Year 15	5,777,106	173,313	-	254,193	751,590	-	-	6,956,201
Year 16	6,956,201	208,686	-	306,073	746,902	-	-	8,217,862
Year 17	8,217,862	246,536	-	361,586	742,178	-	-	9,568,162
Year 18	9,568,162	287,045	-	420,999	737,405	-	-	11,013,611
Year 19	11,013,611	330,408	-	484,599	732,574	-	-	12,561,192
Year 20	12,561,192	376,836	-	552,692	727,673	-	-	14,218,393
Year 21	14,218,393	426,552	-	625,609	69,466	-	-	15,340,020
Year 22	15,340,020	460,201	-	674,961	72,324	-	-	16,547,506
Year 23	16,547,506	496,425	-	728,090	75,523	-	-	17,847,544
Year 24	17,847,544	535,426	-	785,292	79,022	-	-	19,247,284
Year 25	19,247,284	577,419	-	846,880	165,492	-	-	20,837,075

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Discounted Value of Partnership Actuarial Interest	$5,850,000
Face Value of Note (99% Transferred to Grantor Trust)	$5,791,500

Charity

	Beginning of Year	Income	Tax Free Income	Growth	CRUT Distribution	End of Year
Year 1	-	-	-	-	-	-
Year 2	-	-	-	-	-	-
Year 3	-	-	-	-	-	-
Year 4	-	-	-	-	-	-
Year 5	-	-	-	-	-	-
Year 6	-	-	-	-	-	-
Year 7	-	-	-	-	-	-
Year 8	-	-	-	-	-	-
Year 9	-	-	-	-	-	-
Year 10	-	-	-	-	-	-
Year 11	-	-	-	-	-	-
Year 12	-	-	-	-	-	-
Year 13	-	-	-	-	-	-
Year 14	-	-	-	-	-	-
Year 15	-	-	-	-	-	-
Year 16	-	-	-	-	-	-
Year 17	-	-	-	-	-	-
Year 18	-	-	-	-	-	-
Year 19	-	-	-	-	-	-
Year 20	-	-	-	-	4,779,450	4,779,450
Year 21	4,779,450	143,384	-	210,296	-	5,133,130
Year 22	5,133,130	153,994	-	225,858	-	5,512,981
Year 23	5,512,981	165,389	-	242,571	-	5,920,942
Year 24	5,920,942	177,628	-	260,521	-	6,359,091
Year 25	6,359,091	190,773	-	279,800	-	6,829,664

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FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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Partnership Discount (35%)	($3,150,000)
Discounted Value of Partnership Actuarial Interest	$5,850,000
Face Value of Note (99% Transferred to Grantor Trust)	$5,791,500

Note Between Charlie Charitable and Charlie Charitable Family's Grantor Trust - FLP

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	5,791,500	110,618	(826,056)	5,076,062
Year 2	5,076,062	96,953	(818,484)	4,354,530
Year 3	4,354,530	83,172	(811,754)	3,625,948
Year 4	3,625,948	69,256	(805,632)	2,889,572
Year 5	2,889,572	55,191	(799,951)	2,144,812
Year 6	2,144,812	40,966	(794,590)	1,391,187
Year 7	1,391,187	26,572	(789,462)	628,297
Year 8	628,297	12,000	(640,297)	-
Year 9	-	-	-	-
Year 10	-	-	-	-
Year 11	-	-	-	-
Year 12	-	-	-	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	-	-	-	-
Year 18	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-

Schedule 8

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/Grantor Trust Sale, Charlie gives remaining estate to family

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Assumptions:	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Tax Free	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth t	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Consumption (increasing at 3% per year)	$150,000
Intra-Family Note Interest Percentage	1.91%
7520 Rate (Best)	2.40%

Assumptions (continued):	
Charlie Charitable FLP Valuation Discount	35.00%
Note Between Charlie Charitable and Grantor Trust	
FLP Starting Value	$10,000,000
Partnership Discount (35%)	($3,500,000)
Discounted Value of Partnership Interest	$6,500,000
Face Value of Note (99% Transferred to Grantor Trust)	$6,435,000

FLP

	Beginning of Year	Income	Tax Free Income	Growth	Distributions	End of Year	Ownership: Charlie Charitable	Ownership: Grantor Trust
Year 1	10,000,000	300,000	-	440,000	(3,466,800)	7,273,200	1.00%	99.00%
Year 2	7,273,200	218,196	-	320,021	(726,273)	7,085,144	1.00%	99.00%
Year 3	7,085,144	212,554	-	311,746	(717,963)	6,891,482	1.00%	99.00%
Year 4	6,891,482	206,744	-	303,225	(705,715)	6,695,736	1.00%	99.00%
Year 5	6,695,736	200,872	-	294,612	(690,876)	6,500,345	1.00%	99.00%
Year 6	6,500,345	195,010	-	286,015	(674,393)	6,306,978	1.00%	99.00%
Year 7	6,306,978	189,209	-	277,507	(656,932)	6,116,762	1.00%	99.00%
Year 8	6,116,762	183,503	-	269,138	(638,959)	5,930,444	1.00%	99.00%
Year 9	5,930,444	177,913	-	260,940	(620,798)	5,748,498	1.00%	99.00%
Year 10	5,748,498	172,455	-	252,934	(602,674)	5,571,213	1.00%	99.00%
Year 11	5,571,213	167,136	-	245,133	(584,741)	5,398,742	1.00%	99.00%
Year 12	5,398,742	161,962	-	237,545	(567,101)	5,231,148	1.00%	99.00%
Year 13	5,231,148	156,934	-	230,171	(549,824)	5,068,429	1.00%	99.00%
Year 14	5,068,429	152,053	-	223,011	(532,953)	4,910,540	1.00%	99.00%
Year 15	4,910,540	147,316	-	216,064	(516,515)	4,757,404	1.00%	99.00%
Year 16	4,757,404	142,722	-	209,326	(500,524)	4,608,928	1.00%	99.00%
Year 17	4,608,928	138,268	-	202,793	(484,986)	4,465,003	1.00%	99.00%
Year 18	4,465,003	133,950	-	196,460	(469,899)	4,325,514	1.00%	99.00%
Year 19	4,325,514	129,765	-	190,323	(455,261)	4,190,341	1.00%	99.00%
Year 20	4,190,341	125,710	-	184,375	(441,063)	4,059,364	1.00%	99.00%
Year 21	4,059,364	121,781	-	178,612	(427,298)	3,932,459	1.00%	99.00%
Year 22	3,932,459	117,974	-	173,028	(413,954)	3,809,507	1.00%	99.00%
Year 23	3,809,507	114,285	-	167,618	(401,022)	3,690,388	1.00%	99.00%
Year 24	3,690,388	110,712	-	162,377	(388,490)	3,574,987	1.00%	99.00%
Year 25	3,574,987	107,250	-	157,299	(475,547)	3,363,989	1.00%	99.00%

Schedule 8

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/Grantor Trust Sale, Charlie gives remaining estate to family

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Assumptions:	
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Rate of Return Tax Free	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth t	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Consumption (increasing at 3% per year)	$150,000
Intra-Family Note Interest Percentage	1.91%
7520 Rate (Best)	2.40%

Assumptions (continued):	
Charlie Charitable FLP Valuation Discount	35.00%
Note Between Charlie Charitable and Grantor Trust	
FLP Starting Value	$10,000,000
Partnership Discount (35%)	($3,500,000)
Discounted Value of Partnership Interest	$6,500,000
Face Value of Note (99% Transferred to Grantor Trust)	$6,435,000

Charlie Charitable

	Beginning of Year	Income	Tax Free Income	Growth	Distribution from Partnership	Note Payments	Consumption	Taxes on Investment Income	End of Year
Year 1	2,500,000	75,000	-	110,000	34,668	3,432,132	(150,000)	(2,708,500)	3,293,300
Year 2	3,293,300	98,799	-	144,905	7,263	719,010	(153,750)	(205,124)	3,904,403
Year 3	3,904,403	117,132	-	171,794	7,180	710,783	(157,594)	(227,927)	4,525,771
Year 4	4,525,771	135,773	-	199,134	7,057	698,658	(161,534)	(247,060)	5,157,799
Year 5	5,157,799	154,734	-	226,943	6,909	683,967	(165,572)	(263,725)	5,801,055
Year 6	5,801,055	174,032	-	255,246	6,744	485,449	(169,711)	(278,775)	6,274,039
Year 7	6,274,039	188,221	-	276,058	6,569	-	(173,954)	(292,818)	6,278,115
Year 8	6,278,115	188,343	-	276,237	6,390	-	(178,303)	(306,291)	6,264,492
Year 9	6,264,492	187,935	-	275,638	6,208	-	(182,760)	(319,508)	6,232,004
Year 10	6,232,004	186,960	-	274,208	6,027	-	(187,329)	(332,699)	6,179,170
Year 11	6,179,170	185,375	-	271,883	5,847	-	(192,013)	(346,032)	6,104,232
Year 12	6,104,232	183,127	-	268,586	5,671	-	(196,813)	(359,634)	6,005,169
Year 13	6,005,169	180,155	-	264,227	5,498	-	(201,733)	(373,601)	5,879,716
Year 14	5,879,716	176,391	-	258,707	5,330	-	(206,777)	(388,011)	5,725,357
Year 15	5,725,357	171,761	-	251,916	5,165	-	(211,946)	(402,925)	5,539,328
Year 16	5,539,328	166,180	-	243,730	5,005	-	(217,245)	(418,398)	5,318,601
Year 17	5,318,601	159,558	-	234,018	4,850	-	(222,676)	(434,474)	5,059,877
Year 18	5,059,877	151,796	-	222,635	4,699	-	(228,243)	(451,199)	4,759,565
Year 19	4,759,565	142,787	-	209,421	4,553	-	(233,949)	(468,610)	4,413,767
Year 20	4,413,767	132,413	-	194,206	4,411	-	(239,798)	(486,748)	4,018,250
Year 21	4,018,250	120,547	-	176,803	4,273	-	(245,792)	(505,652)	3,568,429
Year 22	3,568,429	107,053	-	157,011	4,140	-	(251,937)	(525,360)	3,059,335
Year 23	3,059,335	91,780	-	134,611	4,010	-	(258,236)	(545,912)	2,485,589
Year 24	2,485,589	74,568	-	109,366	3,885	-	(264,692)	(567,349)	1,841,367
Year 25	1,841,367	55,241	-	81,020	4,755	-	(271,309)	(26,533)	1,684,541

Schedule 8

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/Grantor Trust Sale, Charlie gives remaining estate to family

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Assumptions:	
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Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Tax Free	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth t	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Consumption (increasing at 3% per year)	$150,000
Intra-Family Note Interest Percentage	1.91%
7520 Rate (Best)	2.40%

Assumptions (continued):	
Charlie Charitable FLP Valuation Discount	35.00%
Note Between Charlie Charitable and Grantor Trust	
FLP Starting Value	$10,000,000
Partnership Discount (35%)	($3,500,000)
Discounted Value of Partnership Interest	$6,500,000
Face Value of Note (99% Transferred to Grantor Trust)	$6,435,000

Charlie Charitable Family's Grantor Trust

	Beginning of Year	Income	Tax Free Income	Growth	Distribution from Partnerships	Note Payments	Taxes on Investment Income	End of Year
Year 1	-	-	-	-	3,432,132	(3,432,132)	-	-
Year 2	-	-	-	-	719,010	(719,010)	-	-
Year 3	-	-	-	-	710,783	(710,783)	-	-
Year 4	-	-	-	-	698,658	(698,658)	-	-
Year 5	-	-	-	-	683,967	(683,967)	-	-
Year 6	-	-	-	-	667,649	(485,449)	-	182,200
Year 7	182,200	5,466	-	8,017	650,363	-	-	846,046
Year 8	846,046	25,381	-	37,226	632,569	-	-	1,541,223
Year 9	1,541,223	46,237	-	67,814	614,590	-	-	2,269,864
Year 10	2,269,864	68,096	-	99,874	596,648	-	-	3,034,481
Year 11	3,034,481	91,034	-	133,517	578,893	-	-	3,837,926
Year 12	3,837,926	115,138	-	168,869	561,430	-	-	4,683,362
Year 13	4,683,362	140,501	-	206,068	544,326	-	-	5,574,256
Year 14	5,574,256	167,228	-	245,267	527,624	-	-	6,514,375
Year 15	6,514,375	195,431	-	286,633	511,350	-	-	7,507,789
Year 16	7,507,789	225,234	-	330,343	495,519	-	-	8,558,884
Year 17	8,558,884	256,767	-	376,591	480,136	-	-	9,672,377
Year 18	9,672,377	290,171	-	425,585	465,200	-	-	10,853,333
Year 19	10,853,333	325,600	-	477,547	450,708	-	-	12,107,188
Year 20	12,107,188	363,216	-	532,716	436,653	-	-	13,439,772
Year 21	13,439,772	403,193	-	591,350	423,025	-	-	14,857,340
Year 22	14,857,340	445,720	-	653,723	409,815	-	-	16,366,598
Year 23	16,366,598	490,998	-	720,130	397,012	-	-	17,974,738
Year 24	17,974,738	539,242	-	790,888	384,605	-	-	19,689,474
Year 25	19,689,474	590,684	-	866,337	470,792	-	(1,044,592)	20,572,694

Schedule 8

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/Grantor Trust Sale, Charlie gives remaining estate to family

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Rate of Return Tax Free	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth t	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Consumption (increasing at 3% per year)	$150,000
Intra-Family Note Interest Percentage	1.91%
7520 Rate (Best)	2.40%

Assumptions (continued):	
Charlie Charitable FLP Valuation Discount	35.00%
Note Between Charlie Charitable and Grantor Trust	
FLP Starting Value	$10,000,000
Partnership Discount (35%)	($3,500,000)
Discounted Value of Partnership Interest	$6,500,000
Face Value of Note (99% Transferred to Grantor Trust)	$6,435,000

Note Between Charlie Charitable and Charlie Charitable Family's Grantor Trust - FLP

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	6,435,000	122,909	(3,432,132)	3,125,777
Year 2	3,125,777	59,702	(719,010)	2,466,469
Year 3	2,466,469	47,110	(710,783)	1,802,795
Year 4	1,802,795	34,433	(698,658)	1,138,571
Year 5	1,138,571	21,747	(683,967)	476,350
Year 6	476,350	9,098	(485,449)	-
Year 7	-	-	-	-
Year 8	-	-	-	-
Year 9	-	-	-	-
Year 10	-	-	-	-
Year 11	-	-	-	-
Year 12	-	-	-	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	-	-	-	-
Year 18	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-

Schedule 9

George Generous

Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming George Generous has a life expectancy of 20 years)

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	20-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning Except for $420,000 Annual Gift to Charity: Bequeaths $6mm to Charity at Death; Balance of Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available at death)				
George Generous	58,540,440	-	-	0.00%
Charity	17,989,144	23,989,144	14,639,877	22.49%
Generous Descendants	-	35,000,264	21,359,644	32.81%
IRS Income Tax - Direct Cost	14,640,259	14,640,259	8,934,525	13.72%
IRS Income Tax - Investment Opportunity Cost	15,513,858	15,513,858	9,467,657	14.54%
IRS Estate Tax (at 40.0%)	-	17,540,176	10,704,260	16.44%
Total	**$106,683,701**	**$106,683,701**	**$65,105,963**	**100.00%**
Hypothetical Technique: Creation of an FLLC with Growth and Preferred Interests; Gift of Preferred to Charity; Contribute and Sell Growth and Financial Assets to another FLLC; Contribute Non-Managing Interest to a GRAT; Bequeaths Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available at death				
George Generous	13,526,713	-	-	0.00%
Charity	23,989,144	23,989,144	14,639,877	22.49%
Generous Descendants	43,844,960	55,436,988	33,831,583	51.96%
IRS Income Tax - Direct Cost	15,426,212	15,426,212	9,414,169	14.46%
IRS Income Tax - Investment Opportunity Cost	9,896,673	9,896,673	6,039,652	9.28%
IRS Estate Tax (at 40.0%)	-	1,934,685	1,180,682	1.81%
Total	**$106,683,701**	**$106,683,701**	**$65,105,963**	**100.00%**

Calculations of Remaining Estate Tax Exemption	**No Further Planning**	**Hypothetical Techniques**
Current Exemption	5,430,000	5,430,000
Gifts Made	-	-
Future Exemption Available in 20 years (assumes 2.5% inflation)	8,690,000	8,690,000

Schedule 9
George Generous
Asset Page

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	George Generous
Assets*	
FMV: Financial Assets	$20,000,000
Basis: Financial Assets	$20,000,000
FMV: Securities	$6,000,000
Basis: Securities	$0
Total Assets	**$26,000,000**
Total Basis	**$20,000,000**

* Information provided by client and client's advisors. There is no proposed planning for George Generous' other assets.

Schedule 9

George Generous

No Further Planning Except for $420,000 Annual Gift to Charity: Bequeaths $6mm to Charity at Death; Balance of Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available at death)

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Assumptions:	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate and Health Care Tax	25.00%
Ordinary Income Tax Rate and Health Care Tax	44.60%
Charitable Spending	$420,000

George Generous

	Beginning of Year Financial Assets	Income	Growth	Sale Proceeds	Charitable Contributions	Income Taxes	End of Year Financial Assets	Beginning of Year Securities	Sale	End of Year Securities	End of Year Financial & Other Assets
Year 1	20,000,000	600,000	880,000	6,000,000	(420,000)	(1,667,280)	25,392,720	6,000,000	(6,000,000)	-	25,392,720
Year 2	25,392,720	761,782	1,117,280	-	(420,000)	(303,431)	26,548,351	-	-	-	26,548,351
Year 3	26,548,351	796,451	1,168,127	-	(420,000)	(367,504)	27,725,425	-	-	-	27,725,425
Year 4	27,725,425	831,763	1,219,919	-	(420,000)	(421,165)	28,935,942	-	-	-	28,935,942
Year 5	28,935,942	868,078	1,273,181	-	(420,000)	(467,895)	30,189,307	-	-	-	30,189,307
Year 6	30,189,307	905,679	1,328,329	-	(420,000)	(510,174)	31,493,142	-	-	-	31,493,142
Year 7	31,493,142	944,794	1,385,698	-	(420,000)	(549,778)	32,853,856	-	-	-	32,853,856
Year 8	32,853,856	985,616	1,445,570	-	(420,000)	(587,986)	34,277,055	-	-	-	34,277,055
Year 9	34,277,055	1,028,312	1,508,190	-	(420,000)	(625,726)	35,767,831	-	-	-	35,767,831
Year 10	35,767,831	1,073,035	1,573,785	-	(420,000)	(663,681)	37,330,969	-	-	-	37,330,969
Year 11	37,330,969	1,119,929	1,642,563	-	(420,000)	(702,360)	38,971,101	-	-	-	38,971,101
Year 12	38,971,101	1,169,133	1,714,728	-	(420,000)	(742,152)	40,692,810	-	-	-	40,692,810
Year 13	40,692,810	1,220,784	1,790,484	-	(420,000)	(783,363)	42,500,715	-	-	-	42,500,715
Year 14	42,500,715	1,275,021	1,870,031	-	(420,000)	(826,241)	44,399,527	-	-	-	44,399,527
Year 15	44,399,527	1,331,986	1,953,579	-	(420,000)	(870,995)	46,394,097	-	-	-	46,394,097
Year 16	46,394,097	1,391,823	2,041,340	-	(420,000)	(917,808)	48,489,452	-	-	-	48,489,452
Year 17	48,489,452	1,454,684	2,133,536	-	(420,000)	(966,847)	50,690,824	-	-	-	50,690,824
Year 18	50,690,824	1,520,725	2,230,396	-	(420,000)	(1,018,267)	53,003,678	-	-	-	53,003,678
Year 19	53,003,678	1,590,110	2,332,162	-	(420,000)	(1,072,222)	55,433,728	-	-	-	55,433,728
Year 20	55,433,728	1,663,012	2,439,084	-	(420,000)	(575,383)	58,540,440	-	-	-	58,540,440

Schedule 9

George Generous

No Further Planning Except for $420,000 Annual Gift to Charity: Bequeaths $6mm to Charity at Death; Balance of Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available at death)

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Assumptions:	
Total Estimated Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate and Health Care Tax	25.00%
Ordinary Income Tax Rate and Health Care Tax	44.60%
Charitable Spending	$420,000

Doing Good Donor Advised Fund

	Beginning of Year Financial Assets	Income	Growth	Charitable Contributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	420,000	-	420,000
Year 2	420,000	12,600	18,480	420,000	-	871,080
Year 3	871,080	26,132	38,328	420,000	-	1,355,540
Year 4	1,355,540	40,666	59,644	420,000	-	1,875,850
Year 5	1,875,850	56,275	82,537	420,000	-	2,434,663
Year 6	2,434,663	73,040	107,125	420,000	-	3,034,828
Year 7	3,034,828	91,045	133,532	420,000	-	3,679,405
Year 8	3,679,405	110,382	161,894	420,000	-	4,371,681
Year 9	4,371,681	131,150	192,354	420,000	-	5,115,185
Year 10	5,115,185	153,456	225,068	420,000	-	5,913,709
Year 11	5,913,709	177,411	260,203	420,000	-	6,771,324
Year 12	6,771,324	203,140	297,938	420,000	-	7,692,402
Year 13	7,692,402	230,772	338,466	420,000	-	8,681,639
Year 14	8,681,639	260,449	381,992	420,000	-	9,744,081
Year 15	9,744,081	292,322	428,740	420,000	-	10,885,143
Year 16	10,885,143	326,554	478,946	420,000	-	12,110,643
Year 17	12,110,643	363,319	532,868	420,000	-	13,426,831
Year 18	13,426,831	402,805	590,781	420,000	-	14,840,416
Year 19	14,840,416	445,212	652,978	420,000	-	16,358,607
Year 20	16,358,607	490,758	719,779	420,000	-	17,989,144

Schedule 9
George Generous
Hypothetical Technique: Creation of an FLLC with Growth and Preferred Interests; Gift of Preferred to Charity; Contribute and Sell Growth and Financial Assets to another FLLC; Contribute Non-Managing Interest to a GRAT; Bequeaths Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available at death

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Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.40%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Income Tax Rate	44.60%
Charitable Spending	$0

Assumptions:	
Generous FLLC Valuation Discount	35.00%
Generous FLLC Preferred	$6,000,000
Generous FLLC Preferred Coupon	7.00%
Holdco FLLC Valuation Discount	20.00%
IRS 7520 Rate	2.20%
Intra-Family Interest Rate - Mid-Term (August 2015)	1.82%

George Generous

	Beginning of Year Financial Assets	Income	Growth	Generous FLLC Distributions	Financial FLLC Distributions	Note Payments	GRAT Annuity Payments	Charitable Spending	Income Taxes	End of Year Financial Assets
Year 1	2,000,000	60,000	88,000	4,200	3,623	213,087	358,657	-	(83,521)	2,644,045
Year 2	2,644,045	79,321	116,338	2,144	3,623	213,087	358,657	-	(157,206)	3,260,010
Year 3	3,260,010	97,800	143,440	2,717	3,623	213,087	358,657	-	(184,786)	3,894,548
Year 4	3,894,548	116,836	171,360	3,173	-	213,087	-	-	(209,812)	4,189,193
Year 5	4,189,193	125,676	184,324	3,555	-	213,087	-	-	(237,761)	4,478,074
Year 6	4,478,074	134,342	197,035	3,890	-	213,087	-	-	(263,172)	4,763,257
Year 7	4,763,257	142,898	209,583	4,196	-	213,087	-	-	(647,315)	4,685,707
Year 8	4,685,707	140,571	206,171	4,486	-	213,087	-	-	(691,811)	4,558,212
Year 9	4,558,212	136,746	200,561	4,768	-	213,087	-	-	(735,155)	4,378,221
Year 10	4,378,221	131,347	192,642	5,049	-	213,087	-	-	(778,299)	4,142,047
Year 11	4,142,047	124,261	182,250	5,333	-	213,087	-	-	(821,942)	3,845,037
Year 12	3,845,037	115,351	169,182	5,623	-	213,087	-	-	(866,609)	3,481,671
Year 13	3,481,671	104,450	153,194	5,923	-	213,087	-	-	(912,703)	3,045,622
Year 14	3,045,622	91,369	134,007	6,233	-	11,921,187	-	-	(960,544)	14,237,875
Year 15	14,237,875	427,136	626,467	6,557	-	-	-	-	(1,010,395)	14,287,640
Year 16	14,287,640	428,629	628,656	6,896	-	-	-	-	(1,062,483)	14,289,339
Year 17	14,289,339	428,680	628,731	7,250	-	-	-	-	(1,117,006)	14,236,995
Year 18	14,236,995	427,110	626,428	7,622	-	-	-	-	(1,174,149)	14,124,004
Year 19	14,124,004	423,720	621,456	8,011	-	-	-	-	(1,234,090)	13,943,102
Year 20	13,943,102	418,293	613,496	18,441	-	-	-	-	(2,277,454)	12,715,878

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Long-Term Capital Gain Tax Rate	25.00%
Ordinary Income Tax Rate	44.60%
Charitable Spending	$0

Assumptions:	
Generous FLLC Valuation Discount	35.00%
Generous FLLC Preferred	$6,000,000
Generous FLLC Preferred Coupon	7.00%
Holdco FLLC Valuation Discount	20.00%
IRS 7520 Rate	2.20%
Intra-Family Interest Rate - Mid-Term (August 2015)	1.82%

Generous FLLC

	Beginning of Year Financial Assets	Income	Growth	Sale Proceeds	Preferred Distributions	Growth Distributions	End of Year Financial Assets	Beginning of Year Securities	Sale	End of Year Securities	End of Year Financial & Other Assets	Growth Ownership: George Generous	Growth Ownership: Financial FLLC
Year 1	14,000,000	420,000	616,000	6,000,000	(420,000)	(420,000)	20,196,000	6,000,000	(6,000,000)	-	20,196,000	1.0%	99.0%
Year 2	20,196,000	605,880	888,624	-	(420,000)	(214,424)	21,056,080	-	-	-	21,056,080	1.0%	99.0%
Year 3	21,056,080	631,682	926,468	-	(420,000)	(271,690)	21,922,539	-	-	-	21,922,539	1.0%	99.0%
Year 4	21,922,539	657,676	964,592	-	(420,000)	(317,276)	22,807,532	-	-	-	22,807,532	1.0%	99.0%
Year 5	22,807,532	684,226	1,003,531	-	(420,000)	(355,488)	23,719,801	-	-	-	23,719,801	1.0%	99.0%
Year 6	23,719,801	711,594	1,043,671	-	(420,000)	(389,013)	24,666,053	-	-	-	24,666,053	1.0%	99.0%
Year 7	24,666,053	739,982	1,085,306	-	(420,000)	(419,646)	25,651,695	-	-	-	25,651,695	1.0%	99.0%
Year 8	25,651,695	769,551	1,128,675	-	(420,000)	(448,628)	26,681,292	-	-	-	26,681,292	1.0%	99.0%
Year 9	26,681,292	800,439	1,173,977	-	(420,000)	(476,833)	27,758,875	-	-	-	27,758,875	1.0%	99.0%
Year 10	27,758,875	832,766	1,221,390	-	(420,000)	(504,893)	28,888,139	-	-	-	28,888,139	1.0%	99.0%
Year 11	28,888,139	866,644	1,271,078	-	(420,000)	(533,267)	30,072,594	-	-	-	30,072,594	1.0%	99.0%
Year 12	30,072,594	902,178	1,323,194	-	(420,000)	(562,300)	31,315,667	-	-	-	31,315,667	1.0%	99.0%
Year 13	31,315,667	939,470	1,377,889	-	(420,000)	(592,257)	32,620,769	-	-	-	32,620,769	1.0%	99.0%
Year 14	32,620,769	978,623	1,435,314	-	(420,000)	(623,347)	33,991,359	-	-	-	33,991,359	1.0%	99.0%
Year 15	33,991,359	1,019,741	1,495,620	-	(420,000)	(655,743)	35,430,977	-	-	-	35,430,977	1.0%	99.0%
Year 16	35,430,977	1,062,929	1,558,963	-	(420,000)	(689,591)	36,943,278	-	-	-	36,943,278	1.0%	99.0%
Year 17	36,943,278	1,108,298	1,625,504	-	(420,000)	(725,022)	38,532,059	-	-	-	38,532,059	1.0%	99.0%
Year 18	38,532,059	1,155,962	1,695,411	-	(420,000)	(762,156)	40,201,275	-	-	-	40,201,275	1.0%	99.0%
Year 19	40,201,275	1,206,038	1,768,856	-	(420,000)	(801,108)	41,955,062	-	-	-	41,955,062	1.0%	99.0%
Year 20	41,955,062	1,258,652	1,846,023	-	(420,000)	(1,844,105)	42,795,632	-	-	-	42,795,632	1.0%	99.0%

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Long-Term Capital Gain Tax Rate	25.00%
Ordinary Income Tax Rate	44.60%
Charitable Spending	$0

Assumptions:	
Generous FLLC Valuation Discount	35.00%
Generous FLLC Preferred	$6,000,000
Generous FLLC Preferred Coupon	7.00%
Holdco FLLC Valuation Discount	20.00%
IRS 7520 Rate	2.20%
Intra-Family Interest Rate - Mid-Term (August 2015)	1.82%

Financial FLLC

	Beginning of Year Financial Assets	Income	Growth	Generous FLLC Distributions	Note Payments	Owner Distributions	End of Year Financial Assets
Year 1	4,000,000	120,000	176,000	415,800	(213,087)	(362,279)	4,136,433
Year 2	4,136,433	124,093	182,003	212,280	(213,087)	(362,279)	4,079,443
Year 3	4,079,443	122,383	179,495	268,973	(213,087)	(362,279)	4,074,928
Year 4	4,074,928	122,248	179,297	314,103	(213,087)	-	4,477,488
Year 5	4,477,488	134,325	197,009	351,933	(213,087)	-	4,947,668
Year 6	4,947,668	148,430	217,697	385,123	(213,087)	-	5,485,831
Year 7	5,485,831	164,575	241,377	415,450	(213,087)	-	6,094,145
Year 8	6,094,145	182,824	268,142	444,142	(213,087)	-	6,776,166
Year 9	6,776,166	203,285	298,151	472,065	(213,087)	-	7,536,580
Year 10	7,536,580	226,097	331,609	499,844	(213,087)	-	8,381,043
Year 11	8,381,043	251,431	368,766	527,934	(213,087)	-	9,316,086
Year 12	9,316,086	279,483	409,908	556,677	(213,087)	-	10,349,066
Year 13	10,349,066	310,472	455,359	586,334	(213,087)	-	11,488,144
Year 14	11,488,144	344,644	505,478	617,114	(11,921,187)	-	1,034,193
Year 15	1,034,193	31,026	45,504	649,185	-	-	1,759,908
Year 16	1,759,908	52,797	77,436	682,695	-	-	2,572,837
Year 17	2,572,837	77,185	113,205	717,771	-	-	3,480,998
Year 18	3,480,998	104,430	153,164	754,534	-	-	4,493,126
Year 19	4,493,126	134,794	197,698	793,097	-	-	5,618,714
Year 20	5,618,714	168,561	247,223	1,825,664	-	-	7,860,163

	Ownership	
	George Generous	GRAT & Grantor Trust
Year 1	1.0%	99.0%
Year 2	1.0%	99.0%
Year 3	1.0%	99.0%
Year 4	1.0%	99.0%
Year 5	1.0%	99.0%
Year 6	1.0%	99.0%
Year 7	1.0%	99.0%
Year 8	1.0%	99.0%
Year 9	1.0%	99.0%
Year 10	1.0%	99.0%
Year 11	1.0%	99.0%
Year 12	1.0%	99.0%
Year 13	1.0%	99.0%
Year 14	1.0%	99.0%
Year 15	1.0%	99.0%
Year 16	1.0%	99.0%
Year 17	1.0%	99.0%
Year 18	1.0%	99.0%
Year 19	1.0%	99.0%
Year 20	1.0%	99.0%

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Charitable Spending	$0

Assumptions:	
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Generous FLLC Preferred	$6,000,000
Generous FLLC Preferred Coupon	7.00%
Holdco FLLC Valuation Discount	20.00%
IRS 7520 Rate	2.20%
Intra-Family Interest Rate - Mid-Term (August 2015)	1.82%

3-Year GRAT

	Beginning of Year Financial Assets	Income	Growth	Financial FLLC Distributions	Annual Annuity	GRAT Terminates	End of Year Financial Assets
Year 1	-	-	-	358,657	(358,657)	-	-
Year 2	-	-	-	358,657	(358,657)	-	-
Year 3	-	-	-	358,657	(358,657)	-	-

Grantor Trust for Generous Descendants (GRAT Remaindermen)

	Beginning of Year Financial Assets	Income	Growth	Financial LLC Distributions	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-
Year 11	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-
Year 16	-	-	-	-	-	-	-
Year 17	-	-	-	-	-	-	-
Year 18	-	-	-	-	-	-	-
Year 19	-	-	-	-	-	-	-
Year 20	-	-	-	-	-	-	-

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Charitable Spending	$0

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Generous FLLC Preferred Coupon	7.00%
Holdco FLLC Valuation Discount	20.00%
IRS 7520 Rate	2.20%
Intra-Family Interest Rate - Mid-Term (August 2015)	1.82%

Doing Good Donor Advised Fund

	Beginning of Year Financial Assets	Income	Growth	Preferred Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	420,000	-	420,000
Year 2	420,000	12,600	18,480	420,000	-	871,080
Year 3	871,080	26,132	38,328	420,000	-	1,355,540
Year 4	1,355,540	40,666	59,644	420,000	-	1,875,850
Year 5	1,875,850	56,275	82,537	420,000	-	2,434,663
Year 6	2,434,663	73,040	107,125	420,000	-	3,034,828
Year 7	3,034,828	91,045	133,532	420,000	-	3,679,405
Year 8	3,679,405	110,382	161,894	420,000	-	4,371,681
Year 9	4,371,681	131,150	192,354	420,000	-	5,115,185
Year 10	5,115,185	153,456	225,068	420,000	-	5,913,709
Year 11	5,913,709	177,411	260,203	420,000	-	6,771,324
Year 12	6,771,324	203,140	297,938	420,000	-	7,692,402
Year 13	7,692,402	230,772	338,466	420,000	-	8,681,639
Year 14	8,681,639	260,449	381,992	420,000	-	9,744,081
Year 15	9,744,081	292,322	428,740	420,000	-	10,885,143
Year 16	10,885,143	326,554	478,946	420,000	-	12,110,643
Year 17	12,110,643	363,319	532,868	420,000	-	13,426,831
Year 18	13,426,831	402,805	590,781	420,000	-	14,840,416
Year 19	14,840,416	445,212	652,978	420,000	-	16,358,607
Year 20	16,358,607	490,758	719,779	420,000	-	17,989,144

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Charitable Spending	$0

Assumptions:	
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Generous FLLC Preferred	$6,000,000
Generous FLLC Preferred Coupon	7.00%
Holdco FLLC Valuation Discount	20.00%
IRS 7520 Rate	2.20%
Intra-Family Interest Rate - Mid-Term (August 2015)	1.82%

Note between George Generous and Financial FLLC

	Beginning of Year Principal	Interest	Note Payment	End of Year Principal
Year 1	11,708,100	213,087	(213,087)	11,708,100
Year 2	11,708,100	213,087	(213,087)	11,708,100
Year 3	11,708,100	213,087	(213,087)	11,708,100
Year 4	11,708,100	213,087	(213,087)	11,708,100
Year 5	11,708,100	213,087	(213,087)	11,708,100
Year 6	11,708,100	213,087	(213,087)	11,708,100
Year 7	11,708,100	213,087	(213,087)	11,708,100
Year 8	11,708,100	213,087	(213,087)	11,708,100
Year 9	11,708,100	213,087	(213,087)	11,708,100
Year 10	11,708,100	213,087	(213,087)	11,708,100
Year 11	11,708,100	213,087	(213,087)	11,708,100
Year 12	11,708,100	213,087	(213,087)	11,708,100
Year 13	11,708,100	213,087	(213,087)	11,708,100
Year 14	11,708,100	213,087	(11,921,187)	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	-	-	-	-
Year 18	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-

Schedule 10

Gomer Gonetotexas

Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Gomer Gonetotexas has a life expectancy of 20 years)

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	20-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning: Bequeaths Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available in 20 years)				
Gomer Gonetotexas	34,404,293	-	-	0.00%
Gonetotexas Children	-	15,428,576	9,415,611	15.42%
Gonetotexas Children and Grandchildren in California Complex Trust	9,609,259	9,609,259	5,864,252	9.60%
Gonetotexas Children and Grandchildren in Texas Grantor Trust	-	8,690,000	5,303,254	8.68%
Consumption - Direct Cost	12,772,329	12,772,329	7,794,581	12.76%
Consumption - Investment Opportunity Cost	13,053,175	13,053,175	7,965,974	13.04%
IRS & CA Income Tax - Direct Cost	3,894,601	3,894,601	2,376,762	3.89%
IRS & TX Income Tax - Direct Cost	11,640,362	11,640,362	7,103,775	11.63%
IRS & CA Income Tax - Investment Opportunity Cost	3,174,203	3,174,203	1,937,124	3.17%
IRS & TX Income Tax - Investment Opportunity Cost	11,520,158	11,520,158	7,030,417	11.51%
IRS Estate Tax (at 40.0%)	-	10,285,717	6,277,074	10.28%
Total	**$100,068,380**	**$100,068,380**	**$61,068,825**	**100.00%**
Hypothetical Technique #1 - Scenario A: 6.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)				
Gomer Gonetotexas	20,522,418	-	-	0.00%
Gonetotexas Children	-	10,357,451	6,320,851	10.35%
Gonetotexas Children and Grandchildren in California Complex Trust	12,333,221	12,333,221	7,526,606	12.32%
Gonetotexas Children and Grandchildren in Texas Grantor Trust	12,199,872	15,459,872	9,434,710	15.45%
Consumption - Direct Cost	12,772,329	12,772,329	7,794,581	12.76%
Consumption - Investment Opportunity Cost	13,053,175	13,053,175	7,965,974	13.04%
IRS & CA Income Tax - Direct Cost	3,085,931	3,085,931	1,883,254	3.08%
IRS & TX Income Tax - Direct Cost	12,289,889	12,289,889	7,500,162	12.28%
IRS & CA Income Tax - Investment Opportunity Cost	2,860,359	2,860,359	1,745,594	2.86%
IRS & TX Income Tax - Investment Opportunity Cost	11,746,826	11,746,826	7,168,746	11.74%
Opportunity Cost/(Benefit) of Third Party Note	(795,639)	(795,639)	(485,555)	-0.80%
IRS Estate Tax (at 40.0%)	-	6,904,967	4,213,901	6.90%
Total	**$100,068,380**	**$100,068,380**	**$61,068,825**	**100.00%**
Hypothetical Technique #1 - Scenario B: 3.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)				
Gomer Gonetotexas	20,201,883	-	-	0.00%
Gonetotexas Children	-	10,165,130	6,203,483	10.16%
Gonetotexas Children and Grandchildren in California Complex Trust	10,164,400	10,164,400	6,203,038	10.16%
Gonetotexas Children and Grandchildren in Texas Grantor Trust	15,378,941	18,638,941	11,374,804	18.63%
Consumption - Direct Cost	12,772,329	12,772,329	7,794,581	12.76%
Consumption - Investment Opportunity Cost	13,053,175	13,053,175	7,965,974	13.04%
IRS & CA Income Tax - Direct Cost	1,543,906	1,543,906	942,201	1.54%
IRS & TX Income Tax - Direct Cost	13,537,376	13,537,376	8,261,467	13.53%
IRS & CA Income Tax - Investment Opportunity Cost	1,431,450	1,431,450	873,572	1.43%
IRS & TX Income Tax - Investment Opportunity Cost	12,936,697	12,936,697	7,894,890	12.93%
Opportunity Cost/(Benefit) of Third Party Note	(951,776)	(951,776)	(580,841)	-0.95%
IRS Estate Tax (at 40.0%)	-	6,776,753	4,135,655	6.77%
Total	**$100,068,380**	**$100,068,380**	**$61,068,825**	**100.00%**

Schedule 10
Gomer Gonetotexas
Asset Page

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	Gomer Gonetotexas	California Complex Trust
Assets* (assumed value and basis)		
FMV: Financial Assets	$20,000,000	$4,000,000
Basis: Financial Assets	$20,000,000	$4,000,000

* Information provided by client. There is no proposed planning for Mr. Gonetotexas' other assets.

Schedule 10
Gomer Gonetotexas
No Further Planning: Bequeaths Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000

Assumptions - Income Taxes:	California	Texas
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%

Gomer Gonetotexas (Texas Residents)

	Beginning of Year Financial Assets	Income	Growth	Consumption	Income Taxes	End of Year Financial Assets
Year 1	20,000,000	600,000	880,000	(500,000)	(333,600)	20,646,400
Year 2	20,646,400	619,392	908,442	(512,500)	(390,582)	21,271,152
Year 3	21,271,152	638,135	935,931	(525,313)	(434,836)	21,885,068
Year 4	21,885,068	656,552	962,943	(538,445)	(470,203)	22,495,916
Year 5	22,495,916	674,877	989,820	(551,906)	(499,398)	23,109,309
Year 6	23,109,309	693,279	1,016,810	(565,704)	(524,345)	23,729,348
Year 7	23,729,348	711,880	1,044,091	(579,847)	(546,405)	24,359,068
Year 8	24,359,068	730,772	1,071,799	(594,343)	(566,544)	25,000,752
Year 9	25,000,752	750,023	1,100,033	(609,201)	(585,446)	25,656,160
Year 10	25,656,160	769,685	1,128,871	(624,431)	(603,600)	26,326,684
Year 11	26,326,684	789,801	1,158,374	(640,042)	(621,354)	27,013,463
Year 12	27,013,463	810,404	1,188,592	(656,043)	(638,956)	27,717,460
Year 13	27,717,460	831,524	1,219,568	(672,444)	(656,589)	28,439,519
Year 14	28,439,519	853,186	1,251,339	(689,256)	(674,381)	29,180,406
Year 15	29,180,406	875,412	1,283,938	(706,487)	(692,432)	29,940,838
Year 16	29,940,838	898,225	1,317,397	(724,149)	(710,812)	30,721,499
Year 17	30,721,499	921,645	1,351,746	(742,253)	(729,577)	31,523,060
Year 18	31,523,060	945,692	1,387,015	(760,809)	(748,771)	32,346,187
Year 19	32,346,187	970,386	1,423,232	(779,829)	(768,429)	33,191,546
Year 20	33,191,546	995,746	1,460,428	(799,325)	(444,103)	34,404,293

Schedule 10

Gomer Gonetotexas

No Further Planning: Bequeaths Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%

California Complex Trust

	Beginning of Year Financial Assets	Income	Growth	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	4,000,000	120,000	176,000	-	(80,601)	4,215,399
Year 2	4,215,399	126,462	185,478	-	(97,151)	4,430,187
Year 3	4,430,187	132,906	194,928	-	(110,683)	4,647,339
Year 4	4,647,339	139,420	204,483	-	(122,157)	4,869,085
Year 5	4,869,085	146,073	214,240	-	(132,256)	5,097,141
Year 6	5,097,141	152,914	224,274	-	(141,471)	5,332,858
Year 7	5,332,858	159,986	234,646	-	(150,150)	5,577,340
Year 8	5,577,340	167,320	245,403	-	(158,546)	5,831,517
Year 9	5,831,517	174,946	256,587	-	(166,843)	6,096,206
Year 10	6,096,206	182,886	268,233	-	(175,175)	6,372,150
Year 11	6,372,150	191,164	280,375	-	(183,643)	6,660,046
Year 12	6,660,046	199,801	293,042	-	(192,321)	6,960,569
Year 13	6,960,569	208,817	306,265	-	(201,269)	7,274,382
Year 14	7,274,382	218,231	320,073	-	(210,535)	7,602,151
Year 15	7,602,151	228,065	334,495	-	(220,157)	7,944,554
Year 16	7,944,554	238,337	349,560	-	(230,169)	8,302,282
Year 17	8,302,282	249,068	365,300	-	(240,601)	8,676,050
Year 18	8,676,050	260,281	381,746	-	(251,481)	9,066,596
Year 19	9,066,596	271,998	398,930	-	(262,836)	9,474,689
Year 20	9,474,689	284,241	416,886	-	(566,556)	9,609,259

Schedule 10
Gomer Gonetotexas
Hypothetical Technique #1 - Scenario A: 6.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		6.0%
FLP Valuation Discount		35.0%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

Gomer Gonetotexas (Texas Resident)

	Beginning of Year Financial Assets	Income	Growth	FLP Terminates	3rd Party Note Payments	Consumption	Income Taxes	End of Year Financial Assets
Year 1	14,570,000	437,100	641,080	-	-	(500,000)	(307,653)	14,840,527
Year 2	14,840,527	445,216	652,983	-	-	(512,500)	(380,777)	15,045,449
Year 3	15,045,449	451,363	662,000	-	-	(525,313)	(435,637)	15,197,863
Year 4	15,197,863	455,936	668,706	-	-	(538,445)	(478,476)	15,305,583
Year 5	15,305,583	459,167	673,446	-	-	(551,906)	(513,184)	15,373,105
Year 6	15,373,105	461,193	676,417	-	-	(565,704)	(542,367)	15,402,644
Year 7	15,402,644	462,079	677,716	-	-	(579,847)	(567,820)	15,394,773
Year 8	15,394,773	461,843	677,370	-	-	(594,343)	(590,795)	15,348,848
Year 9	15,348,848	460,465	675,349	-	-	(609,201)	(612,174)	15,263,288
Year 10	15,263,288	457,899	671,585	-	-	(624,431)	(632,580)	15,135,759
Year 11	15,135,759	454,073	665,973	-	-	(640,042)	(652,456)	14,963,307
Year 12	14,963,307	448,899	658,386	-	-	(656,043)	(672,120)	14,742,428
Year 13	14,742,428	442,273	648,667	-	-	(672,444)	(691,800)	14,469,123
Year 14	14,469,123	434,074	636,641	-	-	(689,256)	(711,663)	14,138,920
Year 15	14,138,920	424,168	622,112	-	-	(706,487)	(731,830)	13,746,883
Year 16	13,746,883	412,406	604,863	-	-	(724,149)	(752,396)	13,287,607
Year 17	13,287,607	398,628	584,655	-	-	(742,253)	(773,431)	12,755,206
Year 18	12,755,206	382,656	561,229	-	(421,332)	(760,809)	(607,078)	11,909,872
Year 19	11,909,872	357,296	524,034	-	(421,332)	(779,829)	(859,577)	10,730,464
Year 20	10,730,464	321,914	472,140	25,039,023	(14,465,726)	(799,325)	(776,073)	20,522,418

Schedule 10
Gomer Gonetotexas
Hypothetical Technique #1 - Scenario A: 6.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		6.0%
FLP Valuation Discount		35.0%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

Family Limited Partnership

	Beginning of Year Financial Assets	Income	Growth	Preferred Distributions	Growth Distributions	FLP Terminates	End of Year Financial Assets
Year 1	9,430,000	282,900	414,920	(240,000)	-	-	9,887,820
Year 2	9,887,820	296,635	435,064	(240,000)	-	-	10,379,519
Year 3	10,379,519	311,386	456,699	(240,000)	-	-	10,907,603
Year 4	10,907,603	327,228	479,935	(240,000)	-	-	11,474,766
Year 5	11,474,766	344,243	504,890	(240,000)	-	-	12,083,898
Year 6	12,083,898	362,517	531,692	(240,000)	-	-	12,738,107
Year 7	12,738,107	382,143	560,477	(240,000)	-	-	13,440,727
Year 8	13,440,727	403,222	591,392	(240,000)	-	-	14,195,341
Year 9	14,195,341	425,860	624,595	(240,000)	-	-	15,005,796
Year 10	15,005,796	450,174	660,255	(240,000)	-	-	15,876,225
Year 11	15,876,225	476,287	698,554	(240,000)	-	-	16,811,065
Year 12	16,811,065	504,332	739,687	(240,000)	-	-	17,815,084
Year 13	17,815,084	534,453	783,864	(240,000)	-	-	18,893,400
Year 14	18,893,400	566,802	831,310	(240,000)	-	-	20,051,512
Year 15	20,051,512	601,545	882,267	(240,000)	-	-	21,295,324
Year 16	21,295,324	638,860	936,994	(240,000)	-	-	22,631,178
Year 17	22,631,178	678,935	995,772	(240,000)	-	-	24,065,885
Year 18	24,065,885	721,977	1,058,899	(240,000)	-	-	25,606,760
Year 19	25,606,760	768,203	1,126,697	(240,000)	-	-	27,261,661
Year 20	27,261,661	817,850	1,199,513	(240,000)	-	(29,039,023)	-

Schedule 10
Gomer Gonetotexas
Hypothetical Technique #1 - Scenario A: 6.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		6.0%
FLP Valuation Discount		35.0%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

California Complex Trust

	Beginning of Year Financial Assets	Income	Growth	FLP Preferred Distributions	FLP Terminates	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	240,000	-	-	(111,946)	128,054
Year 2	128,054	3,842	5,634	240,000	-	-	(108,992)	268,538
Year 3	268,538	8,056	11,816	240,000	-	-	(109,464)	418,946
Year 4	418,946	12,568	18,434	240,000	-	-	(111,661)	578,287
Year 5	578,287	17,349	25,445	240,000	-	-	(114,910)	746,170
Year 6	746,170	22,385	32,831	240,000	-	-	(118,884)	922,502
Year 7	922,502	27,675	40,590	240,000	-	-	(123,407)	1,107,360
Year 8	1,107,360	33,221	48,724	240,000	-	-	(128,375)	1,300,930
Year 9	1,300,930	39,028	57,241	240,000	-	-	(133,727)	1,503,471
Year 10	1,503,471	45,104	66,153	240,000	-	-	(139,429)	1,715,300
Year 11	1,715,300	51,459	75,473	240,000	-	-	(145,459)	1,936,773
Year 12	1,936,773	58,103	85,218	240,000	-	-	(151,810)	2,168,284
Year 13	2,168,284	65,049	95,404	240,000	-	-	(158,480)	2,410,256
Year 14	2,410,256	72,308	106,051	240,000	-	-	(165,472)	2,663,143
Year 15	2,663,143	79,894	117,178	240,000	-	-	(172,794)	2,927,422
Year 16	2,927,422	87,823	128,807	240,000	-	-	(180,454)	3,203,597
Year 17	3,203,597	96,108	140,958	240,000	-	-	(188,465)	3,492,199
Year 18	3,492,199	104,766	153,657	240,000	-	-	(196,839)	3,793,783
Year 19	3,793,783	113,813	166,926	240,000	-	-	(205,593)	4,108,930
Year 20	4,108,930	123,268	180,793	240,000	4,000,000	-	(319,770)	8,333,221

Schedule 10
Gomer Gonetotexas
Hypothetical Technique #1 - Scenario A: 6.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		6.0%
FLP Valuation Discount		35.0%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

Texas GST Tax Exempt Grantor Trust

	Beginning of Year Financial Assets	Income	Growth	FLP Growth Distributions	Asset Purchase Proceeds	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-	-
Year 11	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-
Year 16	-	-	-	-	-	-	-	-
Year 17	-	-	-	-	-	-	-	-
Year 18	-	-	-	-	14,044,394	-	-	14,044,394
Year 19	14,044,394	421,332	617,953	-	-	-	-	15,083,679
Year 20	15,083,679	452,510	663,682	-	-	-	-	16,199,872

Schedule 10

Gomer Gonetotexas

Hypothetical Technique #1 - Scenario A: 6.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		6.0%
FLP Valuation Discount		35.0%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

Note Between Gomer Gonetotexas and 3rd Party Lender

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	-	-	-	-
Year 5	-	-	-	-
Year 6	-	-	-	-
Year 7	-	-	-	-
Year 8	-	-	-	-
Year 9	-	-	-	-
Year 10	-	-	-	-
Year 11	-	-	-	-
Year 12	-	-	-	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	-	-	-	-
Year 18	14,044,394	421,332	(421,332)	14,044,394
Year 19	14,044,394	421,332	(421,332)	14,044,394
Year 20	14,044,394	421,332	(14,465,726)	-

Schedule 10
Gomer Gonetotexas
Hypothetical Technique #1 - Scenario B: 3.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	California	Texas
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		3.00%
FLP Valuation Discount		35.00%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

Gomer Gonetotexas (Texas Resident)

	Beginning of Year Financial Assets	Income	Growth	FLP Terminates	Note Paymemts	Consumption	Income Taxes	End of Year Financial Assets
Year 1	14,570,000	437,100	641,080	-	-	(500,000)	(353,987)	14,794,193
Year 2	14,794,193	443,826	650,945	-	-	(512,500)	(425,544)	14,950,920
Year 3	14,950,920	448,528	657,840	-	-	(525,313)	(480,522)	15,051,453
Year 4	15,051,453	451,544	662,264	-	-	(538,445)	(524,325)	15,102,490
Year 5	15,102,490	453,075	664,510	-	-	(551,906)	(560,513)	15,107,656
Year 6	15,107,656	453,230	664,737	-	-	(565,704)	(591,532)	15,068,386
Year 7	15,068,386	452,052	663,009	-	-	(579,847)	(619,094)	14,984,505
Year 8	14,984,505	449,535	659,318	-	-	(594,343)	(644,402)	14,854,614
Year 9	14,854,614	445,638	653,603	-	-	(609,201)	(668,309)	14,676,345
Year 10	14,676,345	440,290	645,759	-	-	(624,431)	(691,424)	14,446,539
Year 11	14,446,539	433,396	635,648	-	-	(640,042)	(714,181)	14,161,360
Year 12	14,161,360	424,841	623,100	-	-	(656,043)	(736,894)	13,816,363
Year 13	13,816,363	414,491	607,920	-	-	(672,444)	(759,794)	13,406,536
Year 14	13,406,536	402,196	589,888	-	-	(689,256)	(783,050)	12,926,314
Year 15	12,926,314	387,789	568,758	-	-	(706,487)	(806,789)	12,369,585
Year 16	12,369,585	371,088	544,262	-	-	(724,149)	(831,112)	11,729,674
Year 17	11,729,674	351,890	516,106	-	-	(742,253)	(856,097)	10,999,320
Year 18	10,999,320	329,980	483,970	-	(504,014)	(760,809)	(657,018)	9,891,429
Year 19	9,891,429	296,743	435,223	-	(504,014)	(779,829)	(959,087)	8,380,464
Year 20	8,380,464	251,414	368,740	30,178,779	(17,304,486)	(799,325)	(873,703)	20,201,883

Schedule 10
Gomer Gonetotexas
Hypothetical Technique #1 - Scenario B: 3.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		3.00%
FLP Valuation Discount		35.00%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

Family Limited Partnership

	Beginning of Year Financial Assets	Income	Growth	Preferred Distributions	Growth Distributions	FLP Terminates	End of Year Financial Assets
Year 1	9,430,000	282,900	414,920	(120,000)	-	-	10,007,820
Year 2	10,007,820	300,235	440,344	(120,000)	-	-	10,628,399
Year 3	10,628,399	318,852	467,650	(120,000)	-	-	11,294,900
Year 4	11,294,900	338,847	496,976	(120,000)	-	-	12,010,723
Year 5	12,010,723	360,322	528,472	(120,000)	-	-	12,779,516
Year 6	12,779,516	383,385	562,299	(120,000)	-	-	13,605,200
Year 7	13,605,200	408,156	598,629	(120,000)	-	-	14,491,985
Year 8	14,491,985	434,760	637,647	(120,000)	-	-	15,444,392
Year 9	15,444,392	463,332	679,553	(120,000)	-	-	16,467,277
Year 10	16,467,277	494,018	724,560	(120,000)	-	-	17,565,856
Year 11	17,565,856	526,976	772,898	(120,000)	-	-	18,745,729
Year 12	18,745,729	562,372	824,812	(120,000)	-	-	20,012,913
Year 13	20,012,913	600,387	880,568	(120,000)	-	-	21,373,869
Year 14	21,373,869	641,216	940,450	(120,000)	-	-	22,835,535
Year 15	22,835,535	685,066	1,004,764	(120,000)	-	-	24,405,364
Year 16	24,405,364	732,161	1,073,836	(120,000)	-	-	26,091,361
Year 17	26,091,361	782,741	1,148,020	(120,000)	-	-	27,902,122
Year 18	27,902,122	837,064	1,227,693	(120,000)	-	-	29,846,879
Year 19	29,846,879	895,406	1,313,263	(120,000)	-	-	31,935,548
Year 20	31,935,548	958,066	1,405,164	(120,000)	-	(34,178,779)	-

Schedule 10
Gomer Gonetotexas
Hypothetical Technique #1 - Scenario B: 3.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		3.00%
FLP Valuation Discount		35.00%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

California Complex Trust

	Beginning of Year Financial Assets	Income	Growth	FLP Preferred Distributions	FLP Terminates	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	120,000	-	-	(55,973)	64,027
Year 2	64,027	1,921	2,817	120,000	-	-	(54,524)	134,241
Year 3	134,241	4,027	5,907	120,000	-	-	(54,782)	209,393
Year 4	209,393	6,282	9,213	120,000	-	-	(55,896)	288,992
Year 5	288,992	8,670	12,716	120,000	-	-	(57,532)	372,845
Year 6	372,845	11,185	16,405	120,000	-	-	(59,525)	460,911
Year 7	460,911	13,827	20,280	120,000	-	-	(61,789)	553,229
Year 8	553,229	16,597	24,342	120,000	-	-	(64,273)	649,896
Year 9	649,896	19,497	28,595	120,000	-	-	(66,946)	751,042
Year 10	751,042	22,531	33,046	120,000	-	-	(69,793)	856,827
Year 11	856,827	25,705	37,700	120,000	-	-	(72,802)	967,429
Year 12	967,429	29,023	42,567	120,000	-	-	(75,972)	1,083,048
Year 13	1,083,048	32,491	47,654	120,000	-	-	(79,299)	1,203,894
Year 14	1,203,894	36,117	52,971	120,000	-	-	(82,788)	1,330,194
Year 15	1,330,194	39,906	58,529	120,000	-	-	(86,441)	1,462,188
Year 16	1,462,188	43,866	64,336	120,000	-	-	(90,263)	1,600,127
Year 17	1,600,127	48,004	70,406	120,000	-	-	(94,260)	1,744,277
Year 18	1,744,277	52,328	76,748	120,000	-	-	(98,439)	1,894,915
Year 19	1,894,915	56,847	83,376	120,000	-	-	(102,807)	2,052,331
Year 20	2,052,331	61,570	90,303	120,000	4,000,000	-	(159,804)	6,164,400

Schedule 10
Gomer Gonetotexas
Hypothetical Technique #1 - Scenario B: 3.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
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Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		3.00%
FLP Valuation Discount		35.00%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

Texas GST Tax Exempt Grantor Trust

	Beginning of Year Financial Assets	Income	Growth	FLP Growth Distributions	Asset Purchase Proceeds	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-	-
Year 11	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-
Year 16	-	-	-	-	-	-	-	-
Year 17	-	-	-	-	-	-	-	-
Year 18	-	-	-	-	16,800,472	-	-	16,800,472
Year 19	16,800,472	504,014	739,221	-	-	-	-	18,043,706
Year 20	18,043,706	541,311	793,923	-	-	-	-	19,378,941

Schedule 10
Gomer Gonetotexas
Hypothetical Technique #1 - Scenario B: 3.0% Preferred Coupon Taxed Pro-Rata; California Complex Trust Owns Preferred; Bequeaths Estate to Family (assumes $3.3mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Preferred Interest		$4,000,000
FLP Preferred Coupon		3.00%
FLP Valuation Discount		35.00%
Assumptions - Other:		
3rd Party Note Interest Rate		3.00%

Note Between Gomer Gonetotexas and 3rd Party Lender

	Beginning of Year Principal	**Interest**	**Note Payments**	**End of Year Principal**
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	-	-	-	-
Year 5	-	-	-	-
Year 6	-	-	-	-
Year 7	-	-	-	-
Year 8	-	-	-	-
Year 9	-	-	-	-
Year 10	-	-	-	-
Year 11	-	-	-	-
Year 12	-	-	-	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	-	-	-	-
Year 18	16,800,472	504,014	(504,014)	16,800,472
Year 19	16,800,472	504,014	(504,014)	16,800,472
Year 20	16,800,472	504,014	(17,304,486)	-

Schedule 11

Gomer Gonetotexas

Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Gomer Gonetotexas has a life expectancy of 20 years)

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	20-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
No Further Planning: Bequeaths Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available in 20 years)				
Gomer Gonetotexas	34,404,293	-	-	0.00%
Gonetotexas Children	-	15,428,576	9,415,611	15.42%
Gonetotexas Children and Grandchildren in California Complex Trust	9,609,259	9,609,259	5,864,252	9.60%
Gonetotexas Children and Grandchildren in Texas Grantor Trust	-	8,690,000	5,303,254	8.68%
Consumption - Direct Cost	12,772,329	12,772,329	7,794,581	12.76%
Consumption - Investment Opportunity Cost	13,053,175	13,053,175	7,965,974	13.04%
IRS & CA Income Tax - Direct Cost	3,894,601	3,894,601	2,376,762	3.89%
IRS & TX Income Tax - Direct Cost	11,640,362	11,640,362	7,103,775	11.63%
IRS & CA Income Tax - Investment Opportunity Cost	3,174,203	3,174,203	1,937,124	3.17%
IRS & TX Income Tax - Investment Opportunity Cost	11,520,158	11,520,158	7,030,417	11.51%
IRS Estate Tax (at 40.0%)	-	10,285,717	6,277,074	10.28%
Total	**$100,068,380**	**$100,068,380**	**$61,068,825**	**100.00%**
Hypothetical Technique: 10.0% Cumulative Preferred Coupon; California Complex Trust Owns Growth; Bequeaths Estate to Family (assumes $6.7mm inflation adjusted estate tax exemption available in 20 years)				
Gomer Gonetotexas	2,969,741	-	-	0.00%
Gonetotexas Children	-	-	-	0.00%
Gonetotexas Children and Grandchildren in California Complex Trust	4,000,000	4,000,000	2,441,084	4.00%
Gonetotexas Children and Grandchildren in Texas Grantor Trust	40,390,206	43,359,947	26,461,316	43.33%
Consumption - Direct Cost	12,772,329	12,772,329	7,794,581	12.76%
Consumption - Investment Opportunity Cost	13,053,175	13,053,175	7,965,974	13.04%
IRS & CA Income Tax - Direct Cost	-	-	-	0.00%
IRS & TX Income Tax - Direct Cost	15,967,067	15,967,067	9,744,237	15.96%
IRS & CA Income Tax - Investment Opportunity Cost	-	-	-	0.00%
IRS & TX Income Tax - Investment Opportunity Cost	14,173,982	14,173,982	8,649,969	14.16%
Opportunity Cost/(Benefit) of 3rd Party Note	(3,258,119)	(3,258,119)	(1,988,336)	-3.26%
IRS Estate Tax (at 40.0%)	-	-	-	0.00%
Total	**$100,068,380**	**$100,068,380**	**$61,068,825**	**100.00%**

Schedule 11
Gomer Gonetotexas
Asset Page

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	Gomer Gonetotexas	California Complex Trust
Assets* (assumed value and basis)		
FMV: Financial Assets	$20,000,000	$4,000,000
Basis: Financial Assets	$20,000,000	$4,000,000

* Information provided by client. There is no proposed planning for Mr. Gonetotexas' other assets.

Schedule 11
Gomer Gonetotexas
No Further Planning: Bequeaths Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%

Gomer Gonetotexas (Texas Residents)

	Beginning of Year Financial Assets	**Income**	**Growth**	**Consumption**	**Income Taxes**	**End of Year Financial Assets**
Year 1	20,000,000	600,000	880,000	(500,000)	(333,600)	20,646,400
Year 2	20,646,400	619,392	908,442	(512,500)	(390,582)	21,271,152
Year 3	21,271,152	638,135	935,931	(525,313)	(434,836)	21,885,068
Year 4	21,885,068	656,552	962,943	(538,445)	(470,203)	22,495,916
Year 5	22,495,916	674,877	989,820	(551,906)	(499,398)	23,109,309
Year 6	23,109,309	693,279	1,016,810	(565,704)	(524,345)	23,729,348
Year 7	23,729,348	711,880	1,044,091	(579,847)	(546,405)	24,359,068
Year 8	24,359,068	730,772	1,071,799	(594,343)	(566,544)	25,000,752
Year 9	25,000,752	750,023	1,100,033	(609,201)	(585,446)	25,656,160
Year 10	25,656,160	769,685	1,128,871	(624,431)	(603,600)	26,326,684
Year 11	26,326,684	789,801	1,158,374	(640,042)	(621,354)	27,013,463
Year 12	27,013,463	810,404	1,188,592	(656,043)	(638,956)	27,717,460
Year 13	27,717,460	831,524	1,219,568	(672,444)	(656,589)	28,439,519
Year 14	28,439,519	853,186	1,251,339	(689,256)	(674,381)	29,180,406
Year 15	29,180,406	875,412	1,283,938	(706,487)	(692,432)	29,940,838
Year 16	29,940,838	898,225	1,317,397	(724,149)	(710,812)	30,721,499
Year 17	30,721,499	921,645	1,351,746	(742,253)	(729,577)	31,523,060
Year 18	31,523,060	945,692	1,387,015	(760,809)	(748,771)	32,346,187
Year 19	32,346,187	970,386	1,423,232	(779,829)	(768,429)	33,191,546
Year 20	33,191,546	995,746	1,460,428	(799,325)	(444,103)	34,404,293

Schedule 11
Gomer Gonetotexas
No Further Planning: Bequeaths Estate to Family (assumes $8.69mm inflation adjusted estate tax exemption available in 20 years)

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Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%

California Complex Trust

	Beginning of Year Financial Assets	Income	Growth	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	4,000,000	120,000	176,000	-	(80,601)	4,215,399
Year 2	4,215,399	126,462	185,478	-	(97,151)	4,430,187
Year 3	4,430,187	132,906	194,928	-	(110,683)	4,647,339
Year 4	4,647,339	139,420	204,483	-	(122,157)	4,869,085
Year 5	4,869,085	146,073	214,240	-	(132,256)	5,097,141
Year 6	5,097,141	152,914	224,274	-	(141,471)	5,332,858
Year 7	5,332,858	159,986	234,646	-	(150,150)	5,577,340
Year 8	5,577,340	167,320	245,403	-	(158,546)	5,831,517
Year 9	5,831,517	174,946	256,587	-	(166,843)	6,096,206
Year 10	6,096,206	182,886	268,233	-	(175,175)	6,372,150
Year 11	6,372,150	191,164	280,375	-	(183,643)	6,660,046
Year 12	6,660,046	199,801	293,042	-	(192,321)	6,960,569
Year 13	6,960,569	208,817	306,265	-	(201,269)	7,274,382
Year 14	7,274,382	218,231	320,073	-	(210,535)	7,602,151
Year 15	7,602,151	228,065	334,495	-	(220,157)	7,944,554
Year 16	7,944,554	238,337	349,560	-	(230,169)	8,302,282
Year 17	8,302,282	249,068	365,300	-	(240,601)	8,676,050
Year 18	8,676,050	260,281	381,746	-	(251,481)	9,066,596
Year 19	9,066,596	271,998	398,930	-	(262,836)	9,474,689
Year 20	9,474,689	284,241	416,886	-	(566,556)	9,609,259

Schedule 11
Gomer Gonetotexas
Hypothetical Technique: 10.0% Cumulative Preferred Coupon; California Complex Trust Owns Growth; Bequeaths Estate to Family (assumes $6.7mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Cumulative Preferred Interest		$20,000,000
FLP Cumulative Preferred Coupon		10.0%
Assumptions - Other:		
Intra-Family Interest Rate (mid-term) - February 2015		1.70%
3rd Party Note Interest Rate		3.00%

Gomer Gonetotexas (Texas Resident)

	Beginning of Year Financial Assets	Income	Growth	FLP Preferred Distributions	Note Payments from TX Trust	FLP Terminates	Note Payments to 3rd Party	Consumption	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	-	900,320	-	-	(500,000)	(400,320)	-
Year 2	-	-	-	-	982,866	-	-	(512,500)	(470,366)	-
Year 3	-	-	-	-	1,050,820	-	-	(525,313)	(525,508)	-
Year 4	-	-	-	-	1,108,752	-	-	(538,445)	(570,307)	-
Year 5	-	-	-	-	1,159,902	-	-	(551,906)	(607,996)	-
Year 6	-	-	-	-	1,206,569	-	-	(565,704)	(640,865)	-
Year 7	-	-	-	-	1,250,388	-	-	(579,847)	(670,542)	-
Year 8	-	-	-	-	1,292,525	-	-	(594,343)	(698,183)	-
Year 9	-	-	-	-	1,333,816	-	-	(609,201)	(724,615)	-
Year 10	-	-	-	-	1,374,862	-	-	(624,431)	(750,430)	-
Year 11	-	-	-	-	1,416,100	-	-	(640,042)	(776,058)	-
Year 12	-	-	-	-	7,648,299	-	-	(656,043)	(801,810)	6,190,446
Year 13	6,190,446	185,713	272,380	-	-	-	-	(672,444)	(827,916)	5,148,179
Year 14	5,148,179	154,445	226,520	-	-	-	-	(689,256)	(854,551)	3,985,337
Year 15	3,985,337	119,560	175,355	-	-	-	-	(706,487)	(881,848)	2,691,917
Year 16	2,691,917	80,758	118,444	-	-	-	-	(724,149)	(909,913)	1,257,057
Year 17	1,257,057	37,712	55,311	1,972,960	-	-	(340,000)	(742,253)	(787,192)	1,453,594
Year 18	1,453,594	43,608	63,958	1,974,639	-	-	(340,000)	(760,809)	(1,147,498)	1,287,493
Year 19	1,287,493	38,625	56,650	1,975,866	-	-	(340,000)	(779,829)	(1,239,904)	998,900
Year 20	998,900	29,967	43,952	4,717,493	-	20,000,000	(20,340,000)	(799,325)	(1,681,246)	2,969,741

Schedule 11
Gomer Gonetotexas
Hypothetical Technique: 10.0% Cumulative Preferred Coupon; California Complex Trust Owns Growth; Bequeaths Estate to Family (assumes $6.7mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	California	Texas
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Cumulative Preferred Interest		$20,000,000
FLP Cumulative Preferred Coupon		10.0%
Assumptions - Other:		
Intra-Family Interest Rate (mid-term) - February 2015		1.70%
3rd Party Note Interest Rate		3.00%

Family Limited Partnership

	Beginning of Year Financial Assets	Income	Growth	Preferred Distributions	Growth Distributions	FLP Terminates	End of Year Financial Assets
Year 1	24,000,000	720,000	1,056,000	(1,036,800)	-	-	24,739,200
Year 2	24,739,200	742,176	1,088,525	(1,290,493)	-	-	25,279,407
Year 3	25,279,407	758,382	1,112,294	(1,475,893)	-	-	25,674,191
Year 4	25,674,191	770,226	1,129,664	(1,611,382)	-	-	25,962,699
Year 5	25,962,699	778,881	1,142,359	(1,710,398)	-	-	26,173,540
Year 6	26,173,540	785,206	1,151,636	(1,782,759)	-	-	26,327,623
Year 7	26,327,623	789,829	1,158,415	(1,835,640)	-	-	26,440,227
Year 8	26,440,227	793,207	1,163,370	(1,874,286)	-	-	26,522,518
Year 9	26,522,518	795,676	1,166,991	(1,902,528)	-	-	26,582,656
Year 10	26,582,656	797,480	1,169,637	(1,923,168)	-	-	26,626,605
Year 11	26,626,605	798,798	1,171,571	(1,938,251)	-	-	26,658,723
Year 12	26,658,723	799,762	1,172,984	(1,949,274)	-	-	26,682,195
Year 13	26,682,195	800,466	1,174,017	(1,957,329)	-	-	26,699,348
Year 14	26,699,348	800,980	1,174,771	(1,963,216)	-	-	26,711,883
Year 15	26,711,883	801,357	1,175,323	(1,967,518)	-	-	26,721,044
Year 16	26,721,044	801,631	1,175,726	(1,970,662)	-	-	26,727,739
Year 17	26,727,739	801,832	1,176,021	(1,972,960)	-	-	26,732,632
Year 18	26,732,632	801,979	1,176,236	(1,974,639)	-	-	26,736,207
Year 19	26,736,207	802,086	1,176,393	(1,975,866)	-	-	26,738,820
Year 20	26,738,820	802,165	1,176,508	(4,717,493)	-	(24,000,000)	-

Schedule 11
Gomer Gonetotexas
Hypothetical Technique: 10.0% Cumulative Preferred Coupon; California Complex Trust Owns Growth; Bequeaths Estate to Family (assumes $6.7mm inflation adjusted estate tax exemption available in 20 years)

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Assumptions:	
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Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Cumulative Preferred Interest		$20,000,000
FLP Cumulative Preferred Coupon		10.0%
Assumptions - Other:		
Intra-Family Interest Rate (mid-term) - February 2015		1.70%
3rd Party Note Interest Rate		3.00%

California Complex Trust

	Beginning of Year Financial Assets	Income	Growth	FLP Growth Distributions	FLP Terminates	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-	-
Year 11	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-
Year 16	-	-	-	-	-	-	-	-
Year 17	-	-	-	-	-	-	-	-
Year 18	-	-	-	-	-	-	-	-
Year 19	-	-	-	-	-	-	-	-
Year 20	-	-	-	-	4,000,000	-	-	4,000,000

Schedule 11

Gomer Gonetotexas

Hypothetical Technique: 10.0% Cumulative Preferred Coupon; California Complex Trust Owns Growth; Bequeaths Estate to Family (assumes $6.7mm inflation adjusted estate tax exemption available in 20 years)

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Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Cumulative Preferred Interest		$20,000,000
FLP Cumulative Preferred Coupon		10.0%
Assumptions - Other:		
Intra-Family Interest Rate (mid-term) - February 2015		1.70%
3rd Party Note Interest Rate		3.00%

Texas GST Tax Exempt Grantor Trust

	Beginning of Year Financial Assets	Income	Growth	FLP Preferred Distributions	Asset Purchase Proceeds	Note Payments	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	1,036,800	-	(900,320)	-	-	136,480
Year 2	136,480	4,094	6,005	1,290,493	-	(982,866)	-	-	454,207
Year 3	454,207	13,626	19,985	1,475,893	-	(1,050,820)	-	-	912,891
Year 4	912,891	27,387	40,167	1,611,382	-	(1,108,752)	-	-	1,483,075
Year 5	1,483,075	44,492	65,255	1,710,398	-	(1,159,902)	-	-	2,143,318
Year 6	2,143,318	64,300	94,306	1,782,759	-	(1,206,569)	-	-	2,878,114
Year 7	2,878,114	86,343	126,637	1,835,640	-	(1,250,388)	-	-	3,676,346
Year 8	3,676,346	110,290	161,759	1,874,286	-	(1,292,525)	-	-	4,530,156
Year 9	4,530,156	135,905	199,327	1,902,528	-	(1,333,816)	-	-	5,434,100
Year 10	5,434,100	163,023	239,100	1,923,168	-	(1,374,862)	-	-	6,384,529
Year 11	6,384,529	191,536	280,919	1,938,251	-	(1,416,100)	-	-	7,379,135
Year 12	7,379,135	221,374	324,682	1,949,274	-	(7,648,299)	-	-	2,226,165
Year 13	2,226,165	66,785	97,951	1,957,329	-	-	-	-	4,348,231
Year 14	4,348,231	130,447	191,322	1,963,216	-	-	-	-	6,633,216
Year 15	6,633,216	198,996	291,862	1,967,518	-	-	-	-	9,091,592
Year 16	9,091,592	272,748	400,030	1,970,662	-	-	-	-	11,735,033
Year 17	11,735,033	352,051	516,341	-	20,000,000	-	-	-	32,603,425
Year 18	32,603,425	978,103	1,434,551	-	-	-	-	-	35,016,078
Year 19	35,016,078	1,050,482	1,540,707	-	-	-	-	-	37,607,268
Year 20	37,607,268	1,128,218	1,654,720	-	-	-	-	-	40,390,206

Schedule 11
Gomer Gonetotexas
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Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$500,000
Gift to Texas GST Tax Exempt Grantor Trust	$5,430,000

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%
Assumptions - Family Limited Partnership:		
FLP Cumulative Preferred Interest		$20,000,000
FLP Cumulative Preferred Coupon		10.0%
Assumptions - Other:		
Intra-Family Interest Rate (mid-term) - February 2015		1.70%
3rd Party Note Interest Rate		3.00%

Note Between Gomer Gonetotexas & Texas GST Tax Exempt Grantor Trust

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	18,000,000	306,000	(900,320)	17,405,680
Year 2	17,405,680	295,897	(982,866)	16,718,710
Year 3	16,718,710	284,218	(1,050,820)	15,952,108
Year 4	15,952,108	271,186	(1,108,752)	15,114,542
Year 5	15,114,542	256,947	(1,159,902)	14,211,587
Year 6	14,211,587	241,597	(1,206,569)	13,246,615
Year 7	13,246,615	225,192	(1,250,388)	12,221,419
Year 8	12,221,419	207,764	(1,292,525)	11,136,658
Year 9	11,136,658	189,323	(1,333,816)	9,992,165
Year 10	9,992,165	169,867	(1,374,862)	8,787,170
Year 11	8,787,170	149,382	(1,416,100)	7,520,452
Year 12	7,520,452	127,848	(7,648,299)	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	-	-	-	-
Year 18	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-

Note Between Gomer Gonetotexas & 3rd Party Lender

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	-	-	-	-
Year 5	-	-	-	-
Year 6	-	-	-	-
Year 7	-	-	-	-
Year 8	-	-	-	-
Year 9	-	-	-	-
Year 10	-	-	-	-
Year 11	-	-	-	-
Year 12	-	-	-	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	20,000,000	340,000	(340,000)	20,000,000
Year 18	20,000,000	340,000	(340,000)	20,000,000
Year 19	20,000,000	340,000	(340,000)	20,000,000
Year 20	20,000,000	340,000	(20,340,000)	-

Schedule 11
Gomer Gonetotexas
Texas Complex Trust versus California Complex Trust

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$0

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%

Texas Complex Trust

	Beginning of Year Financial Assets	**Income**	**Growth**	**Consumption**	**Income Taxes**	**End of Year Financial Assets**
Year 1	4,000,000	120,000	176,000	-	(66,720)	4,229,280
Year 2	4,229,280	126,878	186,088	-	(79,784)	4,462,462
Year 3	4,462,462	133,874	196,348	-	(90,672)	4,702,013
Year 4	4,702,013	141,060	206,889	-	(100,104)	4,949,858
Year 5	4,949,858	148,496	217,794	-	(108,598)	5,207,550
Year 6	5,207,550	156,226	229,132	-	(116,520)	5,476,389
Year 7	5,476,389	164,292	240,961	-	(124,136)	5,757,505
Year 8	5,757,505	172,725	253,330	-	(131,639)	6,051,922
Year 9	6,051,922	181,558	266,285	-	(139,168)	6,360,596
Year 10	6,360,596	190,818	279,866	-	(146,830)	6,684,450
Year 11	6,684,450	200,533	294,116	-	(154,704)	7,024,395
Year 12	7,024,395	210,732	309,073	-	(162,853)	7,381,346
Year 13	7,381,346	221,440	324,779	-	(171,328)	7,756,238
Year 14	7,756,238	232,687	341,274	-	(180,170)	8,150,030
Year 15	8,150,030	244,501	358,601	-	(189,416)	8,563,716
Year 16	8,563,716	256,911	376,803	-	(199,101)	8,998,330
Year 17	8,998,330	269,950	395,927	-	(209,255)	9,454,951
Year 18	9,454,951	283,649	416,018	-	(219,909)	9,934,708
Year 19	9,934,708	298,041	437,127	-	(231,092)	10,438,785
Year 20	10,438,785	313,164	459,307	-	(483,551)	10,727,704
				Total Tax	**3,305,551**	
				Opp. Cost	**2,644,809**	
				Total	**5,950,359**	

Schedule 11
Gomer Gonetotexas
Texas Complex Trust versus California Complex Trust

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$0

Assumptions - Income Taxes:	**California**	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	33.03%	25.00%
Ordinary Income and Health Care Tax Rate	52.63%	44.60%

California Complex Trust

	Beginning of Year Financial Assets	Income	Growth	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	4,000,000	120,000	176,000	-	(80,601)	4,215,399
Year 2	4,215,399	126,462	185,478	-	(97,151)	4,430,187
Year 3	4,430,187	132,906	194,928	-	(110,683)	4,647,339
Year 4	4,647,339	139,420	204,483	-	(122,157)	4,869,085
Year 5	4,869,085	146,073	214,240	-	(132,256)	5,097,141
Year 6	5,097,141	152,914	224,274	-	(141,471)	5,332,858
Year 7	5,332,858	159,986	234,646	-	(150,150)	5,577,340
Year 8	5,577,340	167,320	245,403	-	(158,546)	5,831,517
Year 9	5,831,517	174,946	256,587	-	(166,843)	6,096,206
Year 10	6,096,206	182,886	268,233	-	(175,175)	6,372,150
Year 11	6,372,150	191,164	280,375	-	(183,643)	6,660,046
Year 12	6,660,046	199,801	293,042	-	(192,321)	6,960,569
Year 13	6,960,569	208,817	306,265	-	(201,269)	7,274,382
Year 14	7,274,382	218,231	320,073	-	(210,535)	7,602,151
Year 15	7,602,151	228,065	334,495	-	(220,157)	7,944,554
Year 16	7,944,554	238,337	349,560	-	(230,169)	8,302,282
Year 17	8,302,282	249,068	365,300	-	(240,601)	8,676,050
Year 18	8,676,050	260,281	381,746	-	(251,481)	9,066,596
Year 19	9,066,596	271,998	398,930	-	(262,836)	9,474,689
Year 20	9,474,689	284,241	416,886	-	(566,556)	9,609,259
				Total Tax	**3,894,601**	
				Opp. Cost	**3,174,203**	
				Total	**7,068,804**	

Difference **1,118,445**

Schedule 11
Gomer Gonetotexas
Individual with Stepup at Death versus No Stepup at Death

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$0

Assumptions - Income Taxes:	Texas
Long-Term Capital Gains and Health Care Tax Rate	25.00%
Ordinary Income and Health Care Tax Rate	44.60%

Individual with Stepup at Death

	Beginning of Year Financial Assets	Income	Growth	Consumption	Income Taxes	End of Year Financial Assets
Year 1	20,000,000	600,000	880,000	-	(333,600)	21,146,400
Year 2	21,146,400	634,392	930,442	-	(398,922)	22,312,312
Year 3	22,312,312	669,369	981,742	-	(453,358)	23,510,065
Year 4	23,510,065	705,302	1,034,443	-	(500,521)	24,749,289
Year 5	24,749,289	742,479	1,088,969	-	(542,988)	26,037,749
Year 6	26,037,749	781,132	1,145,661	-	(582,599)	27,381,943
Year 7	27,381,943	821,458	1,204,805	-	(620,681)	28,787,526
Year 8	28,787,526	863,626	1,266,651	-	(658,193)	30,259,610
Year 9	30,259,610	907,788	1,331,423	-	(695,842)	31,802,980
Year 10	31,802,980	954,089	1,399,331	-	(734,151)	33,422,249
Year 11	33,422,249	1,002,667	1,470,579	-	(773,522)	35,121,973
Year 12	35,121,973	1,053,659	1,545,367	-	(814,267)	36,906,732
Year 13	36,906,732	1,107,202	1,623,896	-	(856,639)	38,781,191
Year 14	38,781,191	1,163,436	1,706,372	-	(900,849)	40,750,150
Year 15	40,750,150	1,222,504	1,793,007	-	(947,082)	42,818,579
Year 16	42,818,579	1,284,557	1,884,017	-	(995,506)	44,991,648
Year 17	44,991,648	1,349,749	1,979,633	-	(1,046,276)	47,274,754
Year 18	47,274,754	1,418,243	2,080,089	-	(1,099,544)	49,673,542
Year 19	49,673,542	1,490,206	2,185,636	-	(1,155,460)	52,193,923
Year 20	52,193,923	1,565,818	2,296,533	-	(698,355)	55,357,919
				Total Tax	**14,808,354**	
				Opp. Cost	**13,224,043**	
				Total	**28,032,398**	

Schedule 11

Gomer Gonetotexas

Individual with Stepup at Death versus No Stepup at Death

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Annual Consumption (increasing 2.5% per year)	$0

Assumptions - Income Taxes:	**Texas**
Long-Term Capital Gains and Health Care Tax Rate	25.00%
Ordinary Income and Health Care Tax Rate	44.60%

Individual without Stepup at Death

	Beginning of Year Financial Assets	Income	Growth	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	20,000,000	600,000	880,000	-	(333,600)	21,146,400
Year 2	21,146,400	634,392	930,442	-	(398,922)	22,312,312
Year 3	22,312,312	669,369	981,742	-	(453,358)	23,510,065
Year 4	23,510,065	705,302	1,034,443	-	(500,521)	24,749,289
Year 5	24,749,289	742,479	1,088,969	-	(542,988)	26,037,749
Year 6	26,037,749	781,132	1,145,661	-	(582,599)	27,381,943
Year 7	27,381,943	821,458	1,204,805	-	(620,681)	28,787,526
Year 8	28,787,526	863,626	1,266,651	-	(658,193)	30,259,610
Year 9	30,259,610	907,788	1,331,423	-	(695,842)	31,802,980
Year 10	31,802,980	954,089	1,399,331	-	(734,151)	33,422,249
Year 11	33,422,249	1,002,667	1,470,579	-	(773,522)	35,121,973
Year 12	35,121,973	1,053,659	1,545,367	-	(814,267)	36,906,732
Year 13	36,906,732	1,107,202	1,623,896	-	(856,639)	38,781,191
Year 14	38,781,191	1,163,436	1,706,372	-	(900,849)	40,750,150
Year 15	40,750,150	1,222,504	1,793,007	-	(947,082)	42,818,579
Year 16	42,818,579	1,284,557	1,884,017	-	(995,506)	44,991,648
Year 17	44,991,648	1,349,749	1,979,633	-	(1,046,276)	47,274,754
Year 18	47,274,754	1,418,243	2,080,089	-	(1,099,544)	49,673,542
Year 19	49,673,542	1,490,206	2,185,636	-	(1,155,460)	52,193,923
Year 20	52,193,923	1,565,818	2,296,533	-	(2,417,754)	53,638,520
				Total Tax	**16,527,753**	
				Opp. Cost	**13,224,043**	
				Total	**29,751,797**	

Difference **1,719,399**

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

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Assumptions:	
Total Rate of Return	3.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Elder FLP Valuation Discount	40.00%
Gross Proceeds	$30,000,000

	Future Values at the End of 20 Years of Annual Compounded Growth at 3%						
	Elder Children's Future Values	Elder GST Exempt Trust Future Values	Charity	IRS Income Taxes	IRS Income Taxes & Estate Taxes Investment Opp. Costs	IRS Estate Taxes	Totals
No Further Planning - No Discount Allowed	18,333,733	15,073,672	-	5,253,849	7,522,083	8,000,000	54,183,337
No Further Planning - Discount Allowed	23,059,178	15,073,672	-	5,956,415	5,294,072	4,800,000	54,183,337
CLAT Redemption - Discount Allowed - $3mm to Family	16,818,670	17,096,849	16,083,531	1,747,005	1,237,281	1,200,000	54,183,337
CLAT Redemption - Discount Allowed - $10mm to Family	22,778,999	14,337,710	4,355,956	4,501,200	4,209,472	4,000,000	54,183,337

No Further Planning - No Discount Allowed		
Elder Children	18,333,733	33.84%
Elder GST Exempt Trust	15,073,672	27.82%
Charity	-	0.00%
IRS (income and estate taxes)	13,253,849	24.46%
IRS (investment opportunity costs)	7,522,083	13.88%
Total	**54,183,337**	**100.00%**

No Further Planning - Discount Allowed		
Elder Children	23,059,178	42.56%
Elder GST Exempt Trust	15,073,672	27.82%
Charity	-	0.00%
IRS (income and estate taxes)	10,756,415	19.85%
IRS (investment opportunity costs)	5,294,072	9.77%
Total	**54,183,337**	**100.00%**

CLAT Redemption - Discount Allowed - $3mm to Family		
Elder Children	16,818,670	31.04%
Elder GST Exempt Trust	17,096,849	31.55%
Charity	16,083,531	29.68%
IRS (income and estate taxes)	2,947,005	5.44%
IRS (investment opportunity costs)	1,237,281	2.28%
Total	**54,183,337**	**100.00%**

CLAT Redemption - Discount Allowed - $10mm to Family		
Elder Children	22,778,999	42.04%
Elder GST Exempt Trust	14,337,710	26.46%
Charity	4,355,956	8.04%
IRS (income and estate taxes)	8,501,200	15.69%
IRS (investment opportunity costs)	4,209,472	7.77%
Total	**54,183,337**	**100.00%**

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

No Further Planning - No Discount Allowed

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Assumptions:	
Total Rate of Return	3.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%

Elder Children

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	20,000,000	200,000	400,000	(119,200)	(8,000,000)	12,480,800
Year 2	12,480,800	124,808	249,616	(95,386)	-	12,759,838
Year 3	12,759,838	127,598	255,197	(103,853)	-	13,038,780
Year 4	13,038,780	130,388	260,776	(110,572)	-	13,319,371
Year 5	13,319,371	133,194	266,387	(116,077)	-	13,602,875
Year 6	13,602,875	136,029	272,058	(120,744)	-	13,890,218
Year 7	13,890,218	138,902	277,804	(124,838)	-	14,182,086
Year 8	14,182,086	141,821	283,642	(128,547)	-	14,479,002
Year 9	14,479,002	144,790	289,580	(132,001)	-	14,781,370
Year 10	14,781,370	147,814	295,627	(135,294)	-	15,089,517
Year 11	15,089,517	150,895	301,790	(138,492)	-	15,403,711
Year 12	15,403,711	154,037	308,074	(141,641)	-	15,724,181
Year 13	15,724,181	157,242	314,484	(144,775)	-	16,051,132
Year 14	16,051,132	160,511	321,023	(147,916)	-	16,384,750
Year 15	16,384,750	163,847	327,695	(151,083)	-	16,725,210
Year 16	16,725,210	167,252	334,504	(154,287)	-	17,072,679
Year 17	17,072,679	170,727	341,454	(157,538)	-	17,427,321
Year 18	17,427,321	174,273	348,546	(160,842)	-	17,789,299
Year 19	17,789,299	177,893	355,786	(164,206)	-	18,158,772
Year 20	18,158,772	181,588	363,175	(369,802)	-	18,333,733

Schedule 12
Elder Family - 3.00% Rate of Return, 20 Years
No Further Planning - No Discount Allowed

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Assumptions:	
Total Rate of Return	3.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%

Elder GST Trust

	Beginning of Year	Income	Growth	Taxes on Investment Income	End of Year
Year 1	10,000,000	100,000	200,000	(59,600)	10,240,400
Year 2	10,240,400	102,404	204,808	(71,533)	10,476,079
Year 3	10,476,079	104,761	209,522	(80,540)	10,709,822
Year 4	10,709,822	107,098	214,196	(87,502)	10,943,614
Year 5	10,943,614	109,436	218,872	(93,039)	11,178,883
Year 6	11,178,883	111,789	223,578	(97,588)	11,416,662
Year 7	11,416,662	114,167	228,333	(101,454)	11,657,708
Year 8	11,657,708	116,577	233,154	(104,855)	11,902,584
Year 9	11,902,584	119,026	238,052	(107,943)	12,151,719
Year 10	12,151,719	121,517	243,034	(110,824)	12,405,446
Year 11	12,405,446	124,054	248,109	(113,576)	12,664,034
Year 12	12,664,034	126,640	253,281	(116,251)	12,927,704
Year 13	12,927,704	129,277	258,554	(118,888)	13,196,648
Year 14	13,196,648	131,966	263,933	(121,513)	13,471,034
Year 15	13,471,034	134,710	269,421	(124,147)	13,751,018
Year 16	13,751,018	137,510	275,020	(126,802)	14,036,747
Year 17	14,036,747	140,367	280,735	(129,490)	14,328,359
Year 18	14,328,359	143,284	286,567	(132,217)	14,625,993
Year 19	14,625,993	146,260	292,520	(134,990)	14,929,783
Year 20	14,929,783	149,298	298,596	(304,004)	15,073,672

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

No Further Planning - Discount Allowed

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Assumptions:	
Total Rate of Return	3.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%
Elder FLP Valuation Discount	40.00%

Elder Children

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	20,000,000	200,000	400,000	(119,200)	(4,800,000)	15,680,800
Year 2	15,680,800	156,808	313,616	(114,458)	-	16,036,766
Year 3	16,036,766	160,368	320,735	(126,744)	-	16,391,125
Year 4	16,391,125	163,911	327,823	(136,345)	-	16,746,514
Year 5	16,746,514	167,465	334,930	(144,078)	-	17,104,832
Year 6	17,104,832	171,048	342,097	(150,517)	-	17,467,460
Year 7	17,467,460	174,675	349,349	(156,066)	-	17,835,418
Year 8	17,835,418	178,354	356,708	(161,012)	-	18,209,468
Year 9	18,209,468	182,095	364,189	(165,555)	-	18,590,197
Year 10	18,590,197	185,902	371,804	(169,836)	-	18,978,067
Year 11	18,978,067	189,781	379,561	(173,956)	-	19,373,453
Year 12	19,373,453	193,735	387,469	(177,985)	-	19,776,672
Year 13	19,776,672	197,767	395,533	(181,975)	-	20,187,997
Year 14	20,187,997	201,880	403,760	(185,960)	-	20,607,677
Year 15	20,607,677	206,077	412,154	(189,967)	-	21,035,940
Year 16	21,035,940	210,359	420,719	(194,014)	-	21,473,005
Year 17	21,473,005	214,730	429,460	(198,115)	-	21,919,080
Year 18	21,919,080	219,191	438,382	(202,279)	-	22,374,374
Year 19	22,374,374	223,744	447,487	(206,515)	-	22,839,089
Year 20	22,839,089	228,391	456,782	(465,084)	-	23,059,178

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

No Further Planning - Discount Allowed

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Assumptions:	
Total Rate of Return	3.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%
Elder FLP Valuation Discount	40.00%

Elder GST Exempt Trust

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	10,000,000	100,000	200,000	(59,600)	-	10,240,400
Year 2	10,240,400	102,404	204,808	(71,533)	-	10,476,079
Year 3	10,476,079	104,761	209,522	(80,540)	-	10,709,822
Year 4	10,709,822	107,098	214,196	(87,502)	-	10,943,614
Year 5	10,943,614	109,436	218,872	(93,039)	-	11,178,883
Year 6	11,178,883	111,789	223,578	(97,588)	-	11,416,662
Year 7	11,416,662	114,167	228,333	(101,454)	-	11,657,708
Year 8	11,657,708	116,577	233,154	(104,855)	-	11,902,584
Year 9	11,902,584	119,026	238,052	(107,943)	-	12,151,719
Year 10	12,151,719	121,517	243,034	(110,824)	-	12,405,446
Year 11	12,405,446	124,054	248,109	(113,576)	-	12,664,034
Year 12	12,664,034	126,640	253,281	(116,251)	-	12,927,704
Year 13	12,927,704	129,277	258,554	(118,888)	-	13,196,648
Year 14	13,196,648	131,966	263,933	(121,513)	-	13,471,034
Year 15	13,471,034	134,710	269,421	(124,147)	-	13,751,018
Year 16	13,751,018	137,510	275,020	(126,802)	-	14,036,747
Year 17	14,036,747	140,367	280,735	(129,490)	-	14,328,359
Year 18	14,328,359	143,284	286,567	(132,217)	-	14,625,993
Year 19	14,625,993	146,260	292,520	(134,990)	-	14,929,783
Year 20	14,929,783	149,298	298,596	(304,004)	-	15,073,672

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Elder FLP

	Beg. of Year	Income	Growth	Distribution Income Taxes	Distribution Estate Taxes	Note Payment to CLAT	End of Year
Year 1	30,000,000	300,000	600,000	-	(1,200,000)	(598,560)	29,101,440
Year 2	29,101,440	291,014	582,029	-	-	(598,560)	29,375,923
Year 3	29,375,923	293,759	587,518	(20,470)	-	(598,560)	29,638,171
Year 4	29,638,171	296,382	592,763	(36,582)	-	(598,560)	29,892,174
Year 5	29,892,174	298,922	597,843	(48,417)	-	(598,560)	30,141,962
Year 6	30,141,962	301,420	602,839	(57,257)	-	(598,560)	30,390,404
Year 7	30,390,404	303,904	607,808	(64,001)	-	(598,560)	30,639,555
Year 8	30,639,555	306,396	612,791	(69,284)	-	(598,560)	30,890,898
Year 9	30,890,898	308,909	617,818	(73,551)	-	(598,560)	31,145,514
Year 10	31,145,514	311,455	622,910	(77,117)	-	(598,560)	31,404,203
Year 11	31,404,203	314,042	628,084	(80,202)	-	(598,560)	31,667,568
Year 12	31,667,568	316,676	633,351	(82,962)	-	(598,560)	31,936,072
Year 13	31,936,072	319,361	638,721	(85,508)	-	(598,560)	32,210,087
Year 14	32,210,087	322,101	644,202	(87,916)	-	(598,560)	32,489,914
Year 15	32,489,914	324,899	649,798	(90,241)	-	(598,560)	32,775,811
Year 16	32,775,811	327,758	655,516	(92,522)	-	(598,560)	33,068,003
Year 17	33,068,003	330,680	661,360	(94,788)	-	(598,560)	33,366,695
Year 18	33,366,695	333,667	667,334	(97,057)	-	(598,560)	33,672,078
Year 19	33,672,078	336,721	673,442	(99,345)	-	(598,560)	33,984,335
Year 20	33,984,335	339,843	679,687	(489,787)	-	(10,198,560)	24,315,519

Ownership		
Elder Children	CLAT	Elder GST Exempt Trust
16.67%	53.33%	30.00%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%
29.69%	0.00%	70.31%

Schedule 12
Elder Family - 3.00% Rate of Return, 20 Years
CLAT Redemption - Discount Allowed - $3mm to Family

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Assumptions:	
Total Rate of Return	3.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Elder Children

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Distrib. from Elder FLP Estate Taxes	Distrib. from CLAT	Income Taxes	Estate Taxes	End of Year
Year 1	-	-	-	-	1,200,000	-	-	(1,200,000)	-
Year 2	-	-	-	-	-	-	-	-	-
Year 3	-	-	-	6,077	-	-	(6,077)	-	-
Year 4	-	-	-	10,860	-	-	(10,860)	-	-
Year 5	-	-	-	14,374	-	-	(14,374)	-	-
Year 6	-	-	-	16,998	-	-	(16,998)	-	-
Year 7	-	-	-	19,000	-	-	(19,000)	-	-
Year 8	-	-	-	20,569	-	-	(20,569)	-	-
Year 9	-	-	-	21,835	-	-	(21,835)	-	-
Year 10	-	-	-	22,894	-	-	(22,894)	-	-
Year 11	-	-	-	23,810	-	-	(23,810)	-	-
Year 12	-	-	-	24,629	-	-	(24,629)	-	-
Year 13	-	-	-	25,385	-	-	(25,385)	-	-
Year 14	-	-	-	26,100	-	-	(26,100)	-	-
Year 15	-	-	-	26,790	-	-	(26,790)	-	-
Year 16	-	-	-	27,468	-	-	(27,468)	-	-
Year 17	-	-	-	28,140	-	-	(28,140)	-	-
Year 18	-	-	-	28,814	-	-	(28,814)	-	-
Year 19	-	-	-	29,493	-	-	(29,493)	-	-
Year 20	-	-	-	145,405	-	9,600,000	(145,405)	-	9,600,000

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Beneficiary Distributions	Income Taxes	End of Year
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-
Year 3	-	-	-	14,393	-	(14,393)	-
Year 4	-	-	-	25,722	-	(25,722)	-
Year 5	-	-	-	34,043	-	(34,043)	-
Year 6	-	-	-	40,259	-	(40,259)	-
Year 7	-	-	-	45,001	-	(45,001)	-
Year 8	-	-	-	48,715	-	(48,715)	-
Year 9	-	-	-	51,715	-	(51,715)	-
Year 10	-	-	-	54,223	-	(54,223)	-
Year 11	-	-	-	56,392	-	(56,392)	-
Year 12	-	-	-	58,333	-	(58,333)	-
Year 13	-	-	-	60,123	-	(60,123)	-
Year 14	-	-	-	61,816	-	(61,816)	-
Year 15	-	-	-	63,451	-	(63,451)	-
Year 16	-	-	-	65,055	-	(65,055)	-
Year 17	-	-	-	66,648	-	(66,648)	-
Year 18	-	-	-	68,244	-	(68,244)	-
Year 19	-	-	-	69,852	-	(69,852)	-
Year 20	-	-	-	344,381	-	(344,381)	-

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Charitable Lead Annuity Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP - Income Taxes	Note Payment Received	Annuity Payment to Charity	Income Taxes	Distrib. to Elder Family Remaindermen	End of Year
Year 1	-	-	-	-	598,560	(598,560)	-	-	-
Year 2	-	-	-	-	598,560	(598,560)	-	-	-
Year 3	-	-	-	-	598,560	(598,560)	-	-	-
Year 4	-	-	-	-	598,560	(598,560)	-	-	-
Year 5	-	-	-	-	598,560	(598,560)	-	-	-
Year 6	-	-	-	-	598,560	(598,560)	-	-	-
Year 7	-	-	-	-	598,560	(598,560)	-	-	-
Year 8	-	-	-	-	598,560	(598,560)	-	-	-
Year 9	-	-	-	-	598,560	(598,560)	-	-	-
Year 10	-	-	-	-	598,560	(598,560)	-	-	-
Year 11	-	-	-	-	598,560	(598,560)	-	-	-
Year 12	-	-	-	-	598,560	(598,560)	-	-	-
Year 13	-	-	-	-	598,560	(598,560)	-	-	-
Year 14	-	-	-	-	598,560	(598,560)	-	-	-
Year 15	-	-	-	-	598,560	(598,560)	-	-	-
Year 16	-	-	-	-	598,560	(598,560)	-	-	-
Year 17	-	-	-	-	598,560	(598,560)	-	-	-
Year 18	-	-	-	-	598,560	(598,560)	-	-	-
Year 19	-	-	-	-	598,560	(598,560)	-	-	-
Year 20	-	-	-	-	10,198,560	(598,560)	-	(9,600,000)	-

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	598,560	598,560
Year 2	598,560	5,986	11,971	598,560	1,215,077
Year 3	1,215,077	12,151	24,302	598,560	1,850,089
Year 4	1,850,089	18,501	37,002	598,560	2,504,152
Year 5	2,504,152	25,042	50,083	598,560	3,177,836
Year 6	3,177,836	31,778	63,557	598,560	3,871,731
Year 7	3,871,731	38,717	77,435	598,560	4,586,443
Year 8	4,586,443	45,864	91,729	598,560	5,322,597
Year 9	5,322,597	53,226	106,452	598,560	6,080,835
Year 10	6,080,835	60,808	121,617	598,560	6,861,820
Year 11	6,861,820	68,618	137,236	598,560	7,666,234
Year 12	7,666,234	76,662	153,325	598,560	8,494,781
Year 13	8,494,781	84,948	169,896	598,560	9,348,185
Year 14	9,348,185	93,482	186,964	598,560	10,227,190
Year 15	10,227,190	102,272	204,544	598,560	11,132,566
Year 16	11,132,566	111,326	222,651	598,560	12,065,103
Year 17	12,065,103	120,651	241,302	598,560	13,025,616
Year 18	13,025,616	130,256	260,512	598,560	14,014,944
Year 19	14,014,944	140,149	280,299	598,560	15,033,953
Year 20	15,033,953	150,340	300,679	598,560	16,083,531

Schedule 12
Elder Family - 3.00% Rate of Return, 20 Years
CLAT Redemption - Discount Allowed - $3mm to Family

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Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Note Between Elder FLP and CLAT

	Beg. Balance	Interest	Payment	End of Year Balance
Year 1	9,600,000	598,560	(598,560)	9,600,000
Year 2	9,600,000	598,560	(598,560)	9,600,000
Year 3	9,600,000	598,560	(598,560)	9,600,000
Year 4	9,600,000	598,560	(598,560)	9,600,000
Year 5	9,600,000	598,560	(598,560)	9,600,000
Year 6	9,600,000	598,560	(598,560)	9,600,000
Year 7	9,600,000	598,560	(598,560)	9,600,000
Year 8	9,600,000	598,560	(598,560)	9,600,000
Year 9	9,600,000	598,560	(598,560)	9,600,000
Year 10	9,600,000	598,560	(598,560)	9,600,000
Year 11	9,600,000	598,560	(598,560)	9,600,000
Year 12	9,600,000	598,560	(598,560)	9,600,000
Year 13	9,600,000	598,560	(598,560)	9,600,000
Year 14	9,600,000	598,560	(598,560)	9,600,000
Year 15	9,600,000	598,560	(598,560)	9,600,000
Year 16	9,600,000	598,560	(598,560)	9,600,000
Year 17	9,600,000	598,560	(598,560)	9,600,000
Year 18	9,600,000	598,560	(598,560)	9,600,000
Year 19	9,600,000	598,560	(598,560)	9,600,000
Year 20	9,600,000	598,560	(10,198,560)	-

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Elder FLP

	Beg. of Year	Income	Growth	Distribution Income Taxes	Distribution Estate Taxes	Note Payment to CLAT	End of Year
Year 1	30,000,000	300,000	600,000	(106,499)	(4,000,000)	(162,110)	26,631,391
Year 2	26,631,391	266,314	532,628	(117,922)	-	(162,110)	27,150,301
Year 3	27,150,301	271,503	543,006	(139,528)	-	(162,110)	27,663,172
Year 4	27,663,172	276,632	553,263	(156,088)	-	(162,110)	28,174,869
Year 5	28,174,869	281,749	563,497	(169,129)	-	(162,110)	28,688,876
Year 6	28,688,876	286,889	573,778	(179,724)	-	(162,110)	29,207,708
Year 7	29,207,708	292,077	584,154	(188,628)	-	(162,110)	29,733,202
Year 8	29,733,202	297,332	594,664	(196,373)	-	(162,110)	30,266,715
Year 9	30,266,715	302,667	605,334	(203,333)	-	(162,110)	30,809,273
Year 10	30,809,273	308,093	616,185	(209,773)	-	(162,110)	31,361,668
Year 11	31,361,668	313,617	627,233	(215,880)	-	(162,110)	31,924,528
Year 12	31,924,528	319,245	638,491	(221,785)	-	(162,110)	32,498,369
Year 13	32,498,369	324,984	649,967	(227,581)	-	(162,110)	33,083,630
Year 14	33,083,630	330,836	661,673	(233,335)	-	(162,110)	33,680,694
Year 15	33,680,694	336,807	673,614	(239,094)	-	(162,110)	34,289,911
Year 16	34,289,911	342,899	685,798	(244,892)	-	(162,110)	34,911,606
Year 17	34,911,606	349,116	698,232	(250,754)	-	(162,110)	35,546,090
Year 18	35,546,090	355,461	710,922	(256,698)	-	(162,110)	36,193,664
Year 19	36,193,664	361,937	723,873	(262,738)	-	(162,110)	36,854,626
Year 20	36,854,626	368,546	737,093	(681,446)	-	(2,762,110)	34,516,709

Ownership		
Elder Children	**CLAT**	**Elder GST Exempt Trust**
55.56%	14.44%	30.00%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Assumptions:	
Total Rate of Return	3.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Elder Children

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Distrib. from Elder FLP Estate Taxes	Distrib. from CLAT	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	-	-	-	59,166	4,000,000	-	(59,166)	(4,000,000)	-
Year 2	-	-	-	68,939	-	-	(68,939)	-	-
Year 3	-	-	-	81,570	-	-	(81,570)	-	-
Year 4	-	-	-	91,252	-	-	(91,252)	-	-
Year 5	-	-	-	98,876	-	-	(98,876)	-	-
Year 6	-	-	-	105,069	-	-	(105,069)	-	-
Year 7	-	-	-	110,275	-	-	(110,275)	-	-
Year 8	-	-	-	114,802	-	-	(114,802)	-	-
Year 9	-	-	-	118,872	-	-	(118,872)	-	-
Year 10	-	-	-	122,637	-	-	(122,637)	-	-
Year 11	-	-	-	126,207	-	-	(126,207)	-	-
Year 12	-	-	-	129,659	-	-	(129,659)	-	-
Year 13	-	-	-	133,047	-	-	(133,047)	-	-
Year 14	-	-	-	136,411	-	-	(136,411)	-	-
Year 15	-	-	-	139,778	-	-	(139,778)	-	-
Year 16	-	-	-	143,168	-	-	(143,168)	-	-
Year 17	-	-	-	146,595	-	-	(146,595)	-	-
Year 18	-	-	-	150,070	-	-	(150,070)	-	-
Year 19	-	-	-	153,601	-	-	(153,601)	-	-
Year 20	-	-	-	398,384	-	2,600,000	(398,384)	-	2,600,000

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Assumptions:	
Total Rate of Return	3.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Beneficiary Distributons	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	-	-	-	31,950	-	(31,950)	-	-
Year 2	-	-	-	48,983	-	(48,983)	-	-
Year 3	-	-	-	57,958	-	(57,958)	-	-
Year 4	-	-	-	64,837	-	(64,837)	-	-
Year 5	-	-	-	70,254	-	(70,254)	-	-
Year 6	-	-	-	74,655	-	(74,655)	-	-
Year 7	-	-	-	78,353	-	(78,353)	-	-
Year 8	-	-	-	81,570	-	(81,570)	-	-
Year 9	-	-	-	84,461	-	(84,461)	-	-
Year 10	-	-	-	87,137	-	(87,137)	-	-
Year 11	-	-	-	89,673	-	(89,673)	-	-
Year 12	-	-	-	92,126	-	(92,126)	-	-
Year 13	-	-	-	94,534	-	(94,534)	-	-
Year 14	-	-	-	96,924	-	(96,924)	-	-
Year 15	-	-	-	99,316	-	(99,316)	-	-
Year 16	-	-	-	101,724	-	(101,724)	-	-
Year 17	-	-	-	104,159	-	(104,159)	-	-
Year 18	-	-	-	106,629	-	(106,629)	-	-
Year 19	-	-	-	109,137	-	(109,137)	-	-
Year 20	-	-	-	283,062	-	(283,062)	-	-

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Assumptions:	
Total Rate of Return	3.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	1.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Charitable Lead Annuity Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP - Income Taxes	Note Payment Received	Annuity Payment to Charity	Taxes on Investment Income	Distrib. to Elder Family Remaindermen	End of Year
Year 1	-	-	-	15,383	162,110	(162,110)	(15,383)	-	-
Year 2	-	-	-	-	162,110	(162,110)	-	-	-
Year 3	-	-	-	-	162,110	(162,110)	-	-	-
Year 4	-	-	-	-	162,110	(162,110)	-	-	-
Year 5	-	-	-	-	162,110	(162,110)	-	-	-
Year 6	-	-	-	-	162,110	(162,110)	-	-	-
Year 7	-	-	-	-	162,110	(162,110)	-	-	-
Year 8	-	-	-	-	162,110	(162,110)	-	-	-
Year 9	-	-	-	-	162,110	(162,110)	-	-	-
Year 10	-	-	-	-	162,110	(162,110)	-	-	-
Year 11	-	-	-	-	162,110	(162,110)	-	-	-
Year 12	-	-	-	-	162,110	(162,110)	-	-	-
Year 13	-	-	-	-	162,110	(162,110)	-	-	-
Year 14	-	-	-	-	162,110	(162,110)	-	-	-
Year 15	-	-	-	-	162,110	(162,110)	-	-	-
Year 16	-	-	-	-	162,110	(162,110)	-	-	-
Year 17	-	-	-	-	162,110	(162,110)	-	-	-
Year 18	-	-	-	-	162,110	(162,110)	-	-	-
Year 19	-	-	-	-	162,110	(162,110)	-	-	-
Year 20	-	-	-	-	2,762,110	(162,110)	-	(2,600,000)	-

Schedule 12
Elder Family - 3.00% Rate of Return, 20 Years
CLAT Redemption - Discount Allowed - $10mm to Family

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	162,110	162,110
Year 2	162,110	1,621	3,242	162,110	329,083
Year 3	329,083	3,291	6,582	162,110	501,066
Year 4	501,066	5,011	10,021	162,110	678,208
Year 5	678,208	6,782	13,564	162,110	860,664
Year 6	860,664	8,607	17,213	162,110	1,048,594
Year 7	1,048,594	10,486	20,972	162,110	1,242,162
Year 8	1,242,162	12,422	24,843	162,110	1,441,537
Year 9	1,441,537	14,415	28,831	162,110	1,646,893
Year 10	1,646,893	16,469	32,938	162,110	1,858,409
Year 11	1,858,409	18,584	37,168	162,110	2,076,272
Year 12	2,076,272	20,763	41,525	162,110	2,300,670
Year 13	2,300,670	23,007	46,013	162,110	2,531,800
Year 14	2,531,800	25,318	50,636	162,110	2,769,864
Year 15	2,769,864	27,699	55,397	162,110	3,015,070
Year 16	3,015,070	30,151	60,301	162,110	3,267,632
Year 17	3,267,632	32,676	65,353	162,110	3,527,771
Year 18	3,527,771	35,278	70,555	162,110	3,795,714
Year 19	3,795,714	37,957	75,914	162,110	4,071,696
Year 20	4,071,696	40,717	81,434	162,110	4,355,956

Schedule 12

Elder Family - 3.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	2.00%
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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Note Between Elder FLP and CLAT

	Beg. Balance	Interest	Payment	End of Year Balance
Year 1	2,600,000	162,110	(162,110)	2,600,000
Year 2	2,600,000	162,110	(162,110)	2,600,000
Year 3	2,600,000	162,110	(162,110)	2,600,000
Year 4	2,600,000	162,110	(162,110)	2,600,000
Year 5	2,600,000	162,110	(162,110)	2,600,000
Year 6	2,600,000	162,110	(162,110)	2,600,000
Year 7	2,600,000	162,110	(162,110)	2,600,000
Year 8	2,600,000	162,110	(162,110)	2,600,000
Year 9	2,600,000	162,110	(162,110)	2,600,000
Year 10	2,600,000	162,110	(162,110)	2,600,000
Year 11	2,600,000	162,110	(162,110)	2,600,000
Year 12	2,600,000	162,110	(162,110)	2,600,000
Year 13	2,600,000	162,110	(162,110)	2,600,000
Year 14	2,600,000	162,110	(162,110)	2,600,000
Year 15	2,600,000	162,110	(162,110)	2,600,000
Year 16	2,600,000	162,110	(162,110)	2,600,000
Year 17	2,600,000	162,110	(162,110)	2,600,000
Year 18	2,600,000	162,110	(162,110)	2,600,000
Year 19	2,600,000	162,110	(162,110)	2,600,000
Year 20	2,600,000	162,110	(2,762,110)	-

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

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Assumptions:	
Total Rate of Return	7.50%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Elder FLP Valuation Discount	40.00%
Gross Proceeds	$30,000,000

	Future Values at the End of 20 Years of Annual Compounded Growth at 7.5%						
	Elder Children's Future Values	Elder GST Exempt Trust Future Values	Charity	IRS Income Taxes	IRS Income Taxes & Estate Taxes Investment Opp. Costs	IRS Estate Taxes	Totals
No Further Planning - No Discount Allowed	33,734,275	27,222,640	-	19,049,212	39,429,406	8,000,000	127,435,533
No Further Planning - Discount Allowed	42,018,677	27,222,640	-	21,535,391	31,858,825	4,800,000	127,435,533
CLAT Redemption - Discount Allowed - $3mm to Family	26,774,735	40,677,004	25,920,450	16,803,779	16,059,565	1,200,000	127,435,533
CLAT Redemption - Discount Allowed - $10mm to Family	41,011,327	27,292,259	7,020,122	20,117,950	27,993,875	4,000,000	127,435,533

No Further Planning - No Discount Allowed		
Elder Children	33,734,275	26.47%
Elder GST Exempt Trust	27,222,640	21.36%
Charity	-	0.00%
IRS (income and estate taxes)	27,049,212	21.23%
IRS (investment opportunity costs)	39,429,406	30.94%
Total	**127,435,533**	**100.00%**

No Further Planning - Discount Allowed		
Elder Children	42,018,677	32.97%
Elder GST Exempt Trust	27,222,640	21.36%
Charity	-	0.00%
IRS (income and estate taxes)	26,335,391	20.67%
IRS (investment opportunity costs)	31,858,825	25.00%
Total	**127,435,533**	**100.00%**

CLAT Redemption - Discount Allowed - $3mm to Family		
Elder Children	26,774,735	21.01%
Elder GST Exempt Trust	40,677,004	31.92%
Charity	25,920,450	20.34%
IRS (income and estate taxes)	18,003,779	14.13%
IRS (investment opportunity costs)	16,059,565	12.60%
Total	**127,435,533**	**100.00%**

CLAT Redemption - Discount Allowed - $10mm to Family		
Elder Children	41,011,327	32.18%
Elder GST Exempt Trust	27,292,259	21.42%
Charity	7,020,122	5.51%
IRS (income and estate taxes)	24,117,950	18.93%
IRS (investment opportunity costs)	27,993,875	21.97%
Total	**127,435,533**	**100.00%**

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

No Further Planning - No Discount Allowed

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Assumptions:	
Total Rate of Return	7.50%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%

Elder Children

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	20,000,000	600,000	900,000	(335,100)	(8,000,000)	13,164,900
Year 2	13,164,900	394,947	592,421	(267,828)	-	13,884,440
Year 3	13,884,440	416,533	624,800	(296,811)	-	14,628,962
Year 4	14,628,962	438,869	658,303	(322,834)	-	15,403,300
Year 5	15,403,300	462,099	693,148	(347,051)	-	16,211,496
Year 6	16,211,496	486,345	729,517	(370,292)	-	17,057,066
Year 7	17,057,066	511,712	767,568	(393,159)	-	17,943,187
Year 8	17,943,187	538,296	807,443	(416,093)	-	18,872,833
Year 9	18,872,833	566,185	849,277	(439,423)	-	19,848,872
Year 10	19,848,872	595,466	893,199	(463,401)	-	20,874,136
Year 11	20,874,136	626,224	939,336	(488,223)	-	21,951,474
Year 12	21,951,474	658,544	987,816	(514,046)	-	23,083,789
Year 13	23,083,789	692,514	1,038,770	(541,003)	-	24,274,070
Year 14	24,274,070	728,222	1,092,333	(569,212)	-	25,525,413
Year 15	25,525,413	765,762	1,148,644	(598,775)	-	26,841,044
Year 16	26,841,044	805,231	1,207,847	(629,793)	-	28,224,329
Year 17	28,224,329	846,730	1,270,095	(662,361)	-	29,678,793
Year 18	29,678,793	890,364	1,335,546	(696,572)	-	31,208,130
Year 19	31,208,130	936,244	1,404,366	(732,521)	-	32,816,219
Year 20	32,816,219	984,487	1,476,730	(1,543,161)	-	33,734,275

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

No Further Planning - No Discount Allowed

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Assumptions:	
Total Rate of Return	7.50%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%

Elder GST Trust

	Beginning of Year	Income	Growth	Taxes on Investment Income	End of Year
Year 1	10,000,000	300,000	450,000	(167,550)	10,582,450
Year 2	10,582,450	317,474	476,210	(200,934)	11,175,200
Year 3	11,175,200	335,256	502,884	(228,779)	11,784,561
Year 4	11,784,561	353,537	530,305	(252,929)	12,415,474
Year 5	12,415,474	372,464	558,696	(274,697)	13,071,938
Year 6	13,071,938	392,158	588,237	(295,025)	13,757,308
Year 7	13,757,308	412,719	619,079	(314,589)	14,474,517
Year 8	14,474,517	434,235	651,353	(333,882)	15,226,223
Year 9	15,226,223	456,787	685,180	(353,265)	16,014,925
Year 10	16,014,925	480,448	720,672	(373,006)	16,843,038
Year 11	16,843,038	505,291	757,937	(393,314)	17,712,952
Year 12	17,712,952	531,389	797,083	(414,348)	18,627,075
Year 13	18,627,075	558,812	838,218	(436,241)	19,587,865
Year 14	19,587,865	587,636	881,454	(459,102)	20,597,853
Year 15	20,597,853	617,936	926,903	(483,029)	21,659,663
Year 16	21,659,663	649,790	974,685	(508,108)	22,776,030
Year 17	22,776,030	683,281	1,024,921	(534,424)	23,949,808
Year 18	23,949,808	718,494	1,077,741	(562,055)	25,183,988
Year 19	25,183,988	755,520	1,133,279	(591,083)	26,481,705
Year 20	26,481,705	794,451	1,191,677	(1,245,193)	27,222,640

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

No Further Planning - Discount Allowed

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Assumptions:	
Total Rate of Return	7.50%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%
Elder FLP Valuation Discount	40.00%

Elder Children

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	20,000,000	600,000	900,000	(335,100)	(4,800,000)	16,364,900
Year 2	16,364,900	490,947	736,421	(321,444)	-	17,270,824
Year 3	17,270,824	518,125	777,187	(361,110)	-	18,205,026
Year 4	18,205,026	546,151	819,226	(396,043)	-	19,174,359
Year 5	19,174,359	575,231	862,846	(427,989)	-	20,184,447
Year 6	20,184,447	605,533	908,300	(458,195)	-	21,240,086
Year 7	21,240,086	637,203	955,804	(487,567)	-	22,345,525
Year 8	22,345,525	670,366	1,005,549	(516,761)	-	23,504,678
Year 9	23,504,678	705,140	1,057,711	(546,266)	-	24,721,263
Year 10	24,721,263	741,638	1,112,457	(576,446)	-	25,998,912
Year 11	25,998,912	779,967	1,169,951	(607,585)	-	27,341,246
Year 12	27,341,246	820,237	1,230,356	(639,906)	-	28,751,934
Year 13	28,751,934	862,558	1,293,837	(673,595)	-	30,234,734
Year 14	30,234,734	907,042	1,360,563	(708,809)	-	31,793,530
Year 15	31,793,530	953,806	1,430,709	(745,688)	-	33,432,357
Year 16	33,432,357	1,002,971	1,504,456	(784,363)	-	35,155,421
Year 17	35,155,421	1,054,663	1,581,994	(824,955)	-	36,967,122
Year 18	36,967,122	1,109,014	1,663,520	(867,587)	-	38,872,069
Year 19	38,872,069	1,166,162	1,749,243	(912,379)	-	40,875,096
Year 20	40,875,096	1,226,253	1,839,379	(1,922,051)	-	42,018,677

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

No Further Planning - Discount Allowed

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%
Elder FLP Valuation Discount	40.00%

Elder GST Exempt Trust

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	10,000,000	300,000	450,000	(167,550)	-	10,582,450
Year 2	10,582,450	317,474	476,210	(200,934)	-	11,175,200
Year 3	11,175,200	335,256	502,884	(228,779)	-	11,784,561
Year 4	11,784,561	353,537	530,305	(252,929)	-	12,415,474
Year 5	12,415,474	372,464	558,696	(274,697)	-	13,071,938
Year 6	13,071,938	392,158	588,237	(295,025)	-	13,757,308
Year 7	13,757,308	412,719	619,079	(314,589)	-	14,474,517
Year 8	14,474,517	434,235	651,353	(333,882)	-	15,226,223
Year 9	15,226,223	456,787	685,180	(353,265)	-	16,014,925
Year 10	16,014,925	480,448	720,672	(373,006)	-	16,843,038
Year 11	16,843,038	505,291	757,937	(393,314)	-	17,712,952
Year 12	17,712,952	531,389	797,083	(414,348)	-	18,627,075
Year 13	18,627,075	558,812	838,218	(436,241)	-	19,587,865
Year 14	19,587,865	587,636	881,454	(459,102)	-	20,597,853
Year 15	20,597,853	617,936	926,903	(483,029)	-	21,659,663
Year 16	21,659,663	649,790	974,685	(508,108)	-	22,776,030
Year 17	22,776,030	683,281	1,024,921	(534,424)	-	23,949,808
Year 18	23,949,808	718,494	1,077,741	(562,055)	-	25,183,988
Year 19	25,183,988	755,520	1,133,279	(591,083)	-	26,481,705
Year 20	26,481,705	794,451	1,191,677	(1,245,193)	-	27,222,640

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Elder FLP

	Beg. of Year	Income	Growth	Distribution Income Taxes	Distribution Estate Taxes	Note Payment to CLAT	End of Year
Year 1	30,000,000	900,000	1,350,000	(235,692)	(1,200,000)	(598,560)	30,215,748
Year 2	30,215,748	906,472	1,359,709	(310,182)	-	(598,560)	31,573,187
Year 3	31,573,187	947,196	1,420,793	(383,048)	-	(598,560)	32,959,568
Year 4	32,959,568	988,787	1,483,181	(444,569)	-	(598,560)	34,388,406
Year 5	34,388,406	1,031,652	1,547,478	(498,590)	-	(598,560)	35,870,386
Year 6	35,870,386	1,076,112	1,614,167	(547,852)	-	(598,560)	37,414,253
Year 7	37,414,253	1,122,428	1,683,641	(594,323)	-	(598,560)	39,027,439
Year 8	39,027,439	1,170,823	1,756,235	(639,422)	-	(598,560)	40,716,516
Year 9	40,716,516	1,221,495	1,832,243	(684,182)	-	(598,560)	42,487,513
Year 10	42,487,513	1,274,625	1,911,938	(729,367)	-	(598,560)	44,346,149
Year 11	44,346,149	1,330,384	1,995,577	(775,552)	-	(598,560)	46,297,998
Year 12	46,297,998	1,388,940	2,083,410	(823,176)	-	(598,560)	48,348,612
Year 13	48,348,612	1,450,458	2,175,688	(872,590)	-	(598,560)	50,503,609
Year 14	50,503,609	1,515,108	2,272,662	(924,080)	-	(598,560)	52,768,739
Year 15	52,768,739	1,583,062	2,374,593	(977,892)	-	(598,560)	55,149,942
Year 16	55,149,942	1,654,498	2,481,747	(1,034,243)	-	(598,560)	57,653,385
Year 17	57,653,385	1,729,602	2,594,402	(1,093,331)	-	(598,560)	60,285,499
Year 18	60,285,499	1,808,565	2,712,847	(1,155,346)	-	(598,560)	63,053,005
Year 19	63,053,005	1,891,590	2,837,385	(1,220,474)	-	(598,560)	65,962,947
Year 20	65,962,947	1,978,888	2,968,333	(2,859,869)	-	(10,198,560)	57,851,739

	Ownership		
	Elder Children	CLAT	Elder GST Exempt Trust
Year 1	16.67%	53.33%	30.00%
Year 2	29.69%	0.00%	70.31%
Year 3	29.69%	0.00%	70.31%
Year 4	29.69%	0.00%	70.31%
Year 5	29.69%	0.00%	70.31%
Year 6	29.69%	0.00%	70.31%
Year 7	29.69%	0.00%	70.31%
Year 8	29.69%	0.00%	70.31%
Year 9	29.69%	0.00%	70.31%
Year 10	29.69%	0.00%	70.31%
Year 11	29.69%	0.00%	70.31%
Year 12	29.69%	0.00%	70.31%
Year 13	29.69%	0.00%	70.31%
Year 14	29.69%	0.00%	70.31%
Year 15	29.69%	0.00%	70.31%
Year 16	29.69%	0.00%	70.31%
Year 17	29.69%	0.00%	70.31%
Year 18	29.69%	0.00%	70.31%
Year 19	29.69%	0.00%	70.31%
Year 20	29.69%	0.00%	70.31%

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Elder Children

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Distrib. from Elder FLP Estate Taxes	Distrib. from CLAT	Income Taxes	Estate Taxes	End of Year
Year 1	-	-	-	39,282	1,200,000	-	(39,282)	(1,200,000)	-
Year 2	-	-	-	92,085	-	-	(92,085)	-	-
Year 3	-	-	-	113,717	-	-	(113,717)	-	-
Year 4	-	-	-	131,982	-	-	(131,982)	-	-
Year 5	-	-	-	148,019	-	-	(148,019)	-	-
Year 6	-	-	-	162,644	-	-	(162,644)	-	-
Year 7	-	-	-	176,440	-	-	(176,440)	-	-
Year 8	-	-	-	189,828	-	-	(189,828)	-	-
Year 9	-	-	-	203,117	-	-	(203,117)	-	-
Year 10	-	-	-	216,531	-	-	(216,531)	-	-
Year 11	-	-	-	230,242	-	-	(230,242)	-	-
Year 12	-	-	-	244,380	-	-	(244,380)	-	-
Year 13	-	-	-	259,050	-	-	(259,050)	-	-
Year 14	-	-	-	274,336	-	-	(274,336)	-	-
Year 15	-	-	-	290,312	-	-	(290,312)	-	-
Year 16	-	-	-	307,041	-	-	(307,041)	-	-
Year 17	-	-	-	324,583	-	-	(324,583)	-	-
Year 18	-	-	-	342,993	-	-	(342,993)	-	-
Year 19	-	-	-	362,328	-	-	(362,328)	-	-
Year 20	-	-	-	849,024	-	9,600,000	(849,024)	-	9,600,000

Schedule 12
Elder Family - 7.50% Rate of Return, 20 Years
CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Beneficiary Distributions	Income Taxes	End of Year
Year 1	-	-	-	70,708	-	(70,708)	-
Year 2	-	-	-	218,097	-	(218,097)	-
Year 3	-	-	-	269,331	-	(269,331)	-
Year 4	-	-	-	312,588	-	(312,588)	-
Year 5	-	-	-	350,571	-	(350,571)	-
Year 6	-	-	-	385,208	-	(385,208)	-
Year 7	-	-	-	417,883	-	(417,883)	-
Year 8	-	-	-	449,593	-	(449,593)	-
Year 9	-	-	-	481,065	-	(481,065)	-
Year 10	-	-	-	512,836	-	(512,836)	-
Year 11	-	-	-	545,310	-	(545,310)	-
Year 12	-	-	-	578,795	-	(578,795)	-
Year 13	-	-	-	613,540	-	(613,540)	-
Year 14	-	-	-	649,744	-	(649,744)	-
Year 15	-	-	-	687,581	-	(687,581)	-
Year 16	-	-	-	727,202	-	(727,202)	-
Year 17	-	-	-	768,748	-	(768,748)	-
Year 18	-	-	-	812,353	-	(812,353)	-
Year 19	-	-	-	858,146	-	(858,146)	-
Year 20	-	-	-	2,010,845	-	(2,010,845)	-

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Charitable Lead Annuity Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP - Income Taxes	Note Payment Received	Annuity Payment to Charity	Income Taxes	Distrib. to Elder Family Remaindermen	End of Year
Year 1	-	-	-	125,703	598,560	(598,560)	(125,703)	-	-
Year 2	-	-	-	-	598,560	(598,560)	-	-	-
Year 3	-	-	-	-	598,560	(598,560)	-	-	-
Year 4	-	-	-	-	598,560	(598,560)	-	-	-
Year 5	-	-	-	-	598,560	(598,560)	-	-	-
Year 6	-	-	-	-	598,560	(598,560)	-	-	-
Year 7	-	-	-	-	598,560	(598,560)	-	-	-
Year 8	-	-	-	-	598,560	(598,560)	-	-	-
Year 9	-	-	-	-	598,560	(598,560)	-	-	-
Year 10	-	-	-	-	598,560	(598,560)	-	-	-
Year 11	-	-	-	-	598,560	(598,560)	-	-	-
Year 12	-	-	-	-	598,560	(598,560)	-	-	-
Year 13	-	-	-	-	598,560	(598,560)	-	-	-
Year 14	-	-	-	-	598,560	(598,560)	-	-	-
Year 15	-	-	-	-	598,560	(598,560)	-	-	-
Year 16	-	-	-	-	598,560	(598,560)	-	-	-
Year 17	-	-	-	-	598,560	(598,560)	-	-	-
Year 18	-	-	-	-	598,560	(598,560)	-	-	-
Year 19	-	-	-	-	598,560	(598,560)	-	-	-
Year 20	-	-	-	-	10,198,560	(598,560)	-	(9,600,000)	-

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	598,560	598,560
Year 2	598,560	17,957	26,935	598,560	1,242,012
Year 3	1,242,012	37,260	55,891	598,560	1,933,723
Year 4	1,933,723	58,012	87,018	598,560	2,677,312
Year 5	2,677,312	80,319	120,479	598,560	3,476,671
Year 6	3,476,671	104,300	156,450	598,560	4,335,981
Year 7	4,335,981	130,079	195,119	598,560	5,259,739
Year 8	5,259,739	157,792	236,688	598,560	6,252,780
Year 9	6,252,780	187,583	281,375	598,560	7,320,298
Year 10	7,320,298	219,609	329,413	598,560	8,467,881
Year 11	8,467,881	254,036	381,055	598,560	9,701,532
Year 12	9,701,532	291,046	436,569	598,560	11,027,707
Year 13	11,027,707	330,831	496,247	598,560	12,453,345
Year 14	12,453,345	373,600	560,401	598,560	13,985,905
Year 15	13,985,905	419,577	629,366	598,560	15,633,408
Year 16	15,633,408	469,002	703,503	598,560	17,404,474
Year 17	17,404,474	522,134	783,201	598,560	19,308,370
Year 18	19,308,370	579,251	868,877	598,560	21,355,057
Year 19	21,355,057	640,652	960,978	598,560	23,555,247
Year 20	23,555,247	706,657	1,059,986	598,560	25,920,450

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Note Between Elder FLP and CLAT

	Beg. Balance	Interest	Payment	End of Year Balance
Year 1	9,600,000	598,560	(598,560)	9,600,000
Year 2	9,600,000	598,560	(598,560)	9,600,000
Year 3	9,600,000	598,560	(598,560)	9,600,000
Year 4	9,600,000	598,560	(598,560)	9,600,000
Year 5	9,600,000	598,560	(598,560)	9,600,000
Year 6	9,600,000	598,560	(598,560)	9,600,000
Year 7	9,600,000	598,560	(598,560)	9,600,000
Year 8	9,600,000	598,560	(598,560)	9,600,000
Year 9	9,600,000	598,560	(598,560)	9,600,000
Year 10	9,600,000	598,560	(598,560)	9,600,000
Year 11	9,600,000	598,560	(598,560)	9,600,000
Year 12	9,600,000	598,560	(598,560)	9,600,000
Year 13	9,600,000	598,560	(598,560)	9,600,000
Year 14	9,600,000	598,560	(598,560)	9,600,000
Year 15	9,600,000	598,560	(598,560)	9,600,000
Year 16	9,600,000	598,560	(598,560)	9,600,000
Year 17	9,600,000	598,560	(598,560)	9,600,000
Year 18	9,600,000	598,560	(598,560)	9,600,000
Year 19	9,600,000	598,560	(598,560)	9,600,000
Year 20	9,600,000	598,560	(10,198,560)	-

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Assumptions:	
Total Rate of Return	7.50%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Elder FLP

	Beg. of Year	Income	Growth	Distribution Income Taxes	Distribution Estate Taxes	Note Payment to CLAT	End of Year
Year 1	30,000,000	900,000	1,350,000	(430,349)	(4,000,000)	(162,110)	27,657,541
Year 2	27,657,541	829,726	1,244,589	(461,976)	-	(162,110)	29,107,771
Year 3	29,107,771	873,233	1,309,850	(530,353)	-	(162,110)	30,598,390
Year 4	30,598,390	917,952	1,376,928	(589,609)	-	(162,110)	32,141,550
Year 5	32,141,550	964,247	1,446,370	(642,983)	-	(162,110)	33,747,073
Year 6	33,747,073	1,012,412	1,518,618	(692,793)	-	(162,110)	35,423,201
Year 7	35,423,201	1,062,696	1,594,044	(740,705)	-	(162,110)	37,177,126
Year 8	37,177,126	1,115,314	1,672,971	(787,932)	-	(162,110)	39,015,368
Year 9	39,015,368	1,170,461	1,755,692	(835,364)	-	(162,110)	40,944,047
Year 10	40,944,047	1,228,321	1,842,482	(883,664)	-	(162,110)	42,969,076
Year 11	42,969,076	1,289,072	1,933,608	(933,339)	-	(162,110)	45,096,308
Year 12	45,096,308	1,352,889	2,029,334	(984,788)	-	(162,110)	47,331,633
Year 13	47,331,633	1,419,949	2,129,923	(1,038,330)	-	(162,110)	49,681,065
Year 14	49,681,065	1,490,432	2,235,648	(1,094,239)	-	(162,110)	52,150,796
Year 15	52,150,796	1,564,524	2,346,786	(1,152,751)	-	(162,110)	54,747,245
Year 16	54,747,245	1,642,417	2,463,626	(1,214,081)	-	(162,110)	57,477,097
Year 17	57,477,097	1,724,313	2,586,469	(1,278,432)	-	(162,110)	60,347,337
Year 18	60,347,337	1,810,420	2,715,630	(1,346,002)	-	(162,110)	63,365,276
Year 19	63,365,276	1,900,958	2,851,437	(1,416,983)	-	(162,110)	66,538,579
Year 20	66,538,579	1,996,157	2,994,236	(3,063,276)	-	(2,762,110)	65,703,586

	Ownership		
	Elder Children	CLAT	Elder GST Exempt Trust
Year 1	55.56%	14.44%	30.00%
Year 2	58.46%	0.00%	41.54%
Year 3	58.46%	0.00%	41.54%
Year 4	58.46%	0.00%	41.54%
Year 5	58.46%	0.00%	41.54%
Year 6	58.46%	0.00%	41.54%
Year 7	58.46%	0.00%	41.54%
Year 8	58.46%	0.00%	41.54%
Year 9	58.46%	0.00%	41.54%
Year 10	58.46%	0.00%	41.54%
Year 11	58.46%	0.00%	41.54%
Year 12	58.46%	0.00%	41.54%
Year 13	58.46%	0.00%	41.54%
Year 14	58.46%	0.00%	41.54%
Year 15	58.46%	0.00%	41.54%
Year 16	58.46%	0.00%	41.54%
Year 17	58.46%	0.00%	41.54%
Year 18	58.46%	0.00%	41.54%
Year 19	58.46%	0.00%	41.54%
Year 20	58.46%	0.00%	41.54%

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Assumptions:	
Total Rate of Return	7.50%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Elder Children

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Distrib. from Elder FLP Estate Taxes	Distrib. from CLAT	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	-	-	-	239,083	4,000,000	-	(239,083)	(4,000,000)	-
Year 2	-	-	-	270,078	-	-	(270,078)	-	-
Year 3	-	-	-	310,053	-	-	(310,053)	-	-
Year 4	-	-	-	344,695	-	-	(344,695)	-	-
Year 5	-	-	-	375,898	-	-	(375,898)	-	-
Year 6	-	-	-	405,017	-	-	(405,017)	-	-
Year 7	-	-	-	433,028	-	-	(433,028)	-	-
Year 8	-	-	-	460,637	-	-	(460,637)	-	-
Year 9	-	-	-	488,367	-	-	(488,367)	-	-
Year 10	-	-	-	516,604	-	-	(516,604)	-	-
Year 11	-	-	-	545,645	-	-	(545,645)	-	-
Year 12	-	-	-	575,722	-	-	(575,722)	-	-
Year 13	-	-	-	607,024	-	-	(607,024)	-	-
Year 14	-	-	-	639,709	-	-	(639,709)	-	-
Year 15	-	-	-	673,916	-	-	(673,916)	-	-
Year 16	-	-	-	709,770	-	-	(709,770)	-	-
Year 17	-	-	-	747,391	-	-	(747,391)	-	-
Year 18	-	-	-	786,893	-	-	(786,893)	-	-
Year 19	-	-	-	828,390	-	-	(828,390)	-	-
Year 20	-	-	-	1,790,838	-	2,600,000	(1,790,838)	-	2,600,000

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Beneficiary Distributons	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	-	-	-	129,105	-	(129,105)	-	-
Year 2	-	-	-	191,898	-	(191,898)	-	-
Year 3	-	-	-	220,301	-	(220,301)	-	-
Year 4	-	-	-	244,915	-	(244,915)	-	-
Year 5	-	-	-	267,085	-	(267,085)	-	-
Year 6	-	-	-	287,775	-	(287,775)	-	-
Year 7	-	-	-	307,678	-	(307,678)	-	-
Year 8	-	-	-	327,295	-	(327,295)	-	-
Year 9	-	-	-	346,997	-	(346,997)	-	-
Year 10	-	-	-	367,060	-	(367,060)	-	-
Year 11	-	-	-	387,695	-	(387,695)	-	-
Year 12	-	-	-	409,066	-	(409,066)	-	-
Year 13	-	-	-	431,306	-	(431,306)	-	-
Year 14	-	-	-	454,530	-	(454,530)	-	-
Year 15	-	-	-	478,835	-	(478,835)	-	-
Year 16	-	-	-	504,311	-	(504,311)	-	-
Year 17	-	-	-	531,041	-	(531,041)	-	-
Year 18	-	-	-	559,108	-	(559,108)	-	-
Year 19	-	-	-	588,593	-	(588,593)	-	-
Year 20	-	-	-	1,272,438	-	(1,272,438)	-	-

Schedule 12
Elder Family - 7.50% Rate of Return, 20 Years
CLAT Redemption - Discount Allowed - $10mm to Family

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Charitable Lead Annuity Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP - Income Taxes	Note Payment Received	Annuity Payment to Charity	Taxes on Investment Income	Distrib. to Elder Family Remaindermen	End of Year
Year 1	-	-	-	62,162	162,110	(162,110)	(62,162)	-	-
Year 2	-	-	-	-	162,110	(162,110)	-	-	-
Year 3	-	-	-	-	162,110	(162,110)	-	-	-
Year 4	-	-	-	-	162,110	(162,110)	-	-	-
Year 5	-	-	-	-	162,110	(162,110)	-	-	-
Year 6	-	-	-	-	162,110	(162,110)	-	-	-
Year 7	-	-	-	-	162,110	(162,110)	-	-	-
Year 8	-	-	-	-	162,110	(162,110)	-	-	-
Year 9	-	-	-	-	162,110	(162,110)	-	-	-
Year 10	-	-	-	-	162,110	(162,110)	-	-	-
Year 11	-	-	-	-	162,110	(162,110)	-	-	-
Year 12	-	-	-	-	162,110	(162,110)	-	-	-
Year 13	-	-	-	-	162,110	(162,110)	-	-	-
Year 14	-	-	-	-	162,110	(162,110)	-	-	-
Year 15	-	-	-	-	162,110	(162,110)	-	-	-
Year 16	-	-	-	-	162,110	(162,110)	-	-	-
Year 17	-	-	-	-	162,110	(162,110)	-	-	-
Year 18	-	-	-	-	162,110	(162,110)	-	-	-
Year 19	-	-	-	-	162,110	(162,110)	-	-	-
Year 20	-	-	-	-	2,762,110	(162,110)	-	(2,600,000)	-

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Assumptions:	
Total Rate of Return	7.50%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	162,110	162,110
Year 2	162,110	4,863	7,295	162,110	336,378
Year 3	336,378	10,091	15,137	162,110	523,717
Year 4	523,717	15,711	23,567	162,110	725,105
Year 5	725,105	21,753	32,630	162,110	941,598
Year 6	941,598	28,248	42,372	162,110	1,174,328
Year 7	1,174,328	35,230	52,845	162,110	1,424,513
Year 8	1,424,513	42,735	64,103	162,110	1,693,461
Year 9	1,693,461	50,804	76,206	162,110	1,982,581
Year 10	1,982,581	59,477	89,216	162,110	2,293,384
Year 11	2,293,384	68,802	103,202	162,110	2,627,498
Year 12	2,627,498	78,825	118,237	162,110	2,986,671
Year 13	2,986,671	89,600	134,400	162,110	3,372,781
Year 14	3,372,781	101,183	151,775	162,110	3,787,849
Year 15	3,787,849	113,635	170,453	162,110	4,234,048
Year 16	4,234,048	127,021	190,532	162,110	4,713,712
Year 17	4,713,712	141,411	212,117	162,110	5,229,350
Year 18	5,229,350	156,881	235,321	162,110	5,783,661
Year 19	5,783,661	173,510	260,265	162,110	6,379,546
Year 20	6,379,546	191,386	287,080	162,110	7,020,122

Schedule 12

Elder Family - 7.50% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Assumptions:	
Total Rate of Return	7.50%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	4.50%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Note Between Elder FLP and CLAT

	Beg. Balance	Interest	Payment	End of Year Balance
Year 1	2,600,000	162,110	(162,110)	2,600,000
Year 2	2,600,000	162,110	(162,110)	2,600,000
Year 3	2,600,000	162,110	(162,110)	2,600,000
Year 4	2,600,000	162,110	(162,110)	2,600,000
Year 5	2,600,000	162,110	(162,110)	2,600,000
Year 6	2,600,000	162,110	(162,110)	2,600,000
Year 7	2,600,000	162,110	(162,110)	2,600,000
Year 8	2,600,000	162,110	(162,110)	2,600,000
Year 9	2,600,000	162,110	(162,110)	2,600,000
Year 10	2,600,000	162,110	(162,110)	2,600,000
Year 11	2,600,000	162,110	(162,110)	2,600,000
Year 12	2,600,000	162,110	(162,110)	2,600,000
Year 13	2,600,000	162,110	(162,110)	2,600,000
Year 14	2,600,000	162,110	(162,110)	2,600,000
Year 15	2,600,000	162,110	(162,110)	2,600,000
Year 16	2,600,000	162,110	(162,110)	2,600,000
Year 17	2,600,000	162,110	(162,110)	2,600,000
Year 18	2,600,000	162,110	(162,110)	2,600,000
Year 19	2,600,000	162,110	(162,110)	2,600,000
Year 20	2,600,000	162,110	(2,762,110)	-

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

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Assumptions:	
Total Rate of Return	10.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Elder FLP Valuation Discount	40.00%
Gross Proceeds	$30,000,000

	Future Values at the End of 20 Years of Annual Compounded Growth at 10%						
	Elder Children's Future Values	Elder GST Exempt Trust Future Values	Charity	IRS Income Taxes	IRS Income Taxes & Estate Taxes Investment Opp. Costs	IRS Estate Taxes	Totals
No Further Planning - No Discount Allowed	49,533,164	39,520,097	-	29,956,665	74,815,071	8,000,000	201,824,998
No Further Planning - Discount Allowed	61,335,976	39,520,097	-	33,800,051	62,368,873	4,800,000	201,824,998
CLAT Redemption - Discount Allowed - $3mm to Family	36,556,659	63,844,719	34,282,524	29,612,351	36,328,746	1,200,000	201,824,998
CLAT Redemption - Discount Allowed - $10mm to Family	59,592,669	40,494,791	9,284,850	32,455,697	55,996,990	4,000,000	201,824,998

No Further Planning - No Discount Allowed		
Elder Children	49,533,164	24.54%
Elder GST Exempt Trust	39,520,097	19.58%
Charity	-	0.00%
IRS (income and estate taxes)	37,956,665	18.81%
IRS (investment opportunity costs)	74,815,071	37.07%
Total	**201,824,998**	**100.00%**

No Further Planning - Discount Allowed		
Elder Children	61,335,976	30.39%
Elder GST Exempt Trust	39,520,097	19.58%
Charity	-	0.00%
IRS (income and estate taxes)	38,600,051	19.13%
IRS (investment opportunity costs)	62,368,873	30.90%
Total	**201,824,998**	**100.00%**

CLAT Redemption - Discount Allowed - $3mm to Family		
Elder Children	36,556,659	18.11%
Elder GST Exempt Trust	63,844,719	31.63%
Charity	34,282,524	16.99%
IRS (income and estate taxes)	30,812,351	15.27%
IRS (investment opportunity costs)	36,328,746	18.00%
Total	**201,824,998**	**100.00%**

CLAT Redemption - Discount Allowed - $10mm to Family		
Elder Children	59,592,669	29.53%
Elder GST Exempt Trust	40,494,791	20.06%
Charity	9,284,850	4.60%
IRS (income and estate taxes)	36,455,697	18.06%
IRS (investment opportunity costs)	55,996,990	27.75%
Total	**201,824,998**	**100.00%**

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

No Further Planning - No Discount Allowed

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Assumptions:	
Total Rate of Return	10.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%

Elder Children

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	20,000,000	600,000	1,400,000	(372,600)	(8,000,000)	13,627,400
Year 2	13,627,400	408,822	953,918	(327,378)	-	14,662,762
Year 3	14,662,762	439,883	1,026,393	(374,698)	-	15,754,340
Year 4	15,754,340	472,630	1,102,804	(418,460)	-	16,911,313
Year 5	16,911,313	507,339	1,183,792	(460,425)	-	18,142,020
Year 6	18,142,020	544,261	1,269,941	(501,892)	-	19,454,330
Year 7	19,454,330	583,630	1,361,803	(543,840)	-	20,855,922
Year 8	20,855,922	625,678	1,459,915	(587,025)	-	22,354,490
Year 9	22,354,490	670,635	1,564,814	(632,045)	-	23,957,894
Year 10	23,957,894	718,737	1,677,053	(679,395)	-	25,674,288
Year 11	25,674,288	770,229	1,797,200	(729,499)	-	27,512,218
Year 12	27,512,218	825,367	1,925,855	(782,736)	-	29,480,704
Year 13	29,480,704	884,421	2,063,649	(839,462)	-	31,589,312
Year 14	31,589,312	947,679	2,211,252	(900,016)	-	33,848,228
Year 15	33,848,228	1,015,447	2,369,376	(964,738)	-	36,268,313
Year 16	36,268,313	1,088,049	2,538,782	(1,033,973)	-	38,861,171
Year 17	38,861,171	1,165,835	2,720,282	(1,108,076)	-	41,639,213
Year 18	41,639,213	1,249,176	2,914,745	(1,187,418)	-	44,615,717
Year 19	44,615,717	1,338,471	3,123,100	(1,272,390)	-	47,804,898
Year 20	47,804,898	1,434,147	3,346,343	(3,052,223)	-	49,533,164

Schedule 12
Elder Family - 10.00% Rate of Return, 20 Years
No Further Planning - No Discount Allowed

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Assumptions:	
Total Rate of Return	10.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%

Elder GST Trust

	Beginning of Year	Income	Growth	Taxes on Investment Income	End of Year
Year 1	10,000,000	300,000	700,000	(186,300)	10,813,700
Year 2	10,813,700	324,411	756,959	(238,209)	11,656,861
Year 3	11,656,861	349,706	815,980	(282,633)	12,539,914
Year 4	12,539,914	376,197	877,794	(322,283)	13,471,622
Year 5	13,471,622	404,149	943,014	(359,126)	14,459,659
Year 6	14,459,659	433,790	1,012,176	(394,596)	15,511,028
Year 7	15,511,028	465,331	1,085,772	(429,759)	16,632,372
Year 8	16,632,372	498,971	1,164,266	(465,416)	17,830,194
Year 9	17,830,194	534,906	1,248,114	(502,189)	19,111,024
Year 10	19,111,024	573,331	1,337,772	(540,573)	20,481,554
Year 11	20,481,554	614,447	1,433,709	(580,979)	21,948,731
Year 12	21,948,731	658,462	1,536,411	(623,760)	23,519,844
Year 13	23,519,844	705,595	1,646,389	(669,235)	25,202,594
Year 14	25,202,594	756,078	1,764,182	(717,702)	27,005,151
Year 15	27,005,151	810,155	1,890,361	(769,450)	28,936,217
Year 16	28,936,217	868,087	2,025,535	(824,766)	31,005,072
Year 17	31,005,072	930,152	2,170,355	(883,944)	33,221,635
Year 18	33,221,635	996,649	2,325,514	(947,287)	35,596,512
Year 19	35,596,512	1,067,895	2,491,756	(1,015,110)	38,141,054
Year 20	38,141,054	1,144,232	2,669,874	(2,435,062)	39,520,097

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

No Further Planning - Discount Allowed

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%
Elder FLP Valuation Discount	40.00%

Elder Children

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	20,000,000	600,000	1,400,000	(372,600)	(4,800,000)	16,827,400
Year 2	16,827,400	504,822	1,177,918	(386,994)	-	18,123,146
Year 3	18,123,146	543,694	1,268,620	(450,925)	-	19,484,535
Year 4	19,484,535	584,536	1,363,917	(508,903)	-	20,924,086
Year 5	20,924,086	627,723	1,464,686	(563,556)	-	22,452,939
Year 6	22,452,939	673,588	1,571,706	(616,812)	-	24,081,420
Year 7	24,081,420	722,443	1,685,699	(670,111)	-	25,819,451
Year 8	25,819,451	774,584	1,807,362	(724,548)	-	27,676,849
Year 9	27,676,849	830,305	1,937,379	(780,978)	-	29,663,556
Year 10	29,663,556	889,907	2,076,449	(840,095)	-	31,789,816
Year 11	31,789,816	953,694	2,225,287	(902,482)	-	34,066,315
Year 12	34,066,315	1,021,989	2,384,642	(968,650)	-	36,504,297
Year 13	36,504,297	1,095,129	2,555,301	(1,039,065)	-	39,115,662
Year 14	39,115,662	1,173,470	2,738,096	(1,114,171)	-	41,913,058
Year 15	41,913,058	1,257,392	2,933,914	(1,194,403)	-	44,909,961
Year 16	44,909,961	1,347,299	3,143,697	(1,280,197)	-	48,120,761
Year 17	48,120,761	1,443,623	3,368,453	(1,372,001)	-	51,560,836
Year 18	51,560,836	1,546,825	3,609,259	(1,470,280)	-	55,246,640
Year 19	55,246,640	1,657,399	3,867,265	(1,575,522)	-	59,195,782
Year 20	59,195,782	1,775,873	4,143,705	(3,779,384)	-	61,335,976

Schedule 12
Elder Family - 10.00% Rate of Return, 20 Years
No Further Planning - Discount Allowed

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%
Elder FLP Valuation Discount	40.00%

Elder GST Exempt Trust

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	10,000,000	300,000	700,000	(186,300)	-	10,813,700
Year 2	10,813,700	324,411	756,959	(238,209)	-	11,656,861
Year 3	11,656,861	349,706	815,980	(282,633)	-	12,539,914
Year 4	12,539,914	376,197	877,794	(322,283)	-	13,471,622
Year 5	13,471,622	404,149	943,014	(359,126)	-	14,459,659
Year 6	14,459,659	433,790	1,012,176	(394,596)	-	15,511,028
Year 7	15,511,028	465,331	1,085,772	(429,759)	-	16,632,372
Year 8	16,632,372	498,971	1,164,266	(465,416)	-	17,830,194
Year 9	17,830,194	534,906	1,248,114	(502,189)	-	19,111,024
Year 10	19,111,024	573,331	1,337,772	(540,573)	-	20,481,554
Year 11	20,481,554	614,447	1,433,709	(580,979)	-	21,948,731
Year 12	21,948,731	658,462	1,536,411	(623,760)	-	23,519,844
Year 13	23,519,844	705,595	1,646,389	(669,235)	-	25,202,594
Year 14	25,202,594	756,078	1,764,182	(717,702)	-	27,005,151
Year 15	27,005,151	810,155	1,890,361	(769,450)	-	28,936,217
Year 16	28,936,217	868,087	2,025,535	(824,766)	-	31,005,072
Year 17	31,005,072	930,152	2,170,355	(883,944)	-	33,221,635
Year 18	33,221,635	996,649	2,325,514	(947,287)	-	35,596,512
Year 19	35,596,512	1,067,895	2,491,756	(1,015,110)	-	38,141,054
Year 20	38,141,054	1,144,232	2,669,874	(2,435,062)	-	39,520,097

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Elder FLP

	Beg. of Year	Income	Growth	Distribution Income Taxes	Distribution Estate Taxes	Note Payment to CLAT	End of Year
Year 1	30,000,000	900,000	2,100,000	(291,942)	(1,200,000)	(598,560)	30,909,498
Year 2	30,909,498	927,285	2,163,665	(419,136)	-	(598,560)	32,982,751
Year 3	32,982,751	989,483	2,308,793	(538,278)	-	(598,560)	35,144,188
Year 4	35,144,188	1,054,326	2,460,093	(642,527)	-	(598,560)	37,417,520
Year 5	37,417,520	1,122,526	2,619,226	(737,610)	-	(598,560)	39,823,102
Year 6	39,823,102	1,194,693	2,787,617	(827,691)	-	(598,560)	42,379,161
Year 7	42,379,161	1,271,375	2,966,541	(915,837)	-	(598,560)	45,102,680
Year 8	45,102,680	1,353,080	3,157,188	(1,004,338)	-	(598,560)	48,010,049
Year 9	48,010,049	1,440,301	3,360,703	(1,094,945)	-	(598,560)	51,117,549
Year 10	51,117,549	1,533,526	3,578,228	(1,189,032)	-	(598,560)	54,441,712
Year 11	54,441,712	1,633,251	3,810,920	(1,287,717)	-	(598,560)	57,999,606
Year 12	57,999,606	1,739,988	4,059,972	(1,391,946)	-	(598,560)	61,809,060
Year 13	61,809,060	1,854,272	4,326,634	(1,502,554)	-	(598,560)	65,888,853
Year 14	65,888,853	1,976,666	4,612,220	(1,620,306)	-	(598,560)	70,258,872
Year 15	70,258,872	2,107,766	4,918,121	(1,745,935)	-	(598,560)	74,940,265
Year 16	74,940,265	2,248,208	5,245,819	(1,880,159)	-	(598,560)	79,955,572
Year 17	79,955,572	2,398,667	5,596,890	(2,023,706)	-	(598,560)	85,328,863
Year 18	85,328,863	2,559,866	5,973,020	(2,177,320)	-	(598,560)	91,085,870
Year 19	91,085,870	2,732,576	6,376,011	(2,341,776)	-	(598,560)	97,254,120
Year 20	97,254,120	2,917,624	6,807,788	(5,979,594)	-	(10,198,560)	90,801,378

	Ownership		
	Elder Children	CLAT	Elder GST Exempt Trust
Year 1	16.67%	53.33%	30.00%
Year 2	29.69%	0.00%	70.31%
Year 3	29.69%	0.00%	70.31%
Year 4	29.69%	0.00%	70.31%
Year 5	29.69%	0.00%	70.31%
Year 6	29.69%	0.00%	70.31%
Year 7	29.69%	0.00%	70.31%
Year 8	29.69%	0.00%	70.31%
Year 9	29.69%	0.00%	70.31%
Year 10	29.69%	0.00%	70.31%
Year 11	29.69%	0.00%	70.31%
Year 12	29.69%	0.00%	70.31%
Year 13	29.69%	0.00%	70.31%
Year 14	29.69%	0.00%	70.31%
Year 15	29.69%	0.00%	70.31%
Year 16	29.69%	0.00%	70.31%
Year 17	29.69%	0.00%	70.31%
Year 18	29.69%	0.00%	70.31%
Year 19	29.69%	0.00%	70.31%
Year 20	29.69%	0.00%	70.31%

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Elder Children

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Distrib. from Elder FLP Estate Taxes	Distrib. from CLAT	Income Taxes	Estate Taxes	End of Year
Year 1	-	-	-	48,657	1,200,000	-	(48,657)	(1,200,000)	-
Year 2	-	-	-	124,431	-	-	(124,431)	-	-
Year 3	-	-	-	159,801	-	-	(159,801)	-	-
Year 4	-	-	-	190,750	-	-	(190,750)	-	-
Year 5	-	-	-	218,978	-	-	(218,978)	-	-
Year 6	-	-	-	245,721	-	-	(245,721)	-	-
Year 7	-	-	-	271,889	-	-	(271,889)	-	-
Year 8	-	-	-	298,163	-	-	(298,163)	-	-
Year 9	-	-	-	325,062	-	-	(325,062)	-	-
Year 10	-	-	-	352,994	-	-	(352,994)	-	-
Year 11	-	-	-	382,291	-	-	(382,291)	-	-
Year 12	-	-	-	413,234	-	-	(413,234)	-	-
Year 13	-	-	-	446,071	-	-	(446,071)	-	-
Year 14	-	-	-	481,028	-	-	(481,028)	-	-
Year 15	-	-	-	518,324	-	-	(518,324)	-	-
Year 16	-	-	-	558,172	-	-	(558,172)	-	-
Year 17	-	-	-	600,788	-	-	(600,788)	-	-
Year 18	-	-	-	646,392	-	-	(646,392)	-	-
Year 19	-	-	-	695,215	-	-	(695,215)	-	-
Year 20	-	-	-	1,775,192	-	9,600,000	(1,775,192)	-	9,600,000

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Beneficiary Distributions	Income Taxes	End of Year
Year 1	-	-	-	87,583	-	(87,583)	-
Year 2	-	-	-	294,705	-	(294,705)	-
Year 3	-	-	-	378,477	-	(378,477)	-
Year 4	-	-	-	451,777	-	(451,777)	-
Year 5	-	-	-	518,632	-	(518,632)	-
Year 6	-	-	-	581,970	-	(581,970)	-
Year 7	-	-	-	643,948	-	(643,948)	-
Year 8	-	-	-	706,175	-	(706,175)	-
Year 9	-	-	-	769,883	-	(769,883)	-
Year 10	-	-	-	836,038	-	(836,038)	-
Year 11	-	-	-	905,426	-	(905,426)	-
Year 12	-	-	-	978,712	-	(978,712)	-
Year 13	-	-	-	1,056,483	-	(1,056,483)	-
Year 14	-	-	-	1,139,278	-	(1,139,278)	-
Year 15	-	-	-	1,227,610	-	(1,227,610)	-
Year 16	-	-	-	1,321,987	-	(1,321,987)	-
Year 17	-	-	-	1,422,918	-	(1,422,918)	-
Year 18	-	-	-	1,530,928	-	(1,530,928)	-
Year 19	-	-	-	1,646,561	-	(1,646,561)	-
Year 20	-	-	-	4,204,402	-	(4,204,402)	-

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Charitable Lead Annuity Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP - Income Taxes	Note Payment Received	Annuity Payment to Charity	Income Taxes	Distrib. to Elder Family Remaindermen	End of Year
Year 1	-	-	-	155,703	598,560	(598,560)	(155,703)	-	-
Year 2	-	-	-	-	598,560	(598,560)	-	-	-
Year 3	-	-	-	-	598,560	(598,560)	-	-	-
Year 4	-	-	-	-	598,560	(598,560)	-	-	-
Year 5	-	-	-	-	598,560	(598,560)	-	-	-
Year 6	-	-	-	-	598,560	(598,560)	-	-	-
Year 7	-	-	-	-	598,560	(598,560)	-	-	-
Year 8	-	-	-	-	598,560	(598,560)	-	-	-
Year 9	-	-	-	-	598,560	(598,560)	-	-	-
Year 10	-	-	-	-	598,560	(598,560)	-	-	-
Year 11	-	-	-	-	598,560	(598,560)	-	-	-
Year 12	-	-	-	-	598,560	(598,560)	-	-	-
Year 13	-	-	-	-	598,560	(598,560)	-	-	-
Year 14	-	-	-	-	598,560	(598,560)	-	-	-
Year 15	-	-	-	-	598,560	(598,560)	-	-	-
Year 16	-	-	-	-	598,560	(598,560)	-	-	-
Year 17	-	-	-	-	598,560	(598,560)	-	-	-
Year 18	-	-	-	-	598,560	(598,560)	-	-	-
Year 19	-	-	-	-	598,560	(598,560)	-	-	-
Year 20	-	-	-	-	10,198,560	(598,560)	-	(9,600,000)	-

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Assumptions:	
Total Rate of Return	10.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	598,560	598,560
Year 2	598,560	17,957	41,899	598,560	1,256,976
Year 3	1,256,976	37,709	87,988	598,560	1,981,234
Year 4	1,981,234	59,437	138,686	598,560	2,777,917
Year 5	2,777,917	83,338	194,454	598,560	3,654,269
Year 6	3,654,269	109,628	255,799	598,560	4,618,256
Year 7	4,618,256	138,548	323,278	598,560	5,678,641
Year 8	5,678,641	170,359	397,505	598,560	6,845,065
Year 9	6,845,065	205,352	479,155	598,560	8,128,132
Year 10	8,128,132	243,844	568,969	598,560	9,539,505
Year 11	9,539,505	286,185	667,765	598,560	11,092,015
Year 12	11,092,015	332,760	776,441	598,560	12,799,777
Year 13	12,799,777	383,993	895,984	598,560	14,678,315
Year 14	14,678,315	440,349	1,027,482	598,560	16,744,706
Year 15	16,744,706	502,341	1,172,129	598,560	19,017,737
Year 16	19,017,737	570,532	1,331,242	598,560	21,518,070
Year 17	21,518,070	645,542	1,506,265	598,560	24,268,437
Year 18	24,268,437	728,053	1,698,791	598,560	27,293,841
Year 19	27,293,841	818,815	1,910,569	598,560	30,621,785
Year 20	30,621,785	918,654	2,143,525	598,560	34,282,524

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $3mm to Family

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Assumptions:	
Total Rate of Return	10.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$598,560
Elder FLP Valuation Discount	40.00%

Note Between Elder FLP and CLAT

	Beg. Balance	Interest	Payment	End of Year Balance
Year 1	9,600,000	598,560	(598,560)	9,600,000
Year 2	9,600,000	598,560	(598,560)	9,600,000
Year 3	9,600,000	598,560	(598,560)	9,600,000
Year 4	9,600,000	598,560	(598,560)	9,600,000
Year 5	9,600,000	598,560	(598,560)	9,600,000
Year 6	9,600,000	598,560	(598,560)	9,600,000
Year 7	9,600,000	598,560	(598,560)	9,600,000
Year 8	9,600,000	598,560	(598,560)	9,600,000
Year 9	9,600,000	598,560	(598,560)	9,600,000
Year 10	9,600,000	598,560	(598,560)	9,600,000
Year 11	9,600,000	598,560	(598,560)	9,600,000
Year 12	9,600,000	598,560	(598,560)	9,600,000
Year 13	9,600,000	598,560	(598,560)	9,600,000
Year 14	9,600,000	598,560	(598,560)	9,600,000
Year 15	9,600,000	598,560	(598,560)	9,600,000
Year 16	9,600,000	598,560	(598,560)	9,600,000
Year 17	9,600,000	598,560	(598,560)	9,600,000
Year 18	9,600,000	598,560	(598,560)	9,600,000
Year 19	9,600,000	598,560	(598,560)	9,600,000
Year 20	9,600,000	598,560	(10,198,560)	-

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Elder FLP

	Beg. of Year	Income	Growth	Distribution Income Taxes	Distribution Estate Taxes	Note Payment to CLAT	End of Year
Year 1	30,000,000	900,000	2,100,000	(486,599)	(4,000,000)	(162,110)	28,351,291
Year 2	28,351,291	850,539	1,984,590	(566,133)	-	(162,110)	30,458,177
Year 3	30,458,177	913,745	2,132,072	(676,501)	-	(162,110)	32,665,384
Year 4	32,665,384	979,962	2,286,577	(775,145)	-	(162,110)	34,994,667
Year 5	34,994,667	1,049,840	2,449,627	(866,918)	-	(162,110)	37,465,106
Year 6	37,465,106	1,123,953	2,622,557	(955,367)	-	(162,110)	40,094,139
Year 7	40,094,139	1,202,824	2,806,590	(1,043,122)	-	(162,110)	42,898,321
Year 8	42,898,321	1,286,950	3,002,882	(1,132,169)	-	(162,110)	45,893,874
Year 9	45,893,874	1,376,816	3,212,571	(1,224,045)	-	(162,110)	49,097,106
Year 10	49,097,106	1,472,913	3,436,797	(1,319,978)	-	(162,110)	52,524,728
Year 11	52,524,728	1,575,742	3,676,731	(1,420,987)	-	(162,110)	56,194,104
Year 12	56,194,104	1,685,823	3,933,587	(1,527,950)	-	(162,110)	60,123,454
Year 13	60,123,454	1,803,704	4,208,642	(1,641,661)	-	(162,110)	64,332,029
Year 14	64,332,029	1,929,961	4,503,242	(1,762,862)	-	(162,110)	68,840,260
Year 15	68,840,260	2,065,208	4,818,818	(1,892,273)	-	(162,110)	73,669,903
Year 16	73,669,903	2,210,097	5,156,893	(2,030,613)	-	(162,110)	78,844,170
Year 17	78,844,170	2,365,325	5,519,092	(2,178,614)	-	(162,110)	84,387,864
Year 18	84,387,864	2,531,636	5,907,150	(2,337,031)	-	(162,110)	90,327,510
Year 19	90,327,510	2,709,825	6,322,926	(2,506,656)	-	(162,110)	96,691,495
Year 20	96,691,495	2,900,745	6,768,405	(6,111,074)	-	(2,762,110)	97,487,461

Ownership		
Elder Children	**CLAT**	**Elder GST Exempt Trust**
55.56%	14.44%	30.00%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%
58.46%	0.00%	41.54%

Schedule 12
Elder Family - 10.00% Rate of Return, 20 Years
CLAT Redemption - Discount Allowed - $10mm to Family

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Assumptions:	
Total Rate of Return	10.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Elder Children

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Distrib. from Elder FLP Estate Taxes	Distrib. from CLAT	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	-	-	-	270,333	4,000,000	-	(270,333)	(4,000,000)	-
Year 2	-	-	-	330,970	-	-	(330,970)	-	-
Year 3	-	-	-	395,493	-	-	(395,493)	-	-
Year 4	-	-	-	453,162	-	-	(453,162)	-	-
Year 5	-	-	-	506,814	-	-	(506,814)	-	-
Year 6	-	-	-	558,522	-	-	(558,522)	-	-
Year 7	-	-	-	609,825	-	-	(609,825)	-	-
Year 8	-	-	-	661,884	-	-	(661,884)	-	-
Year 9	-	-	-	715,596	-	-	(715,596)	-	-
Year 10	-	-	-	771,680	-	-	(771,680)	-	-
Year 11	-	-	-	830,731	-	-	(830,731)	-	-
Year 12	-	-	-	893,263	-	-	(893,263)	-	-
Year 13	-	-	-	959,740	-	-	(959,740)	-	-
Year 14	-	-	-	1,030,596	-	-	(1,030,596)	-	-
Year 15	-	-	-	1,106,252	-	-	(1,106,252)	-	-
Year 16	-	-	-	1,187,128	-	-	(1,187,128)	-	-
Year 17	-	-	-	1,273,651	-	-	(1,273,651)	-	-
Year 18	-	-	-	1,366,264	-	-	(1,366,264)	-	-
Year 19	-	-	-	1,465,430	-	-	(1,465,430)	-	-
Year 20	-	-	-	3,572,628	-	2,600,000	(3,572,628)	-	2,600,000

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Assumptions:	
Total Rate of Return	10.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	3.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP Income Taxes	Beneficiary Distributons	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	-	-	-	145,980	-	(145,980)	-	-
Year 2	-	-	-	235,163	-	(235,163)	-	-
Year 3	-	-	-	281,008	-	(281,008)	-	-
Year 4	-	-	-	321,983	-	(321,983)	-	-
Year 5	-	-	-	360,104	-	(360,104)	-	-
Year 6	-	-	-	396,845	-	(396,845)	-	-
Year 7	-	-	-	433,297	-	(433,297)	-	-
Year 8	-	-	-	470,286	-	(470,286)	-	-
Year 9	-	-	-	508,450	-	(508,450)	-	-
Year 10	-	-	-	548,299	-	(548,299)	-	-
Year 11	-	-	-	590,256	-	(590,256)	-	-
Year 12	-	-	-	634,687	-	(634,687)	-	-
Year 13	-	-	-	681,921	-	(681,921)	-	-
Year 14	-	-	-	732,266	-	(732,266)	-	-
Year 15	-	-	-	786,021	-	(786,021)	-	-
Year 16	-	-	-	843,485	-	(843,485)	-	-
Year 17	-	-	-	904,963	-	(904,963)	-	-
Year 18	-	-	-	970,767	-	(970,767)	-	-
Year 19	-	-	-	1,041,226	-	(1,041,226)	-	-
Year 20	-	-	-	2,538,446	-	(2,538,446)	-	-

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Rate of Return on Assets That Are Taxable at Capital Gains Rate	7.00%
Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Charitable Lead Annuity Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP - Income Taxes	Note Payment Received	Annuity Payment to Charity	Taxes on Investment Income	Distrib. to Elder Family Remaindermen	End of Year
Year 1	-	-	-	70,287	162,110	(162,110)	(70,287)	-	-
Year 2	-	-	-	-	162,110	(162,110)	-	-	-
Year 3	-	-	-	-	162,110	(162,110)	-	-	-
Year 4	-	-	-	-	162,110	(162,110)	-	-	-
Year 5	-	-	-	-	162,110	(162,110)	-	-	-
Year 6	-	-	-	-	162,110	(162,110)	-	-	-
Year 7	-	-	-	-	162,110	(162,110)	-	-	-
Year 8	-	-	-	-	162,110	(162,110)	-	-	-
Year 9	-	-	-	-	162,110	(162,110)	-	-	-
Year 10	-	-	-	-	162,110	(162,110)	-	-	-
Year 11	-	-	-	-	162,110	(162,110)	-	-	-
Year 12	-	-	-	-	162,110	(162,110)	-	-	-
Year 13	-	-	-	-	162,110	(162,110)	-	-	-
Year 14	-	-	-	-	162,110	(162,110)	-	-	-
Year 15	-	-	-	-	162,110	(162,110)	-	-	-
Year 16	-	-	-	-	162,110	(162,110)	-	-	-
Year 17	-	-	-	-	162,110	(162,110)	-	-	-
Year 18	-	-	-	-	162,110	(162,110)	-	-	-
Year 19	-	-	-	-	162,110	(162,110)	-	-	-
Year 20	-	-	-	-	2,762,110	(162,110)	-	(2,600,000)	-

Schedule 12
Elder Family - 10.00% Rate of Return, 20 Years
CLAT Redemption - Discount Allowed - $10mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	162,110	162,110
Year 2	162,110	4,863	11,348	162,110	340,431
Year 3	340,431	10,213	23,830	162,110	536,584
Year 4	536,584	16,098	37,561	162,110	752,353
Year 5	752,353	22,571	52,665	162,110	989,698
Year 6	989,698	29,691	69,279	162,110	1,250,778
Year 7	1,250,778	37,523	87,554	162,110	1,537,965
Year 8	1,537,965	46,139	107,658	162,110	1,853,872
Year 9	1,853,872	55,616	129,771	162,110	2,201,369
Year 10	2,201,369	66,041	154,096	162,110	2,583,616
Year 11	2,583,616	77,508	180,853	162,110	3,004,087
Year 12	3,004,087	90,123	210,286	162,110	3,466,606
Year 13	3,466,606	103,998	242,662	162,110	3,975,377
Year 14	3,975,377	119,261	278,276	162,110	4,535,025
Year 15	4,535,025	136,051	317,452	162,110	5,150,637
Year 16	5,150,637	154,519	360,545	162,110	5,827,811
Year 17	5,827,811	174,834	407,947	162,110	6,572,702
Year 18	6,572,702	197,181	460,089	162,110	7,392,082
Year 19	7,392,082	221,762	517,446	162,110	8,293,400
Year 20	8,293,400	248,802	580,538	162,110	9,284,850

Schedule 12

Elder Family - 10.00% Rate of Return, 20 Years

CLAT Redemption - Discount Allowed - $10mm to Family

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Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%
Estate Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	6.235%
IRS 7520 Rate (June 2014)	2.20%
CLAT Annuity Payment	$162,110
Elder FLP Valuation Discount	40.00%

Note Between Elder FLP and CLAT

	Beg. Balance	Interest	Payment	End of Year Balance
Year 1	2,600,000	162,110	(162,110)	2,600,000
Year 2	2,600,000	162,110	(162,110)	2,600,000
Year 3	2,600,000	162,110	(162,110)	2,600,000
Year 4	2,600,000	162,110	(162,110)	2,600,000
Year 5	2,600,000	162,110	(162,110)	2,600,000
Year 6	2,600,000	162,110	(162,110)	2,600,000
Year 7	2,600,000	162,110	(162,110)	2,600,000
Year 8	2,600,000	162,110	(162,110)	2,600,000
Year 9	2,600,000	162,110	(162,110)	2,600,000
Year 10	2,600,000	162,110	(162,110)	2,600,000
Year 11	2,600,000	162,110	(162,110)	2,600,000
Year 12	2,600,000	162,110	(162,110)	2,600,000
Year 13	2,600,000	162,110	(162,110)	2,600,000
Year 14	2,600,000	162,110	(162,110)	2,600,000
Year 15	2,600,000	162,110	(162,110)	2,600,000
Year 16	2,600,000	162,110	(162,110)	2,600,000
Year 17	2,600,000	162,110	(162,110)	2,600,000
Year 18	2,600,000	162,110	(162,110)	2,600,000
Year 19	2,600,000	162,110	(162,110)	2,600,000
Year 20	2,600,000	162,110	(2,762,110)	-

Schedule 13

Harvey Happywithkids

Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Mr. Happywithkids has a life expectancy of 10 years)

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	10-Year Future Values		Present Values (Discounted at 2.5%)	Percentage of Total
	Pre-Death	Post Death		
First Spouse to Die Creates a Credit Shelter Trust and There is No Further Planning by the Surviving Spouse (assumes \$6.79mm inflation adjusted estate tax exemption available in 10 years)				
Harvey Happywithkids	67,181,900	-	-	0.00%
Children	-	36,235,140	28,306,833	32.01%
Credit Shelter Trust for Children and Grandchildren	8,878,625	8,878,625	6,935,968	7.84%
Children and Grandchildren	-	6,790,000	5,304,337	6.00%
Consumption - Direct Cost	13,444,058	13,444,058	10,502,477	11.88%
Consumption - Investment Opportunity Cost	5,213,608	5,213,608	4,072,862	4.61%
IRS Income Tax - Direct Cost	13,482,783	13,482,783	10,532,728	11.91%
IRS Income Tax - Investment Opportunity Costs	4,983,718	4,983,718	3,893,272	4.40%
IRS Estate Tax (at 40.0%)	-	24,156,760	18,871,222	21.34%
Total	**\$113,184,692**	**\$113,184,692**	**\$88,419,700**	**100.00%**
Simulated \$45,172,758 Credit Shelter Trust: Mr. Happywithkids' deceased spouse created a credit shelter trust for Harvey and family and bequeaths the rest of her estate to Lenny (assumes \$6.8mm inflation adjusted estate tax exemption available at death)				
Harvey Happywithkids	153,997	-	-	0.00%
Children	-	-	-	0.00%
Credit Shelter Trust for Children and Grandchildren	73,862,244	73,862,244	57,701,067	65.26%
Children and Grandchildren	-	153,997	120,302	0.14%
Consumption - Direct Cost	13,444,058	13,444,058	10,502,477	11.88%
Consumption - Investment Opportunity Cost	5,213,608	5,213,608	4,072,862	4.61%
IRS Income Tax - Direct Cost	15,527,067	15,527,067	12,129,720	13.72%
IRS Income Tax - Investment Opportunity Costs	4,983,718	4,983,718	3,893,272	4.40%
IRS Estate Tax (at 40.0%)	-	-	-	0.00%
Total	**\$113,184,692**	**\$113,184,692**	**\$88,419,700**	**100.00%**
Hypothetical Technique: Surviving Spouse Bequeaths Estate to Family (assumes \$1.36mm inflation adjusted estate tax exemption available available in 10 years)				
Harvey Happywithkids	1,393,209	-	-	0.00%
Children	-	19,926	15,566	0.02%
QSST Trust for Children and Grandchildren	11,087,730	11,087,730	8,661,717	9.80%
GST Tax Exempt Trust for Children and Grandchildren	61,394,589	62,754,589	49,023,784	55.44%
Consumption - Direct Cost	13,444,058	13,444,058	10,502,477	11.88%
Consumption - Investment Opportunity Cost	5,213,608	5,213,608	4,072,862	4.61%
IRS Income Tax - Direct Cost	15,667,780	15,667,780	12,239,645	13.84%
IRS Income Tax - Investment Opportunity Costs	4,983,718	4,983,718	3,893,272	4.40%
IRS Estate Tax (at 40.0%)	-	13,284	10,377	0.01%
Total	**\$113,184,692**	**\$113,184,692**	**\$88,419,700**	**100.00%**

Schedule 13
Harvey Happywithkids
Asset Page

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	Mr. Harvey Happywithkids	Credit Shelter Trust
Assets* (assumed value and basis)		
FMV: Financial Assets	$50,000,000	$5,430,000
Basis: Financial Assets	$50,000,000	$5,430,000

* Information provided by client. There is no proposed planning for Mr. and Mrs. Surviving Spouse' other assets.

Schedule 13
Harvey Happywithkids
First Spouse to Die Creates a Credit Shelter Trust and There is No Further Planning by the Surviving Spouse (assumes $6.79mm inflation adjusted estate tax exemption available in 10 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gains and Health Care Tax Rate	25.00%
Ordinary Income and Health Care Tax Rate	44.60%
Annual Consumption (increasing 2.5% per year)	$1,200,000

Harvey Happywithkids

	Beginning of Year Financial Assets	Income	Growth	Consumption	Income Taxes	End of Year Financial Assets
Year 1	50,000,000	1,500,000	2,200,000	(1,200,000)	(834,000)	51,666,000
Year 2	51,666,000	1,549,980	2,273,304	(1,230,000)	(977,289)	53,281,995
Year 3	53,281,995	1,598,460	2,344,408	(1,260,750)	(1,088,942)	54,875,171
Year 4	54,875,171	1,646,255	2,414,508	(1,292,269)	(1,178,538)	56,465,126
Year 5	56,465,126	1,693,954	2,484,466	(1,324,575)	(1,252,854)	58,066,116
Year 6	58,066,116	1,741,983	2,554,909	(1,357,690)	(1,316,688)	59,688,630
Year 7	59,688,630	1,790,659	2,626,300	(1,391,632)	(1,373,441)	61,340,516
Year 8	61,340,516	1,840,215	2,698,983	(1,426,423)	(1,425,525)	63,027,766
Year 9	63,027,766	1,890,833	2,773,222	(1,462,083)	(1,474,655)	64,755,082
Year 10	64,755,082	1,942,652	2,849,224	(1,498,636)	(866,423)	67,181,900

Credit Shelter Trust

	Beginning of Year Financial Assets	Income	Growth	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	5,430,000	162,900	238,920	-	(90,572)	5,741,248
Year 2	5,741,248	172,237	252,615	-	(108,307)	6,057,793
Year 3	6,057,793	181,734	266,543	-	(123,087)	6,382,983
Year 4	6,382,983	191,489	280,851	-	(135,891)	6,719,432
Year 5	6,719,432	201,583	295,655	-	(147,421)	7,069,249
Year 6	7,069,249	212,077	311,047	-	(158,176)	7,434,198
Year 7	7,434,198	223,026	327,105	-	(168,515)	7,815,813
Year 8	7,815,813	234,474	343,896	-	(178,699)	8,215,484
Year 9	8,215,484	246,465	361,481	-	(188,921)	8,634,509
Year 10	8,634,509	259,035	379,918	-	(394,838)	8,878,625

Schedule 13
Harvey Happywithkids
First Spouse to Die Creates a Credit Shelter Trust and There is No Further Planning by the Surviving Spouse (assumes $6.79mm inflation adjusted estate tax exemption available in 10 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gains and Health Care Tax Rate	25.00%
Ordinary Income and Health Care Tax Rate	44.60%
Annual Consumption (increasing 2.5% per year)	$1,200,000

Harvey Happywithkids

	Beginning of Year Financial Assets	Income	Growth	Consumption	Income Taxes	End of Year Financial Assets
Year 1	10,257,242	307,717	451,319	(1,200,000)	(171,091)	9,645,187
Year 2	9,645,187	289,356	424,388	(1,230,000)	(184,576)	8,944,355
Year 3	8,944,355	268,331	393,552	(1,260,750)	(188,058)	8,157,429
Year 4	8,157,429	244,723	358,927	(1,292,269)	(183,934)	7,284,876
Year 5	7,284,876	218,546	320,535	(1,324,575)	(173,863)	6,325,518
Year 6	6,325,518	189,766	278,323	(1,357,690)	(158,984)	5,276,933
Year 7	5,276,933	158,308	232,185	(1,391,632)	(140,063)	4,135,731
Year 8	4,135,731	124,072	181,972	(1,426,423)	(117,604)	2,897,748
Year 9	2,897,748	86,932	127,501	(1,462,083)	(91,922)	1,558,176
Year 10	1,558,176	46,745	68,560	(1,498,636)	(20,848)	153,997

$45,172,758 Simulated Credit Shelter Trust

	Beginning of Year Financial Assets	Income	Growth	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	45,172,758	1,355,183	1,987,601	-	(753,482)	47,762,061
Year 2	47,762,061	1,432,862	2,101,531	-	(901,020)	50,395,433
Year 3	50,395,433	1,511,863	2,217,399	-	(1,023,971)	53,100,725
Year 4	53,100,725	1,593,022	2,336,432	-	(1,130,496)	55,899,682
Year 5	55,899,682	1,676,990	2,459,586	-	(1,226,412)	58,809,846
Year 6	58,809,846	1,764,295	2,587,633	-	(1,315,880)	61,845,895
Year 7	61,845,895	1,855,377	2,721,219	-	(1,401,893)	65,020,598
Year 8	65,020,598	1,950,618	2,860,906	-	(1,486,620)	68,345,502
Year 9	68,345,502	2,050,365	3,007,202	-	(1,571,654)	71,831,415
Year 10	71,831,415	2,154,942	3,160,582	-	(3,284,696)	73,862,244

Schedule 13

Harvey Happywithkids

Hypothetical Technique: Surviving Spouse Bequeaths Estate to Family (assumes $1.36mm inflation adjusted estate tax exemption available available in 10 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gains and Health Care Tax Rate	25.00%
Ordinary Income and Health Care Tax Rate	44.60%

Assumptions (continued):	
Annual Consumption (increasing 2.5% per year)	$1,200,000
Family Limited Partnership Valuation Discount	35.00%
Intra-Family Interest Rate - February 2015 (mid-term)	1.70%

Harvey Happywithkids

	Beginning of Year Financial Assets	Income	Growth	Partnership Distributions	Note Payments	QSST Distributions	Consumption	Income Taxes	End of Year Financial Assets
Year 1	1,000,000	30,000	44,000	-	1,050,572	-	(1,200,000)	(924,572)	-
Year 2	-	-	-	-	2,315,596	-	(1,230,000)	(1,085,596)	-
Year 3	-	-	-	-	2,472,779	-	(1,260,750)	(1,212,029)	-
Year 4	-	-	-	-	2,606,698	-	(1,292,269)	(1,314,430)	-
Year 5	-	-	-	-	2,724,851	-	(1,324,575)	(1,400,275)	-
Year 6	-	-	-	-	2,832,554	-	(1,357,690)	(1,474,864)	-
Year 7	-	-	-	-	2,933,588	-	(1,391,632)	(1,541,956)	-
Year 8	-	-	-	-	3,030,647	-	(1,426,423)	(1,604,224)	-
Year 9	-	-	-	-	3,125,660	-	(1,462,083)	(1,663,576)	-
Year 10	-	-	-	-	6,338,103	-	(1,498,636)	(3,446,258)	1,393,209

Family Limited Partnership

	Beginning of Year Financial Assets	Income	Growth	Ownership Distributions	End of Year Financial Assets	Ownership: GST Tax Exempt Grantor Trust	Ownership: QSST
Year 1	54,430,000	1,632,900	2,394,920	(1,763,532)	56,694,288	90.0%	10.0%
Year 2	56,694,288	1,700,829	2,494,549	(2,214,095)	58,675,570	90.0%	10.0%
Year 3	58,675,570	1,760,267	2,581,725	(2,558,020)	60,459,543	90.0%	10.0%
Year 4	60,459,543	1,813,786	2,660,220	(2,825,363)	62,108,186	90.0%	10.0%
Year 5	62,108,186	1,863,246	2,732,760	(3,037,821)	63,666,371	90.0%	10.0%
Year 6	63,666,371	1,909,991	2,801,320	(3,211,061)	65,166,621	90.0%	10.0%
Year 7	65,166,621	1,954,999	2,867,331	(3,356,396)	66,632,554	90.0%	10.0%
Year 8	66,632,554	1,998,977	2,931,832	(3,481,998)	68,081,365	90.0%	10.0%
Year 9	68,081,365	2,042,441	2,995,580	(3,593,772)	69,525,614	90.0%	10.0%
Year 10	69,525,614	2,085,768	3,059,127	(8,669,868)	66,000,642	90.0%	10.0%

Harvey Happywithkids

Hypothetical Technique: Surviving Spouse Bequeaths Estate to Family (assumes $1.36mm inflation adjusted estate tax exemption available available in 10 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gains and Health Care Tax Rate	25.00%
Ordinary Income and Health Care Tax Rate	44.60%

Assumptions (continued):	
Annual Consumption (increasing 2.5% per year)	$1,200,000
Family Limited Partnership Valuation Discount	35.00%
Intra-Family Interest Rate - February 2015 (mid-term)	1.70%

Sub-S Corporation

	Beginning of Year Financial Assets	Income	Growth	Partnership Distributions	Owner Distributions	End of Year Financial Assets	Ownership QSST
Year 1	-	-	-	175,932	-	175,932	100.0%
Year 2	175,932	5,278	7,741	220,881	-	409,832	100.0%
Year 3	409,832	12,295	18,033	255,191	-	695,350	100.0%
Year 4	695,350	20,861	30,595	281,861	-	1,028,668	100.0%
Year 5	1,028,668	30,860	45,261	303,057	-	1,407,846	100.0%
Year 6	1,407,846	42,235	61,945	320,339	-	1,832,365	100.0%
Year 7	1,832,365	54,971	80,624	334,838	-	2,302,798	100.0%
Year 8	2,302,798	69,084	101,323	347,368	-	2,820,574	100.0%
Year 9	2,820,574	84,617	124,105	358,519	-	3,387,815	100.0%
Year 10	3,387,815	101,634	149,064	864,916	-	4,503,429	100.0%

Credit Shelter Trust Converted to QSST

	Beginning of Year Financial Assets	Income	Growth	Sub-S Distributions	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	-	-

Harvey Happywithkids

Hypothetical Technique: Surviving Spouse Bequeaths Estate to Family (assumes $1.36mm inflation adjusted estate tax exemption available available in 10 years)

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Assumptions:	
Total Estimated Rate of Return - Financial Assets	7.40%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gains and Health Care Tax Rate	25.00%
Ordinary Income and Health Care Tax Rate	44.60%

Assumptions (continued):	
Annual Consumption (increasing 2.5% per year)	$1,200,000
Family Limited Partnership Valuation Discount	35.00%
Intra-Family Interest Rate - February 2015 (mid-term)	1.70%

GST Tax Exempt Grantor Trust

	Beginning of Year Financial Assets	Income	Growth	Partnership Distributions	Note Payments	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	1,587,600	(1,050,572)	-	-	537,028
Year 2	537,028	16,111	23,629	1,993,214	(2,315,596)	-	-	254,386
Year 3	254,386	7,632	11,193	2,302,829	(2,472,779)	-	-	103,260
Year 4	103,260	3,098	4,543	2,543,501	(2,606,698)	-	-	47,704
Year 5	47,704	1,431	2,099	2,734,765	(2,724,851)	-	-	61,149
Year 6	61,149	1,834	2,691	2,890,722	(2,832,554)	-	-	123,842
Year 7	123,842	3,715	5,449	3,021,558	(2,933,588)	-	-	220,977
Year 8	220,977	6,629	9,723	3,134,630	(3,030,647)	-	-	341,311
Year 9	341,311	10,239	15,018	3,235,253	(3,125,660)	-	-	476,162
Year 10	476,162	14,285	20,951	7,804,952	(6,338,103)	-	-	1,978,247

Note Between Mr. Happywithkids and GST Tax Exempt Grantor Trust

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	26,420,000	449,140	(1,050,572)	25,818,568
Year 2	25,818,568	438,916	(2,315,596)	23,941,887
Year 3	23,941,887	407,012	(2,472,779)	21,876,120
Year 4	21,876,120	371,894	(2,606,698)	19,641,316
Year 5	19,641,316	333,902	(2,724,851)	17,250,368
Year 6	17,250,368	293,256	(2,832,554)	14,711,070
Year 7	14,711,070	250,088	(2,933,588)	12,027,570
Year 8	12,027,570	204,469	(3,030,647)	9,201,392
Year 9	9,201,392	156,424	(3,125,660)	6,232,156
Year 10	6,232,156	105,947	(6,338,103)	-

Schedule 14
Zelda Zerobasis
Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Zelda Zerobasis has a life expectancy of 20 years)

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	20-Year Values Pre-Death	20-Year Values Post Death	Present Values (Discounted at 2.50%)	Percentage of Total
No Further Planning: Bequeaths Estate to Family; Assumes $8.53mm Estate Tax Exemption Available				
Zelda Zerobasis	82,891,476	-	-	0.00%
Zerobasis Children	-	44,616,886	27,228,389	31.89%
Zerobasis Children and Grandchildren	-	8,530,000	5,205,611	6.10%
Consumption	12,772,329	12,772,329	7,794,581	9.13%
Consumption - Investment Opportunity Cost	13,053,175	13,053,175	7,965,974	9.33%
Opportunity Cost/(Benefit) of Borrowing from 3rd Party Lender	-	-		
IRS Income Tax	15,575,474	15,575,474	9,505,259	11.13%
IRS Income Tax - Investment Opportunity Cost	15,627,875	15,627,875	9,537,238	11.17%
IRS Estate Taxes @ 40%	-	29,744,590	18,152,259	21.26%
Total	**$139,920,329**	**$139,920,329**	**$85,389,311**	**100.00%**
Hypothetical Technique: Bequeaths Remaining Estate to Family; Assumes $3.19mm Estate Tax Exemption Available				
Zelda Zerobasis	8,416,063	-	-	0.00%
Zerobasis Children	-	3,135,638	1,913,589	2.24%
Zerobasis Children and Grandchildren	79,407,794	82,597,794	50,407,034	59.03%
Consumption	12,772,329	12,772,329	7,794,581	9.13%
Consumption - Investment Opportunity Cost	13,053,175	13,053,175	7,965,974	9.33%
Opportunity Cost/(Benefit) of Borrowing from 3rd Party Lender	(11,079,903)	(11,079,903)	(6,761,743)	-7.92%
IRS Income Tax	22,247,774	22,247,774	13,577,170	15.90%
IRS Income Tax - Investment Opportunity Cost	15,103,098	15,103,098	9,216,982	10.79%
IRS Estate Taxes @ 40%	-	2,090,425	1,275,726	1.49%
Total	**$139,920,329**	**$139,920,329**	**$85,389,311**	**100.00%**

Calculations of Remaining EstateTax Exemptions (assumes 2.5% inflation)	**No Further Planning**	**Hypothetical Technique**
Current Estate Tax Exemption	5,340,000	5,340,000
Prior Gifts Made	-	(5,340,000)
Future Exemption Available in 20 years	8,530,000	3,190,000

Schedule 14
Zelda Zerobasis
Asset Page

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	Zelda Zerobasis
Assets*	
FMV: Financial Assets	$5,000,000
Assumed Basis: Financial Assets	$5,000,000
FMV: Other Asset	$40,000,000
Assumed Basis: Other Asset	$0
Total Assets:	**$45,000,000**
Total Assumed Basis:	**$5,000,000**

* Information provided by client. There is no proposed planning for Zelda Zerobasis' other assets.

Schedule 14
Zelda Zerobasis
No Further Planning: Bequeaths Estate to Family; Assumes $8.53mm Estate Tax Exemption Available

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.

This material is based on the assumptions stated herein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown.

Assumptions:	**Financial Assets**	**Other Asset**
Total Estimated Rate of Return	7.40%	5.00%
Rate of Return Taxed at Ordinary Rates	0.60%	3.00%
Rate of Return Tax Free	2.40%	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%	2.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%	0.00%
Long-Term Capital Gains, Dividend and Health Care Tax Rate (TX)	25.00%	
Ordinary Income and Health Care Tax Rate (TX)	44.60%	
Annual Consumption from these Sources (increasing 2.5% per year)	$500,000	

Zelda Zerobasis

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Other Asset Income	Consumption from these Sources	Income Taxes	End of Year Financial Assets	Beginning of Year Other Asset	Growth	End of Year Other Asset	End of Year Financial & Other Assets
Year 1	5,000,000	30,000	120,000	220,000	1,200,000	(500,000)	(565,080)	5,504,920	40,000,000	800,000	40,800,000	46,304,920
Year 2	5,504,920	33,030	132,118	242,216	1,224,000	(512,500)	(590,351)	6,033,433	40,800,000	816,000	41,616,000	47,649,433
Year 3	6,033,433	36,201	144,802	265,471	1,248,480	(525,313)	(613,679)	6,589,395	41,616,000	832,320	42,448,320	49,037,715
Year 4	6,589,395	39,536	158,145	289,933	1,273,450	(538,445)	(635,835)	7,176,180	42,448,320	848,966	43,297,286	50,473,466
Year 5	7,176,180	43,057	172,228	315,752	1,298,919	(551,906)	(657,373)	7,796,856	43,297,286	865,946	44,163,232	51,960,088
Year 6	7,796,856	46,781	187,125	343,062	1,324,897	(565,704)	(678,694)	8,454,322	44,163,232	883,265	45,046,497	53,500,819
Year 7	8,454,322	50,726	202,904	371,990	1,351,395	(579,847)	(700,093)	9,151,397	45,046,497	900,930	45,947,427	55,098,824
Year 8	9,151,397	54,908	219,634	402,661	1,378,423	(594,343)	(721,788)	9,890,892	45,947,427	918,949	46,866,375	56,757,267
Year 9	9,890,892	59,345	237,381	435,199	1,405,991	(609,201)	(743,946)	10,675,662	46,866,375	937,328	47,803,703	58,479,365
Year 10	10,675,662	64,054	256,216	469,729	1,434,111	(624,431)	(766,695)	11,508,645	47,803,703	956,074	48,759,777	60,268,422
Year 11	11,508,645	69,052	276,207	506,380	1,462,793	(640,042)	(790,141)	12,392,895	48,759,777	975,196	49,734,972	62,127,867
Year 12	12,392,895	74,357	297,429	545,287	1,492,049	(656,043)	(814,371)	13,331,604	49,734,972	994,699	50,729,672	64,061,276
Year 13	13,331,604	79,990	319,958	586,591	1,521,890	(672,444)	(839,460)	14,328,129	50,729,672	1,014,593	51,744,265	66,072,394
Year 14	14,328,129	85,969	343,875	630,438	1,552,328	(689,256)	(865,478)	15,386,004	51,744,265	1,034,885	52,779,151	68,165,155
Year 15	15,386,004	92,316	369,264	676,984	1,583,375	(706,487)	(892,490)	16,508,966	52,779,151	1,055,583	53,834,734	70,343,699
Year 16	16,508,966	99,054	396,215	726,394	1,615,042	(724,149)	(920,559)	17,700,963	53,834,734	1,076,695	54,911,428	72,612,391
Year 17	17,700,963	106,206	424,823	778,842	1,647,343	(742,253)	(949,746)	18,966,178	54,911,428	1,098,229	56,009,657	74,975,835
Year 18	18,966,178	113,797	455,188	834,512	1,680,290	(760,809)	(980,116)	20,309,040	56,009,657	1,120,193	57,129,850	77,438,890
Year 19	20,309,040	121,854	487,417	893,598	1,713,895	(779,829)	(1,011,731)	21,734,244	57,129,850	1,142,597	58,272,447	80,006,691
Year 20	21,734,244	130,405	521,622	956,307	1,748,173	(799,325)	(837,846)	23,453,580	58,272,447	1,165,449	59,437,896	82,891,476

Schedule 14

Zelda Zerobasis

Hypothetical Technique: Bequeaths Remaining Estate to Family; Assumes $3.19mm Estate Tax Exemption Available

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Assumptions:	**Financial Assets**	**Other Asset**
Total Estimated Rate of Return	7.40%	5.00%
Rate of Return Taxed at Ordinary Rates	0.60%	3.00%
Rate of Return Tax Free	2.40%	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%	2.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%	0.00%
Long-Term Capital Gains, Dividend and Health Care Tax Rate (TX)	25.00%	
Ordinary Income and Health Care Tax Rate (TX)	44.60%	
Annual Consumption from these Sources (increasing 2.5% per year)	$500,000	

Assumptions (continued):	
Holdco, LLC - Preferred Non-Managing Member Interest	$40,000,000
Holdco, LLC - Preferred Coupon	7.00%
Holdco, LLC - Valuation Discount	40.00%
Note #1 - 3rd Party Interest Rate	4.00%
Note #2 - Intra-Family Interest Rate (mid-term)	1.93%
Note #3 - Interest Rate	8.00%
Zelda Zerobasis Managing Member Growth Interest	1.00%
GST Exempt Grantor Trust Non-Managing Member Growth Interest	99.00%

Zelda Zerobasis

	Beginning of Year Financial Assets	**Income**	**Tax Free Income**	**Growth**	**Holdco Growth Distributions**	**Loan Proceeds**	**Holdco Preferred Distributions**	**Note Payments from GST Trust**	**Holdco Terminates and Pays Preferred**	**3rd Party Note Payments**	**Note Payments to Holdco**	**Consumption from these Sources**	**Income Taxes**	**End of Year Financial Assets**
Year 1	2,000,000	12,000	48,000	88,000	7,324	-	2,800,000	275,257	-	(1,200,000)	-	(500,000)	(209,160)	3,321,421
Year 2	3,321,421	19,929	79,714	146,143	8,200	-	2,800,000	275,257	-	(1,200,000)	-	(512,500)	(311,954)	4,626,208
Year 3	4,626,208	27,757	111,029	203,553	8,849	30,000,000	2,800,000	275,257	-	(31,200,000)	(2,400,000)	(525,313)	(395,338)	3,532,003
Year 4	3,532,003	21,192	84,768	155,408	9,069	-	2,800,000	275,257	-	-	(2,400,000)	(538,445)	(821,458)	3,117,794
Year 5	3,117,794	18,707	74,827	137,183	9,347	-	2,800,000	275,257	-	-	(2,400,000)	(551,906)	(805,379)	2,675,828
Year 6	2,675,828	16,055	64,220	117,736	9,631	-	2,800,000	275,257	-	-	(2,400,000)	(565,704)	(801,169)	2,191,854
Year 7	2,191,854	13,151	52,604	96,442	9,922	-	2,800,000	275,257	-	-	(2,400,000)	(579,847)	(805,638)	1,653,744
Year 8	1,653,744	9,922	39,690	72,765	10,220	-	2,800,000	275,257	-	-	(2,400,000)	(594,343)	(816,547)	1,050,708
Year 9	1,050,708	6,304	25,217	46,231	10,525	-	2,800,000	1,275,257	-	-	(2,400,000)	(609,201)	(832,331)	1,372,710
Year 10	1,372,710	8,236	32,945	60,399	10,838	-	2,800,000	1,255,957	-	-	(2,400,000)	(624,431)	(851,900)	1,664,754
Year 11	1,664,754	9,989	39,954	73,249	11,159	-	2,800,000	1,236,657	-	-	(2,400,000)	(640,042)	(874,502)	1,921,216
Year 12	1,921,216	11,527	46,109	84,534	11,487	-	2,800,000	1,217,357	-	-	(2,400,000)	(656,043)	(899,626)	2,136,560
Year 13	2,136,560	12,819	51,277	94,009	11,824	-	2,800,000	1,198,057	-	-	(2,400,000)	(672,444)	(926,929)	2,305,173
Year 14	2,305,173	13,831	55,324	101,428	12,170	-	2,800,000	1,178,757	-	-	(2,400,000)	(689,256)	(956,190)	2,421,237
Year 15	2,421,237	14,527	58,110	106,534	12,524	-	2,800,000	1,159,457	-	-	(2,400,000)	(706,487)	(987,276)	2,478,626
Year 16	2,478,626	14,872	59,487	109,060	12,888	-	2,800,000	1,140,157	-	-	(2,400,000)	(724,149)	(1,020,115)	2,470,825
Year 17	2,470,825	14,825	59,300	108,716	13,261	-	2,800,000	1,120,857	-	-	(2,400,000)	(742,253)	(1,054,682)	2,390,849
Year 18	2,390,849	14,345	57,380	105,197	13,644	-	2,800,000	1,101,557	-	-	(2,400,000)	(760,809)	(1,090,984)	2,231,180
Year 19	2,231,180	13,387	53,548	98,172	14,037	-	2,800,000	1,082,257	-	-	(2,400,000)	(779,829)	(1,129,055)	1,983,697
Year 20	1,983,697	11,902	47,609	87,283	17,482	-	2,800,000	3,324,957	40,000,000	-	(32,400,000)	(799,325)	(6,657,540)	8,416,063

Schedule 14
Zelda Zerobasis
Hypothetical Technique: Bequeaths Remaining Estate to Family; Assumes $3.19mm Estate Tax Exemption Available

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Assumptions:	**Financial Assets**	**Other Asset**
Total Estimated Rate of Return	7.40%	5.00%
Rate of Return Taxed at Ordinary Rates	0.60%	3.00%
Rate of Return Tax Free	2.40%	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%	2.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%	0.00%
Long-Term Capital Gains, Dividend and Health Care Tax Rate (TX)	25.00%	
Ordinary Income and Health Care Tax Rate (TX)	44.60%	
Annual Consumption from these Sources (increasing 2.5% per year)	$500,000	

Assumptions (continued):	
Holdco, LLC - Preferred Non-Managing Member Interest	$40,000,000
Holdco, LLC - Preferred Coupon	7.00%
Holdco, LLC - Valuation Discount	40.00%
Note #1 - 3rd Party Interest Rate	4.00%
Note #2 - Intra-Family Interest Rate (mid-term)	1.93%
Note #3 - Interest Rate	8.00%
Zelda Zerobasis Managing Member Growth Interest	1.00%
GST Exempt Grantor Trust Non-Managing Member Growth Interest	99.00%

Holdco, LLC

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Other Asset Income	Note Payments from Zelda Zerobasis	Proceeds from Asset Sale	Loan to Zelda Zerobasis	Preferred Coupon	Growth Distributions & Holdco Termination	End of Year Financial Assets	Beginning of Year Other Asset	Growth	Sale of Assets	End of Year Other Asset	End of Year Financial & Other Assets
Year 1	33,000,000	198,000	792,000	1,452,000	1,200,000	-	-	-	(2,800,000)	(732,408)	33,109,592	40,000,000	800,000	-	40,800,000	73,909,592
Year 2	33,109,592	198,658	794,630	1,456,822	1,224,000	-	-	-	(2,800,000)	(819,997)	33,163,705	40,800,000	816,000	-	41,616,000	74,779,705
Year 3	33,163,705	198,982	795,929	1,459,203	1,248,480	2,400,000	-	(30,000,000)	(2,800,000)	(884,853)	5,581,447	41,616,000	832,320	-	42,448,320	48,029,767
Year 4	5,581,447	33,489	133,955	245,584	1,273,450	2,400,000	-	-	(2,800,000)	(906,938)	5,960,985	42,448,320	848,966	-	43,297,286	49,258,271
Year 5	5,960,985	35,766	143,064	262,283	1,298,919	2,400,000	-	-	(2,800,000)	(934,685)	6,366,332	43,297,286	865,946	-	44,163,232	50,529,564
Year 6	6,366,332	38,198	152,792	280,119	1,324,897	2,400,000	-	-	(2,800,000)	(963,095)	6,799,242	44,163,232	883,265	-	45,046,497	51,845,739
Year 7	6,799,242	40,795	163,182	299,167	1,351,395	2,400,000	-	-	(2,800,000)	(992,190)	7,261,591	45,046,497	900,930	-	45,947,427	53,209,018
Year 8	7,261,591	43,570	174,278	319,510	1,378,423	2,400,000	-	-	(2,800,000)	(1,021,992)	7,755,379	45,947,427	918,949	-	46,866,375	54,621,754
Year 9	7,755,379	46,532	186,129	341,237	1,405,991	2,400,000	-	-	(2,800,000)	(1,052,524)	8,282,745	46,866,375	937,328	-	47,803,703	56,086,448
Year 10	8,282,745	49,696	198,786	364,441	1,434,111	2,400,000	-	-	(2,800,000)	(1,083,808)	8,845,972	47,803,703	956,074	-	48,759,777	57,605,748
Year 11	8,845,972	53,076	212,303	389,223	1,462,793	2,400,000	-	-	(2,800,000)	(1,115,869)	9,447,498	48,759,777	975,196	-	49,734,972	59,182,470
Year 12	9,447,498	56,685	226,740	415,690	1,492,049	2,400,000	-	-	(2,800,000)	(1,148,734)	10,089,927	49,734,972	994,699	-	50,729,672	60,819,599
Year 13	10,089,927	60,540	242,158	443,957	1,521,890	2,400,000	-	-	(2,800,000)	(1,182,430)	10,776,042	50,729,672	1,014,593	-	51,744,265	62,520,308
Year 14	10,776,042	64,656	258,625	474,146	1,552,328	2,400,000	-	-	(2,800,000)	(1,216,984)	11,508,813	51,744,265	1,034,885	-	52,779,151	64,287,964
Year 15	11,508,813	69,053	276,212	506,388	1,583,375	2,400,000	-	-	(2,800,000)	(1,252,427)	12,291,413	52,779,151	1,055,583	-	53,834,734	66,126,146
Year 16	12,291,413	73,748	294,994	540,822	1,615,042	2,400,000	-	-	(2,800,000)	(1,288,790)	13,127,229	53,834,734	1,076,695	-	54,911,428	68,038,657
Year 17	13,127,229	78,763	315,053	577,598	1,647,343	2,400,000	-	-	(2,800,000)	(1,326,106)	14,019,880	54,911,428	1,098,229	-	56,009,657	70,029,537
Year 18	14,019,880	84,119	336,477	616,875	1,680,290	2,400,000	-	-	(2,800,000)	(1,364,409)	14,973,232	56,009,657	1,120,193	-	57,129,850	72,103,082
Year 19	14,973,232	89,839	359,358	658,822	1,713,895	2,400,000	-	-	(2,800,000)	(1,403,735)	15,991,412	57,129,850	1,142,597	-	58,272,447	74,263,859
Year 20	15,991,412	95,948	383,794	703,622	1,748,173	32,400,000	59,437,896	-	(2,800,000)	(107,960,846)	-	58,272,447	1,165,449	(59,437,896)	-	-

Schedule 14
Zelda Zerobasis
Hypothetical Technique: Bequeaths Remaining Estate to Family; Assumes $3.19mm Estate Tax Exemption Available

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Assumptions:	**Financial Assets**	**Other Asset**
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Rate of Return Taxed at Ordinary Rates	0.60%	3.00%
Rate of Return Tax Free	2.40%	0.00%
Rate of Return Taxed at Capital Gains Rates	4.40%	2.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%	0.00%
Long-Term Capital Gains, Dividend and Health Care Tax Rate (TX)	25.00%	
Ordinary Income and Health Care Tax Rate (TX)	44.60%	
Annual Consumption from these Sources (increasing 2.5% per year)	$500,000	

Assumptions (continued):	
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Holdco, LLC - Preferred Coupon	7.00%
Holdco, LLC - Valuation Discount	40.00%
Note #1 - 3rd Party Interest Rate	4.00%
Note #2 - Intra-Family Interest Rate (mid-term)	1.93%
Note #3 - Interest Rate	8.00%
Zelda Zerobasis Managing Member Growth Interest	1.00%
GST Exempt Grantor Trust Non-Managing Member Growth Interest	99.00%

GST Exempt Grantor Trust Created by Zelda Zerobasis for the Benefit of her Descendants

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Holdco Growth Distributions	Holdco Terminates	Note Payments to Zelda Zerobasis	Beneficiary Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	-	725,084	-	(275,257)	-	-	449,827
Year 2	449,827	2,699	10,796	19,792	811,797	-	(275,257)	-	-	1,019,655
Year 3	1,019,655	6,118	24,472	44,865	876,004	-	(275,257)	-	-	1,695,857
Year 4	1,695,857	10,175	40,701	74,618	897,869	-	(275,257)	-	-	2,443,962
Year 5	2,443,962	14,664	58,655	107,534	925,338	-	(275,257)	-	-	3,274,897
Year 6	3,274,897	19,649	78,598	144,095	953,464	-	(275,257)	-	-	4,195,447
Year 7	4,195,447	25,173	100,691	184,600	982,268	-	(275,257)	-	-	5,212,921
Year 8	5,212,921	31,278	125,110	229,369	1,011,772	-	(275,257)	-	-	6,335,193
Year 9	6,335,193	38,011	152,045	278,749	1,041,998	-	(1,275,257)	-	-	6,570,739
Year 10	6,570,739	39,424	157,698	289,113	1,072,969	-	(1,255,957)	-	-	6,873,987
Year 11	6,873,987	41,244	164,976	302,455	1,104,710	-	(1,236,657)	-	-	7,250,716
Year 12	7,250,716	43,504	174,017	319,031	1,137,247	-	(1,217,357)	-	-	7,707,159
Year 13	7,707,159	46,243	184,972	339,115	1,170,605	-	(1,198,057)	-	-	8,250,038
Year 14	8,250,038	49,500	198,001	363,002	1,204,814	-	(1,178,757)	-	-	8,886,598
Year 15	8,886,598	53,320	213,278	391,010	1,239,903	-	(1,159,457)	-	-	9,624,653
Year 16	9,624,653	57,748	230,992	423,485	1,275,903	-	(1,140,157)	-	-	10,472,623
Year 17	10,472,623	62,836	251,343	460,795	1,312,845	-	(1,120,857)	-	-	11,439,586
Year 18	11,439,586	68,638	274,550	503,342	1,350,765	-	(1,101,557)	-	-	12,535,324
Year 19	12,535,324	75,212	300,848	551,554	1,389,698	-	(1,082,257)	-	-	13,770,379
Year 20	13,770,379	82,622	330,489	605,897	1,730,692	66,212,672	(3,324,957)	-	-	79,407,794

Schedule 14
Zelda Zerobasis
Hypothetical Technique: Bequeaths Remaining Estate to Family; Assumes $3.19mm Estate Tax Exemption Available

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Assumptions (continued):	
Holdco, LLC - Preferred Non-Managing Member Interest	$40,000,000
Holdco, LLC - Preferred Coupon	7.00%
Holdco, LLC - Valuation Discount	40.00%
Note #1 - 3rd Party Interest Rate	4.00%
Note #2 - Intra-Family Interest Rate (mid-term)	1.93%
Note #3 - Interest Rate	8.00%
Zelda Zerobasis Managing Member Growth Interest	1.00%
GST Exempt Grantor Trust Non-Managing Member Growth Interest	99.00%

Note #1 - 3rd Party Note

	Beginning of Year Principal	Interest	Note Payment	End of Year Principal
Year 1	30,000,000	1,200,000	(1,200,000)	30,000,000
Year 2	30,000,000	1,200,000	(1,200,000)	30,000,000
Year 3	30,000,000	1,200,000	(31,200,000)	-
Year 4	-	-	-	-
Year 5	-	-	-	-
Year 6	-	-	-	-
Year 7	-	-	-	-
Year 8	-	-	-	-
Year 9	-	-	-	-
Year 10	-	-	-	-
Year 11	-	-	-	-
Year 12	-	-	-	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	-	-	-	-
Year 18	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-

Note #2 Between Zelda Zerobasis and GST Exempt Grantor Trust

	Beginning of Year Principal	Interest	Note Payment	End of Year Principal
Year 1	14,262,000	275,257	(275,257)	14,262,000
Year 2	14,262,000	275,257	(275,257)	14,262,000
Year 3	14,262,000	275,257	(275,257)	14,262,000
Year 4	14,262,000	275,257	(275,257)	14,262,000
Year 5	14,262,000	275,257	(275,257)	14,262,000
Year 6	14,262,000	275,257	(275,257)	14,262,000
Year 7	14,262,000	275,257	(275,257)	14,262,000
Year 8	14,262,000	275,257	(275,257)	14,262,000
Year 9	14,262,000	275,257	(1,275,257)	13,262,000
Year 10	13,262,000	255,957	(1,255,957)	12,262,000
Year 11	12,262,000	236,657	(1,236,657)	11,262,000
Year 12	11,262,000	217,357	(1,217,357)	10,262,000
Year 13	10,262,000	198,057	(1,198,057)	9,262,000
Year 14	9,262,000	178,757	(1,178,757)	8,262,000
Year 15	8,262,000	159,457	(1,159,457)	7,262,000
Year 16	7,262,000	140,157	(1,140,157)	6,262,000
Year 17	6,262,000	120,857	(1,120,857)	5,262,000
Year 18	5,262,000	101,557	(1,101,557)	4,262,000
Year 19	4,262,000	82,257	(1,082,257)	3,262,000
Year 20	3,262,000	62,957	(3,324,957)	-

Note #3 Between Holdco and Zelda Zerobasis

	Beginning of Year Principal	Interest	Note Payment	End of Year Principal
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 4	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 5	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 6	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 7	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 8	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 9	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 10	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 11	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 12	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 13	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 14	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 15	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 16	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 17	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 18	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 19	30,000,000	2,400,000	(2,400,000)	30,000,000
Year 20	30,000,000	2,400,000	(32,400,000)	-

Schedule 15

Insurance Family

Hypothetical Integrated Income and Estate Tax Plan Comparisons - Surviving Spouse Dies at the End of Year 10

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	Future Value in 30 Years	Present Value (Discounted at 2.5%)	Percentage of Total
No Further Planning; Bequeaths Estate to Family in 10 Years (assumes $13.3mm estate tax exemption available in 10 years)			
Insurance Children	518,454,579	247,169,428	40.60%
Insurance Children & Grandchildren	-	-	0.00%
Consumption - Direct Cost	20,061,789	9,564,311	1.57%
Consumption - Investment Opportunity Cost	95,693,446	45,621,151	7.49%
IRS - Income Tax	100,387,186	47,858,856	7.86%
IRS - Investment Opportunity Costs	446,483,369	212,857,680	34.96%
IRS - Estate Tax (at 40%)	96,004,325	45,769,360	7.52%
Total	**$1,277,084,694**	**608,840,786**	**100.00%**
Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)			
Insurance Children	228,280,974	108,831,285	17.88%
Insurance Children & Grandchildren	557,267,326	265,673,121	43.64%
Consumption - Direct Cost	20,061,789	9,564,311	1.57%
Consumption - Investment Opportunity Cost	95,693,446	45,621,151	7.49%
IRS - Income Tax	148,985,957	71,027,965	11.67%
IRS - Investment Opportunity Costs	329,382,789	157,030,835	25.79%
IRS - Estate Tax (at 40%)	44,879,416	21,395,933	3.51%
Investment Opportunity Cost/(Benefit) of Buying Life Insurance	(147,467,002)	(70,303,815)	-11.55%
Total	**$1,277,084,694**	**$526,141,985**	**86.42%**

Schedule 15
Insurance Family
Asset Page

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	Ian & Inez Insurance
Assets	
Asset: Financial Assets	$150,000,000
Basis: Financial Assets	$150,000,000
Total Assets*	**$150,000,000**
Total Basis	**$150,000,000**

* There is not any proposed planning for Ian & Inez Insurance's other assets

Schedule 15
Insurance Family
No Further Planning; Bequeaths Estate to Family in 10 Years (assumes $13.3mm estate tax exemption available in 10 years)

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Assumptions:	
Total Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (with 3% inflation adjustment each year)	$1,750,000

Ian & Inez Insurance

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Consumption	Income Taxes	End of Year Financial Assets	Estate Taxes (at 40%)	Bequest to Children
Year 1	150,000,000	900,000	3,600,000	6,600,000	(1,750,000)	(896,400)	158,453,600	-	-
Year 2	158,453,600	950,722	3,802,886	6,971,958	(1,802,500)	(1,293,419)	167,083,248	-	-
Year 3	167,083,248	1,002,499	4,009,998	7,351,663	(1,856,575)	(1,607,067)	175,983,766	-	-
Year 4	175,983,766	1,055,903	4,223,610	7,743,286	(1,912,272)	(1,863,646)	185,230,646	-	-
Year 5	185,230,646	1,111,384	4,445,536	8,150,148	(1,969,640)	(2,081,838)	194,886,236	-	-
Year 6	194,886,236	1,169,317	4,677,270	8,574,994	(2,028,730)	(2,274,952)	205,004,136	-	-
Year 7	205,004,136	1,230,025	4,920,099	9,020,182	(2,089,592)	(2,452,511)	215,632,340	-	-
Year 8	215,632,340	1,293,794	5,175,176	9,487,823	(2,152,279)	(2,621,362)	226,815,491	-	-
Year 9	226,815,491	1,360,893	5,443,572	9,979,882	(2,216,848)	(2,786,481)	238,596,509	-	-
Year 10	238,596,509	1,431,579	5,726,316	10,498,246	(2,283,353)	(638,484)	253,330,813	96,004,325	157,326,488
Year 11	-	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-	-
Year 16	-	-	-	-	-	-	-	-	-
Year 17	-	-	-	-	-	-	-	-	-
Year 18	-	-	-	-	-	-	-	-	-
Year 19	-	-	-	-	-	-	-	-	-
Year 20	-	-	-	-	-	-	-	-	-
Year 21	-	-	-	-	-	-	-	-	-
Year 22	-	-	-	-	-	-	-	-	-
Year 23	-	-	-	-	-	-	-	-	-
Year 24	-	-	-	-	-	-	-	-	-
Year 25	-	-	-	-	-	-	-	-	-
Year 26	-	-	-	-	-	-	-	-	-
Year 27	-	-	-	-	-	-	-	-	-
Year 28	-	-	-	-	-	-	-	-	-
Year 29	-	-	-	-	-	-	-	-	-
Year 30	-	-	-	-	-	-	-	-	-

Schedule 15
Insurance Family
No Further Planning; Bequeaths Estate to Family in 10 Years (assumes $13.3mm estate tax exemption available in 10 years)

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Assumptions:	
Total Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (with 3% inflation adjustment each year)	$1,750,000

Insurance Children

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Income Taxes	Bequest Received	End of Year Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	157,326,488	157,326,488
Year 11	157,326,488	943,959	3,775,836	6,922,365	(940,183)	-	168,028,465
Year 12	168,028,465	1,008,171	4,032,683	7,393,252	(1,367,562)	-	179,095,009
Year 13	179,095,009	1,074,570	4,298,280	7,880,180	(1,712,814)	-	190,635,225
Year 14	190,635,225	1,143,811	4,575,245	8,387,950	(2,002,725)	-	202,739,507
Year 15	202,739,507	1,216,437	4,865,748	8,920,538	(2,256,381)	-	215,485,849
Year 16	215,485,849	1,292,915	5,171,660	9,481,377	(2,487,439)	-	228,944,363
Year 17	228,944,363	1,373,666	5,494,665	10,073,552	(2,705,730)	-	243,180,516
Year 18	243,180,516	1,459,083	5,836,332	10,699,943	(2,918,400)	-	258,257,474
Year 19	258,257,474	1,549,545	6,198,179	11,363,329	(3,130,701)	-	274,237,827
Year 20	274,237,827	1,645,427	6,581,708	12,066,464	(3,346,568)	-	291,184,858
Year 21	291,184,858	1,747,109	6,988,437	12,812,134	(3,569,016)	-	309,163,522
Year 22	309,163,522	1,854,981	7,419,925	13,603,195	(3,800,425)	-	328,241,198
Year 23	328,241,198	1,969,447	7,877,789	14,442,613	(4,042,742)	-	348,488,305
Year 24	348,488,305	2,090,930	8,363,719	15,333,485	(4,297,624)	-	369,978,815
Year 25	369,978,815	2,219,873	8,879,492	16,279,068	(4,566,542)	-	392,790,706
Year 26	392,790,706	2,356,744	9,426,977	17,282,791	(4,850,852)	-	417,006,366
Year 27	417,006,366	2,502,038	10,008,153	18,348,280	(5,151,851)	-	442,712,986
Year 28	442,712,986	2,656,278	10,625,112	19,479,371	(5,470,812)	-	470,002,935
Year 29	470,002,935	2,820,018	11,280,070	20,680,129	(5,809,016)	-	498,974,136
Year 30	498,974,136	2,993,845	11,975,379	21,954,862	(17,443,643)	-	518,454,579

Schedule 15

Insurance Family

Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)

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Assumptions:	
Total Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing at 3% per year)	$1,750,000

Assumptions (continued):	
GST Grantor Trust's Preferred Ownership in Insurance FLP	$40,000,000
Interest Percentage on Preferred Ownership	7.50%
Insurance FLP Valuation Discount	40.00%
Intra-Family Note Interest Percentage (mid-term)	1.91%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Ian & Inez Insurance

	Beginning of Year	Income	Tax Free Income	Growth	Growth Interest Distribution from	Note #1 Payments Preferred Ownership	Note #2 Payments Growth Interest	Payments for Purchase of Additional Growth	Consumption	Income Taxes	End of Year	Estate Taxes (at 40%)	Cash Bequest to Children
Year 1	15,000,000	90,000	360,000	660,000	4,671,670	560,012	-	2,225,078	(1,750,000)	(896,400)	20,920,360	-	-
Year 2	20,920,360	125,522	502,089	920,496	4,829,499	560,012	-	2,455,845	(1,802,500)	(1,291,028)	27,220,294	-	-
Year 3	27,220,294	163,322	653,287	1,197,693	4,849,790	560,012	-	2,727,221	(1,856,575)	(1,601,200)	33,913,843	-	-
Year 4	33,913,843	203,483	813,932	1,492,209	57,607	560,012	1,000,116	-	(1,912,272)	(1,853,424)	34,275,507	-	-
Year 5	34,275,507	205,653	822,612	1,508,122	59,368	560,012	1,000,116	-	(1,969,640)	(2,066,523)	34,395,227	-	-
Year 6	34,395,227	206,371	825,485	1,513,390	60,799	560,012	1,000,116	-	(2,028,730)	(2,253,901)	34,278,770	-	-
Year 7	34,278,770	205,673	822,690	1,508,266	62,002	560,012	1,000,116	-	(2,089,592)	(2,425,135)	33,922,803	-	-
Year 8	33,922,803	203,537	814,147	1,492,603	63,050	560,012	1,000,116	-	(2,152,279)	(2,587,108)	33,316,881	-	-
Year 9	33,316,881	199,901	799,605	1,465,943	63,994	560,012	1,000,116	-	(2,216,848)	(2,744,806)	32,444,799	-	-
Year 10	32,444,799	194,669	778,675	1,427,571	64,872	29,880,012	53,362,219	-	(2,283,353)	(2,551,397)	113,318,067	44,879,416	68,438,651
Year 11	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 12	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 13	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 14	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 15	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 16	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 17	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 18	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 19	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 20	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 21	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 22	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 23	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 24	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 25	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 26	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 27	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 28	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 29	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 30	-	-	-	-	-	-	-	-	-	-	-	-	-

Schedule 15
Insurance Family
Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)

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Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing at 3% per year)	$1,750,000

Assumptions (continued):	
GST Grantor Trust's Preferred Ownership in Insurance FLP	$40,000,000
Interest Percentage on Preferred Ownership	7.50%
Insurance FLP Valuation Discount	40.00%
Intra-Family Note Interest Percentage (mid-term)	1.91%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Insurance FLP

	Beginning of Year	Income	Tax Free Income	Growth	Growth Interest Distributions	Preferred Coupon Distribution	End of Year	% Ownership of Growth Interest: Ian & Inez Insurance	% Ownership of Growth Interest: GST Exempt Grantor Trust	% Ownership of Growth Interest: Grantor Trust
Year 1	135,000,000	810,000	3,240,000	5,940,000	(4,856,760)	(3,000,000)	137,133,240	96.19%	3.81%	0.00%
Year 2	137,133,240	822,799	3,291,198	6,033,863	(5,245,355)	(3,000,000)	139,035,744	92.07%	7.93%	0.00%
Year 3	139,035,744	834,214	3,336,858	6,117,573	(5,537,023)	(3,000,000)	140,787,367	87.59%	12.41%	0.00%
Year 4	140,787,367	844,724	3,378,897	6,194,644	(5,760,690)	(3,000,000)	142,444,942	1.00%	99.00%	0.00%
Year 5	142,444,942	854,670	3,418,679	6,267,577	(5,936,825)	(3,000,000)	144,049,043	1.00%	99.00%	0.00%
Year 6	144,049,043	864,294	3,457,177	6,338,158	(6,079,914)	(3,000,000)	145,628,758	1.00%	99.00%	0.00%
Year 7	145,628,758	873,773	3,495,090	6,407,665	(6,200,217)	(3,000,000)	147,205,069	1.00%	99.00%	0.00%
Year 8	147,205,069	883,230	3,532,922	6,477,023	(6,305,006)	(3,000,000)	148,793,238	1.00%	99.00%	0.00%
Year 9	148,793,238	892,759	3,571,038	6,546,902	(6,399,439)	(3,000,000)	150,404,499	1.00%	99.00%	0.00%
Year 10	150,404,499	902,427	3,609,708	6,617,798	(6,487,182)	(3,000,000)	152,047,250	1.00%	99.00%	0.00%
Year 11	152,047,250	912,284	3,649,134	6,690,079	(6,570,847)	(3,000,000)	153,727,900	0.00%	99.00%	1.00%
Year 12	153,727,900	922,367	3,689,470	6,764,028	(6,652,301)	(3,000,000)	155,451,464	0.00%	99.00%	1.00%
Year 13	155,451,464	932,709	3,730,835	6,839,864	(6,732,883)	(3,000,000)	157,221,989	0.00%	99.00%	1.00%
Year 14	157,221,989	943,332	3,773,328	6,917,768	(6,813,564)	(3,000,000)	159,042,852	0.00%	99.00%	1.00%
Year 15	159,042,852	954,257	3,817,028	6,997,885	(6,895,051)	(3,000,000)	160,916,972	0.00%	99.00%	1.00%
Year 16	160,916,972	965,502	3,862,007	7,080,347	(6,977,865)	(3,000,000)	162,846,963	0.00%	99.00%	1.00%
Year 17	162,846,963	977,082	3,908,327	7,165,266	(7,062,402)	(3,000,000)	164,835,236	0.00%	99.00%	1.00%
Year 18	164,835,236	989,011	3,956,046	7,252,750	(7,148,963)	(3,000,000)	166,884,081	0.00%	99.00%	1.00%
Year 19	166,884,081	1,001,304	4,005,218	7,342,900	(7,237,786)	(3,000,000)	168,995,716	0.00%	99.00%	1.00%
Year 20	168,995,716	1,013,974	4,055,897	7,435,812	(7,329,067)	(3,000,000)	171,172,332	0.00%	99.00%	1.00%
Year 21	171,172,332	1,027,034	4,108,136	7,531,583	(7,422,970)	(3,000,000)	173,416,114	0.00%	99.00%	1.00%
Year 22	173,416,114	1,040,497	4,161,987	7,630,309	(7,519,638)	(3,000,000)	175,729,269	0.00%	99.00%	1.00%
Year 23	175,729,269	1,054,376	4,217,502	7,732,088	(7,619,201)	(3,000,000)	178,114,033	0.00%	99.00%	1.00%
Year 24	178,114,033	1,068,684	4,274,737	7,837,017	(7,721,781)	(3,000,000)	180,572,691	0.00%	99.00%	1.00%
Year 25	180,572,691	1,083,436	4,333,745	7,945,198	(7,827,492)	(3,000,000)	183,107,578	0.00%	99.00%	1.00%
Year 26	183,107,578	1,098,645	4,394,582	8,056,733	(7,936,447)	(3,000,000)	185,721,092	0.00%	99.00%	1.00%
Year 27	185,721,092	1,114,327	4,457,306	8,171,728	(8,048,759)	(3,000,000)	188,415,694	0.00%	99.00%	1.00%
Year 28	188,415,694	1,130,494	4,521,977	8,290,291	(8,164,538)	(3,000,000)	191,193,917	0.00%	99.00%	1.00%
Year 29	191,193,917	1,147,163	4,588,654	8,412,532	(8,283,899)	(3,000,000)	194,058,367	0.00%	99.00%	1.00%
Year 30	194,058,367	1,164,350	4,657,401	8,538,568	(13,227,403)	(3,000,000)	192,191,283	0.00%	99.00%	1.00%

Schedule 15

Insurance Family

Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)

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Assumptions:	
Total Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing at 3% per year)	$1,750,000

Assumptions (continued):	
GST Grantor Trust's Preferred Ownership in Insurance FLP	$40,000,000
Interest Percentage on Preferred Ownership	7.50%
Insurance FLP Valuation Discount	40.00%
Intra-Family Note Interest Percentage (mid-term)	1.91%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Insurance GST Exempt Grantor Trust

	Beginning of Year	Income	Tax Free Income	Growth	Growth Interest Distribution	Preferred Coupon Distribution	Death Benefit Value of Insurance	Annual Insurance Premium	Note #1 Payments Preferred Ownership	Note #2 Payments Growth Interest	Purchase of Additional Growth Interest	Income Taxes	End of Year
Year 1	-	-	-	-	185,090	3,000,000	-	(400,000)	(560,012)	-	(2,225,078)	-	-
Year 2	-	-	-	-	415,857	3,000,000	-	(400,000)	(560,012)	-	(2,455,845)	-	-
Year 3	-	-	-	-	687,233	3,000,000	-	(400,000)	(560,012)	-	(2,727,221)	-	-
Year 4	-	-	-	-	5,703,083	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	6,742,955
Year 5	6,742,955	40,458	161,831	296,690	5,877,456	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	14,159,261
Year 6	14,159,261	84,956	339,822	623,008	6,019,115	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	22,266,033
Year 7	22,266,033	133,596	534,385	979,705	6,138,215	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	31,091,807
Year 8	31,091,807	186,551	746,203	1,368,040	6,241,956	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	40,674,428
Year 9	40,674,428	244,047	976,186	1,789,675	6,335,444	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	51,059,652
Year 10	51,059,652	306,358	1,225,432	2,246,625	6,422,310	3,000,000	41,000,000	(400,000)	(29,880,012)	(53,362,219)	-	-	21,618,145
Year 11	21,618,145	129,709	518,835	951,198	6,505,139	3,000,000	-	-	-	-	-	(2,385,644)	30,337,383
Year 12	30,337,383	182,024	728,097	1,334,845	6,585,778	3,000,000	-	-	-	-	-	(2,444,615)	39,723,512
Year 13	39,723,512	238,341	953,364	1,747,835	6,665,554	3,000,000	-	-	-	-	-	(2,532,805)	49,795,801
Year 14	49,795,801	298,775	1,195,099	2,191,015	6,745,429	3,000,000	-	-	-	-	-	(2,644,500)	60,581,619
Year 15	60,581,619	363,490	1,453,959	2,665,591	6,826,100	3,000,000	-	-	-	-	-	(2,775,840)	72,114,919
Year 16	72,114,919	432,690	1,730,758	3,173,056	6,908,087	3,000,000	-	-	-	-	-	(2,924,286)	84,435,224
Year 17	84,435,224	506,611	2,026,445	3,715,150	6,991,778	3,000,000	-	-	-	-	-	(3,088,243)	97,586,965
Year 18	97,586,965	585,522	2,342,087	4,293,826	7,077,473	3,000,000	-	-	-	-	-	(3,266,796)	111,619,077
Year 19	111,619,077	669,714	2,678,858	4,911,239	7,165,408	3,000,000	-	-	-	-	-	(3,459,523)	126,584,774
Year 20	126,584,774	759,509	3,038,035	5,569,730	7,255,777	3,000,000	-	-	-	-	-	(3,666,363)	142,541,461
Year 21	142,541,461	855,249	3,420,995	6,271,824	7,348,740	3,000,000	-	-	-	-	-	(3,887,526)	159,550,743
Year 22	159,550,743	957,304	3,829,218	7,020,233	7,444,442	3,000,000	-	-	-	-	-	(4,123,430)	177,678,510
Year 23	177,678,510	1,066,071	4,264,284	7,817,854	7,543,009	3,000,000	-	-	-	-	-	(4,374,652)	196,995,077
Year 24	196,995,077	1,181,970	4,727,882	8,667,783	7,644,563	3,000,000	-	-	-	-	-	(4,641,905)	217,575,371
Year 25	217,575,371	1,305,452	5,221,809	9,573,316	7,749,217	3,000,000	-	-	-	-	-	(4,926,012)	239,499,153
Year 26	239,499,153	1,436,995	5,747,980	10,537,963	7,857,083	3,000,000	-	-	-	-	-	(5,227,895)	262,851,278
Year 27	262,851,278	1,577,108	6,308,431	11,565,456	7,968,271	3,000,000	-	-	-	-	-	(5,548,568)	287,721,976
Year 28	287,721,976	1,726,332	6,905,327	12,659,767	8,082,893	3,000,000	-	-	-	-	-	(5,889,131)	314,207,164
Year 29	314,207,164	1,885,243	7,540,972	13,825,115	8,201,060	3,000,000	-	-	-	-	-	(6,250,767)	342,408,787
Year 30	342,408,787	2,054,453	8,217,811	15,065,987	13,095,129	3,000,000	-	-	-	-	-	(18,766,124)	365,076,042

Schedule 15

Insurance Family

Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)

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Assumptions:	
Total Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing at 3% per year)	$1,750,000

Assumptions (continued):	
GST Grantor Trust's Preferred Ownership in Insurance FLP	$40,000,000
Interest Percentage on Preferred Ownership	7.50%
Insurance FLP Valuation Discount	40.00%
Intra-Family Note Interest Percentage (mid-term)	1.91%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Insurance Children

	Beginning of Year	Income	Tax Free Income	Growth	Growth Interest Distribution	Bequest Received Cash	Income Taxes	End of Year
Year 1	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-	-
Year 4	-	-	-	-	-	-	-	-
Year 5	-	-	-	-	-	-	-	-
Year 6	-	-	-	-	-	-	-	-
Year 7	-	-	-	-	-	-	-	-
Year 8	-	-	-	-	-	-	-	-
Year 9	-	-	-	-	-	-	-	-
Year 10	-	-	-	-	-	68,438,651	-	68,438,651
Year 11	68,438,651	410,632	1,642,528	3,011,301	65,708	-	(408,989)	73,159,831
Year 12	73,159,831	438,959	1,755,836	3,219,033	66,523	-	(595,296)	78,044,885
Year 13	78,044,885	468,269	1,873,077	3,433,975	67,329	-	(746,061)	83,141,474
Year 14	83,141,474	498,849	1,995,395	3,658,225	68,136	-	(872,902)	88,489,177
Year 15	88,489,177	530,935	2,123,740	3,893,524	68,951	-	(984,102)	94,122,224
Year 16	94,122,224	564,733	2,258,933	4,141,378	69,779	-	(1,085,588)	100,071,459
Year 17	100,071,459	600,429	2,401,715	4,403,144	70,624	-	(1,181,629)	106,365,742
Year 18	106,365,742	638,194	2,552,778	4,680,093	71,490	-	(1,275,328)	113,032,969
Year 19	113,032,969	678,198	2,712,791	4,973,451	72,378	-	(1,368,970)	120,100,816
Year 20	120,100,816	720,605	2,882,420	5,284,436	73,291	-	(1,464,268)	127,597,299
Year 21	127,597,299	765,584	3,062,335	5,614,281	74,230	-	(1,562,536)	135,551,192
Year 22	135,551,192	813,307	3,253,229	5,964,252	75,196	-	(1,664,814)	143,992,362
Year 23	143,992,362	863,954	3,455,817	6,335,664	76,192	-	(1,771,954)	152,952,035
Year 24	152,952,035	917,712	3,670,849	6,729,890	77,218	-	(1,884,683)	162,463,021
Year 25	162,463,021	974,778	3,899,113	7,148,373	78,275	-	(2,003,647)	172,559,913
Year 26	172,559,913	1,035,359	4,141,438	7,592,636	79,364	-	(2,129,445)	183,279,265
Year 27	183,279,265	1,099,676	4,398,702	8,064,288	80,488	-	(2,262,649)	194,659,769
Year 28	194,659,769	1,167,959	4,671,834	8,565,030	81,645	-	(2,403,823)	206,742,415
Year 29	206,742,415	1,240,454	4,961,818	9,096,666	82,839	-	(2,553,532)	219,570,661
Year 30	219,570,661	1,317,424	5,269,696	9,661,109	132,274	-	(7,670,190)	228,280,974

Schedule 15

Insurance Family

Hypothetical Technique: Bequeaths Estate to Family in 10 years (assumes $2.6mm estate tax exemption available in 10 years)

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Assumptions:	
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Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing at 3% per year)	$1,750,000

Assumptions (continued):	
GST Grantor Trust's Preferred Ownership in Insurance FLP	$40,000,000
Interest Percentage on Preferred Ownership	7.50%
Insurance FLP Valuation Discount	40.00%
Intra-Family Note Interest Percentage (mid-term)	1.91%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Note #1 Between Ian & Inez Insurance and Insurance GST Grantor Trust for the Purchase of Preferred Ownership

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	29,320,000	560,012	(560,012)	29,320,000
Year 2	29,320,000	560,012	(560,012)	29,320,000
Year 3	29,320,000	560,012	(560,012)	29,320,000
Year 4	29,320,000	560,012	(560,012)	29,320,000
Year 5	29,320,000	560,012	(560,012)	29,320,000
Year 6	29,320,000	560,012	(560,012)	29,320,000
Year 7	29,320,000	560,012	(560,012)	29,320,000
Year 8	29,320,000	560,012	(560,012)	29,320,000
Year 9	29,320,000	560,012	(560,012)	29,320,000
Year 10	29,320,000	560,012	(29,880,012)	-
Year 11	-	-	-	-
Year 12	-	-	-	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	-	-	-	-
Year 18	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-
Year 26	-	-	-	-
Year 27	-	-	-	-
Year 28	-	-	-	-
Year 29	-	-	-	-
Year 30	-	-	-	-

Note #2 Between Ian & Inez Insurance and Insurance GST Grantor Trust for the Purchase of Growth Interest

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 5	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 6	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 7	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 8	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 9	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 10	52,362,103	1,000,116	(53,362,219)	-
Year 11	-	-	-	-
Year 12	-	-	-	-
Year 13	-	-	-	-
Year 14	-	-	-	-
Year 15	-	-	-	-
Year 16	-	-	-	-
Year 17	-	-	-	-
Year 18	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-
Year 26	-	-	-	-
Year 27	-	-	-	-
Year 28	-	-	-	-
Year 29	-	-	-	-
Year 30	-	-	-	-

Schedule 15

Insurance Family

Hypothetical Integrated Income and Estate Tax Plan Comparisons - Surviving Spouse Dies End of Year 30

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	Future Value in 30 Years	Future Value in 30 Years	Present Value (Discounted at 2.5%)	Percentage of Total
No Further Planning; Bequeaths Estate to Family in 30 Years (assumes $21.8mm estate tax exemption available in 30 years)				
Ian & Inez Insurance	688,497,190	-	-	0.00%
Insurance Children	-	421,834,314	201,106,424	33.03%
Insurance Children & Grandchildren	-	-	-	0.00%
Consumption - Direct Cost	83,256,977	83,256,977	39,692,155	6.52%
Consumption - Investment Opportunity Cost	158,825,116	158,825,116	75,718,712	12.44%
IRS - Income Tax	131,688,888	131,688,888	62,781,714	10.31%
IRS - Investment Opportunity Costs	214,816,523	214,816,523	102,412,206	16.82%
IRS - Estate Tax (at 40%)	-	266,662,876	127,129,576	20.88%
Total	**$1,277,084,694**	**$1,277,084,694**	**608,840,786**	**100.00%**
Hypothetical Technique: Bequeaths Estate to Family in 30 Years (assumes $11.2mm estate tax exemption available in 30 years)				
Ian & Inez Insurance	9,414,203	-	-	0.00%
Insurance Children	-	9,414,203	4,488,152	0.74%
Insurance Children & Grandchildren	700,602,974	700,602,974	334,007,343	54.86%
Consumption - Direct Cost	83,256,977	83,256,977	39,692,155	6.52%
Consumption - Investment Opportunity Cost	158,825,116	158,825,116	75,718,712	12.44%
IRS - Income Tax	138,943,238	138,943,238	66,240,172	10.88%
IRS - Investment Opportunity Costs	186,426,522	186,426,522	88,877,481	14.60%
IRS - Estate Tax (at 40%)	-	-	-	0.00%
Investment Opportunity Cost/(Benefit) of Buying Life Insurance	(384,335)	(384,335)	(183,229)	-0.03%
Total	**$1,277,084,694**	**$1,277,084,694**	**608,840,786**	**100.00%**

Schedule 15
Insurance Family
Asset Page

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	Ian & Inez Insurance
Assets	
Asset: Financial Assets	$150,000,000
Basis: Financial Assets	$150,000,000
Total Assets*	**$150,000,000**
Total Basis	**$150,000,000**

* There is not any proposed planning for Ian & Inez Insurance's other assets

Schedule 15
Insurance Family
No Further Planning; Bequeaths Estate to Family in 30 Years (assumes $21.8mm estate tax exemption available in 30 years)

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Assumptions:	
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Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (with 3% inflation adjustment each year)	$1,750,000

Ian & Inez Insurance

	Beginning of Year Financial Assets	Income	Tax Free Income	Growth	Consumption	Income Taxes	End of Year Financial Assets
Year 1	150,000,000	900,000	3,600,000	6,600,000	(1,750,000)	(1,108,080)	158,241,920
Year 2	158,241,920	949,452	3,797,806	6,962,644	(1,802,500)	(1,658,191)	166,491,131
Year 3	166,491,131	998,947	3,995,787	7,325,610	(1,856,575)	(2,017,042)	174,937,858
Year 4	174,937,858	1,049,627	4,198,509	7,697,266	(1,912,272)	(2,271,388)	183,699,599
Year 5	183,699,599	1,102,198	4,408,790	8,082,782	(1,969,640)	(2,470,001)	192,853,727
Year 6	192,853,727	1,157,122	4,628,489	8,485,564	(2,028,730)	(2,640,375)	202,455,798
Year 7	202,455,798	1,214,735	4,858,939	8,908,055	(2,089,592)	(2,798,088)	212,549,848
Year 8	212,549,848	1,275,299	5,101,196	9,352,193	(2,152,279)	(2,952,048)	223,174,209
Year 9	223,174,209	1,339,045	5,356,181	9,819,665	(2,216,848)	(3,107,438)	234,364,814
Year 10	234,364,814	1,406,189	5,624,756	10,312,052	(2,283,353)	(3,267,363)	246,157,095
Year 11	246,157,095	1,476,943	5,907,770	10,830,912	(2,351,854)	(3,433,774)	258,587,093
Year 12	258,587,093	1,551,523	6,206,090	11,377,832	(2,422,409)	(3,607,989)	271,692,140
Year 13	271,692,140	1,630,153	6,520,611	11,954,454	(2,495,082)	(3,790,984)	285,511,292
Year 14	285,511,292	1,713,068	6,852,271	12,562,497	(2,569,934)	(3,983,558)	300,085,636
Year 15	300,085,636	1,800,514	7,202,055	13,203,768	(2,647,032)	(4,186,424)	315,458,517
Year 16	315,458,517	1,892,751	7,571,004	13,880,175	(2,726,443)	(4,400,263)	331,675,742
Year 17	331,675,742	1,990,054	7,960,218	14,593,733	(2,808,236)	(4,625,755)	348,785,756
Year 18	348,785,756	2,092,715	8,370,858	15,346,573	(2,892,483)	(4,863,596)	366,839,823
Year 19	366,839,823	2,201,039	8,804,156	16,140,952	(2,979,258)	(5,114,510)	385,892,202
Year 20	385,892,202	2,315,353	9,261,413	16,979,257	(3,068,636)	(5,379,258)	406,000,331
Year 21	406,000,331	2,436,002	9,744,008	17,864,015	(3,160,695)	(5,658,638)	427,225,023
Year 22	427,225,023	2,563,350	10,253,401	18,797,901	(3,255,516)	(5,953,496)	449,630,664
Year 23	449,630,664	2,697,784	10,791,136	19,783,749	(3,353,181)	(6,264,724)	473,285,427
Year 24	473,285,427	2,839,713	11,358,850	20,824,559	(3,453,776)	(6,593,268)	498,261,504
Year 25	498,261,504	2,989,569	11,958,276	21,923,506	(3,557,390)	(6,940,128)	524,635,338
Year 26	524,635,338	3,147,812	12,591,248	23,083,955	(3,664,111)	(7,306,362)	552,487,880
Year 27	552,487,880	3,314,927	13,259,709	24,309,467	(3,774,035)	(7,693,091)	581,904,858
Year 28	581,904,858	3,491,429	13,965,717	25,603,814	(3,887,256)	(8,101,502)	612,977,059
Year 29	612,977,059	3,677,862	14,711,449	26,970,991	(4,003,873)	(8,532,854)	645,800,634
Year 30	645,800,634	3,874,804	15,499,215	28,415,228	(4,123,990)	(968,701)	688,497,190

Schedule 15

Insurance Family

Hypothetical Technique: Bequeaths Estate to Family in 30 Years (assumes $11.2mm estate tax exemption available in 30 years)

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Assumptions:	
Total Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (with 3% inflation adjustment each year)	$1,750,000

Assumptions (continued):	
GST Grantor Trust's Preferred Ownership in Insurance FLP	$40,000,000
Interest Percentage on Preferred Ownership	7.50%
Insurance FLP Valuation Discount	40.00%
Intra-Family Note Interest Percentage (mid-term)	1.91%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Ian & Inez Insurance

	Beginning of Year	Income	Tax Free Income	Growth	Growth Interest Distribution	Note #1 Payments	Note #2 Payments	Payments for Purchase of Additional Growth	Consumption	Income Taxes	End of Year
Year 1	15,000,000	90,000	360,000	660,000	4,671,670	560,012	-	2,225,078	(1,750,000)	(896,400)	20,920,360
Year 2	20,920,360	125,522	502,089	920,496	4,829,499	560,012	-	2,455,845	(1,802,500)	(1,291,028)	27,220,294
Year 3	27,220,294	163,322	653,287	1,197,693	4,849,790	560,012	-	2,727,221	(1,856,575)	(1,601,200)	33,913,843
Year 4	33,913,843	203,483	813,932	1,492,209	47,048	560,012	1,000,116	-	(1,912,272)	(1,853,424)	34,264,948
Year 5	34,264,948	205,590	822,359	1,507,658	48,986	560,012	1,000,116	-	(1,969,640)	(2,066,523)	34,373,504
Year 6	34,373,504	206,241	824,964	1,512,434	50,638	560,012	1,000,116	-	(2,028,730)	(2,253,901)	34,245,279
Year 7	34,245,279	205,472	821,887	1,506,792	52,101	560,012	1,000,116	-	(2,089,592)	(2,425,135)	33,876,932
Year 8	33,876,932	203,262	813,046	1,490,585	53,440	560,012	1,000,116	-	(2,152,279)	(2,587,108)	33,258,006
Year 9	33,258,006	199,548	798,192	1,463,352	54,704	560,012	1,000,116	-	(2,216,848)	(2,744,806)	32,372,277
Year 10	32,372,277	194,234	776,935	1,424,380	55,928	560,012	1,000,116	-	(2,283,353)	(2,901,884)	31,198,644
Year 11	31,198,644	187,192	748,767	1,372,740	57,135	560,012	1,000,116	-	(2,351,854)	(3,061,063)	29,711,690
Year 12	29,711,690	178,270	713,081	1,307,314	58,344	560,012	1,000,116	-	(2,422,409)	(3,224,414)	27,882,004
Year 13	27,882,004	167,292	669,168	1,226,808	59,568	560,012	1,000,116	-	(2,495,082)	(3,393,556)	25,676,330
Year 14	25,676,330	154,058	616,232	1,129,759	82,145	560,012	1,000,116	-	(2,569,934)	(3,569,800)	23,078,918
Year 15	23,078,918	138,474	553,894	1,015,472	82,995	560,012	1,000,116	-	(2,647,032)	(3,754,248)	20,028,601
Year 16	20,028,601	120,172	480,686	881,258	83,805	560,012	1,000,116	-	(2,726,443)	(3,947,867)	16,480,341
Year 17	16,480,341	98,882	395,528	725,135	84,591	560,012	1,000,116	-	(2,808,236)	(4,151,535)	12,384,834
Year 18	12,384,834	74,309	297,236	544,933	85,365	560,012	1,000,116	-	(2,892,483)	(4,366,087)	7,688,234
Year 19	7,688,234	46,129	184,518	338,282	86,138	560,012	1,000,116	-	(2,979,258)	(4,592,333)	2,331,838
Year 20	2,331,838	13,991	55,964	102,601	86,915	29,880,012	1,000,116	-	(3,068,636)	(4,831,083)	25,571,719
Year 21	25,571,719	153,430	613,721	1,125,156	87,700	-	1,000,116	-	(3,160,695)	(5,083,158)	20,307,989
Year 22	20,307,989	121,848	487,392	893,552	88,498	-	1,000,116	-	(3,255,516)	(5,349,405)	14,294,474
Year 23	14,294,474	85,767	343,067	628,957	89,311	-	1,000,116	-	(3,353,181)	(5,630,705)	7,457,807
Year 24	7,457,807	44,747	178,987	328,143	90,142	-	6,000,116	-	(3,453,776)	(5,927,978)	4,718,188
Year 25	4,718,188	28,309	113,237	207,600	90,991	-	5,904,616	-	(3,557,390)	(6,242,191)	1,263,360
Year 26	1,263,360	7,580	30,321	55,588	91,860	-	10,809,116	-	(3,664,111)	(6,574,364)	2,019,350
Year 27	2,019,350	12,116	48,464	88,851	92,750	-	10,618,116	-	(3,774,035)	(6,925,572)	2,180,041
Year 28	2,180,041	13,080	52,321	95,922	93,663	-	15,427,116	-	(3,887,256)	(7,296,955)	6,677,932
Year 29	6,677,932	40,068	160,270	293,829	94,598	-	7,502,719	-	(4,003,873)	(78,693)	10,686,850
Year 30	10,686,850	64,121	256,484	470,221	145,068	-	-	-	(4,123,990)	(28,597)	7,470,158

Schedule 15
Insurance Family
Hypothetical Technique: Bequeaths Estate to Family in 30 Years (assumes $11.2mm estate tax exemption available in 30 years)

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.

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Assumptions:	
Total Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (with 3% inflation adjustment each year)	$1,750,000

Assumptions (continued):	
GST Grantor Trust's Preferred Ownership in Insurance FLP	$40,000,000
Interest Percentage on Preferred Ownership	7.50%
Insurance FLP Valuation Discount	40.00%
Intra-Family Note Interest Percentage (mid-term)	1.91%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Insurance FLP

	Beginning of Year	Income	Tax Free Income	Growth	Growth Interest Distributions	Preferred Coupon Distribution	End of Year	% Ownership of Growth: Ian & Inez Insurance	% Ownership of Growth: GST Exempt Grantor Trust
Year 1	135,000,000	810,000	3,240,000	5,940,000	(4,856,760)	(3,000,000)	137,133,240	96.19%	3.81%
Year 2	137,133,240	822,799	3,291,198	6,033,863	(5,245,355)	(3,000,000)	139,035,744	92.07%	7.93%
Year 3	139,035,744	834,214	3,336,858	6,117,573	(5,537,023)	(3,000,000)	140,787,367	87.59%	12.41%
Year 4	140,787,367	844,724	3,378,897	6,194,644	(4,704,785)	(3,000,000)	143,500,847	1.00%	99.00%
Year 5	143,500,847	861,005	3,444,020	6,314,037	(4,898,555)	(3,000,000)	146,221,355	1.00%	99.00%
Year 6	146,221,355	877,328	3,509,313	6,433,740	(5,063,844)	(3,000,000)	148,977,891	1.00%	99.00%
Year 7	148,977,891	893,867	3,575,469	6,555,027	(5,210,097)	(3,000,000)	151,792,158	1.00%	99.00%
Year 8	151,792,158	910,753	3,643,012	6,678,855	(5,344,034)	(3,000,000)	154,680,743	1.00%	99.00%
Year 9	154,680,743	928,084	3,712,338	6,805,953	(5,470,449)	(3,000,000)	157,656,669	1.00%	99.00%
Year 10	157,656,669	945,940	3,783,760	6,936,893	(5,592,776)	(3,000,000)	160,730,486	1.00%	99.00%
Year 11	160,730,486	964,383	3,857,532	7,072,141	(5,713,490)	(3,000,000)	163,911,053	1.00%	99.00%
Year 12	163,911,053	983,466	3,933,865	7,212,086	(5,834,388)	(3,000,000)	167,206,082	1.00%	99.00%
Year 13	167,206,082	1,003,236	4,012,946	7,357,068	(5,956,795)	(3,000,000)	170,622,537	1.00%	99.00%
Year 14	170,622,537	1,023,735	4,094,941	7,507,392	(8,214,479)	(3,000,000)	172,034,126	1.00%	99.00%
Year 15	172,034,126	1,032,205	4,128,819	7,569,502	(8,299,544)	(3,000,000)	173,465,108	1.00%	99.00%
Year 16	173,465,108	1,040,791	4,163,163	7,632,465	(8,380,496)	(3,000,000)	174,921,029	1.00%	99.00%
Year 17	174,921,029	1,049,526	4,198,105	7,696,525	(8,459,082)	(3,000,000)	176,406,104	1.00%	99.00%
Year 18	176,406,104	1,058,437	4,233,746	7,761,869	(8,536,546)	(3,000,000)	177,923,609	1.00%	99.00%
Year 19	177,923,609	1,067,542	4,270,167	7,828,639	(8,613,787)	(3,000,000)	179,476,169	1.00%	99.00%
Year 20	179,476,169	1,076,857	4,307,428	7,896,951	(8,691,451)	(3,000,000)	181,065,955	1.00%	99.00%
Year 21	181,065,955	1,086,396	4,345,583	7,966,902	(8,770,014)	(3,000,000)	182,694,822	1.00%	99.00%
Year 22	182,694,822	1,096,169	4,384,676	8,038,572	(8,849,824)	(3,000,000)	184,364,415	1.00%	99.00%
Year 23	184,364,415	1,106,186	4,424,746	8,112,034	(8,931,146)	(3,000,000)	186,076,235	1.00%	99.00%
Year 24	186,076,235	1,116,457	4,465,830	8,187,354	(9,014,182)	(3,000,000)	187,831,694	1.00%	99.00%
Year 25	187,831,694	1,126,990	4,507,961	8,264,595	(9,099,093)	(3,000,000)	189,632,146	1.00%	99.00%
Year 26	189,632,146	1,137,793	4,551,172	8,343,814	(9,186,009)	(3,000,000)	191,478,916	1.00%	99.00%
Year 27	191,478,916	1,148,873	4,595,494	8,425,072	(9,275,040)	(3,000,000)	193,373,316	1.00%	99.00%
Year 28	193,373,316	1,160,240	4,640,960	8,508,426	(9,366,281)	(3,000,000)	195,316,660	1.00%	99.00%
Year 29	195,316,660	1,171,900	4,687,600	8,593,933	(9,459,819)	(3,000,000)	197,310,273	1.00%	99.00%
Year 30	197,310,273	1,183,862	4,735,447	8,681,652	(14,506,769)	(3,000,000)	194,404,465	1.00%	99.00%

Schedule 15

Insurance Family

Hypothetical Technique: Bequeaths Estate to Family in 30 Years (assumes $11.2mm estate tax exemption available in 30 years)

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Assumptions:	
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Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (with 3% inflation adjustment each year)	$1,750,000

Assumptions (continued):	
GST Grantor Trust's Preferred Ownership in Insurance FLP	$40,000,000
Interest Percentage on Preferred Ownership	7.50%
Insurance FLP Valuation Discount	40.00%
Intra-Family Note Interest Percentage (mid-term)	1.91%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Insurance GST Exempt Grantor Trust (Grantor Trust Status Removed in Year 29)

	Beginning of Year	Income	Tax Free Income	Growth	Growth Interest Distribution	Preferred Coupon Distribution	Death Benefit Value of Insurance	Annual Insurance Premium	Note #1 Payments	Note #2 Payments	Purchase of Additional Growth Interest	Income Taxes	End of Year
Year 1	-	-	-	-	185,090	3,000,000	-	(400,000)	(560,012)	-	(2,225,078)	-	-
Year 2	-	-	-	-	415,857	3,000,000	-	(400,000)	(560,012)	-	(2,455,845)	-	-
Year 3	-	-	-	-	687,233	3,000,000	-	(400,000)	(560,012)	-	(2,727,221)	-	-
Year 4	-	-	-	-	4,657,737	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	5,697,609
Year 5	5,697,609	34,186	136,743	250,695	4,849,570	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	12,008,673
Year 6	12,008,673	72,052	288,208	528,382	5,013,206	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	18,950,392
Year 7	18,950,392	113,702	454,809	833,817	5,157,996	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	26,550,589
Year 8	26,550,589	159,304	637,214	1,168,226	5,290,594	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	34,845,799
Year 9	34,845,799	209,075	836,299	1,533,215	5,415,745	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	43,880,004
Year 10	43,880,004	263,280	1,053,120	1,930,720	5,536,848	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	53,703,845
Year 11	53,703,845	322,223	1,288,892	2,362,969	5,656,355	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	64,374,156
Year 12	64,374,156	386,245	1,544,980	2,832,463	5,776,044	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	75,953,760
Year 13	75,953,760	455,723	1,822,890	3,341,965	5,897,227	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	88,511,437
Year 14	88,511,437	531,069	2,124,274	3,894,503	8,132,335	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	104,233,489
Year 15	104,233,489	625,401	2,501,604	4,586,274	8,216,548	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	121,203,188
Year 16	121,203,188	727,219	2,908,877	5,332,940	8,296,691	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	139,508,787
Year 17	139,508,787	837,053	3,348,211	6,138,387	8,374,491	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	159,246,800
Year 18	159,246,800	955,481	3,821,923	7,006,859	8,451,181	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	180,522,115
Year 19	180,522,115	1,083,133	4,332,531	7,942,973	8,527,649	3,000,000	-	(400,000)	(560,012)	(1,000,116)	-	-	203,448,273
Year 20	203,448,273	1,220,690	4,882,759	8,951,724	8,604,537	3,000,000	-	(400,000)	(29,880,012)	(1,000,116)	-	-	198,827,853
Year 21	198,827,853	1,192,967	4,771,868	8,748,426	8,682,313	3,000,000	-	(400,000)	-	(1,000,116)	-	-	223,823,312
Year 22	223,823,312	1,342,940	5,371,759	9,848,226	8,761,326	3,000,000	-	(400,000)	-	(1,000,116)	-	-	250,747,446
Year 23	250,747,446	1,504,485	6,017,939	11,032,888	8,841,834	3,000,000	-	(400,000)	-	(1,000,116)	-	-	279,744,476
Year 24	279,744,476	1,678,467	6,713,867	12,308,757	8,924,041	3,000,000	-	(400,000)	-	(6,000,116)	-	-	305,969,491
Year 25	305,969,491	1,835,817	7,343,268	13,462,658	9,008,102	3,000,000	-	(400,000)	-	(5,904,616)	-	-	334,314,720
Year 26	334,314,720	2,005,888	8,023,553	14,709,848	9,094,149	3,000,000	-	(400,000)	-	(10,809,116)	-	-	359,939,042
Year 27	359,939,042	2,159,634	8,638,537	15,837,318	9,182,290	3,000,000	-	(400,000)	-	(10,618,116)	-	-	387,738,705
Year 28	387,738,705	2,326,432	9,305,729	17,060,503	9,272,618	3,000,000	-	(400,000)	-	(15,427,116)	-	-	412,876,871
Year 29	412,876,871	2,477,261	9,909,045	18,166,582	9,365,221	3,000,000	-	(400,000)	-	(7,502,719)	-	(7,611,024)	440,281,237
Year 30	440,281,237	2,641,687	10,566,750	19,372,374	14,361,701	3,000,000	41,000,000	(400,000)	-	-	-	(22,681,196)	508,142,553

Schedule 15
Insurance Family
Hypothetical Technique: Bequeaths Estate to Family in 30 Years (assumes $11.2mm estate tax exemption available in 30 years)

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.

This material is based on the assumptions stated herein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown.

Assumptions:	
Total Rate of Return	7.40%
Rate of Return Taxed at Ordinary Rates	0.60%
Rate of Return Tax Free	2.40%
Rate of Return Taxed at Capital Gains Rates	4.40%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (with 3% inflation adjustment each year)	$1,750,000

Assumptions (continued):	
GST Grantor Trust's Preferred Ownership in Insurance FLP	$40,000,000
Interest Percentage on Preferred Ownership	7.50%
Insurance FLP Valuation Discount	40.00%
Intra-Family Note Interest Percentage (mid-term)	1.91%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Note #1 Between Ian & Inez Insurance and Insurance GST Grantor Trust for the Purchase of Preferred Ownership

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	29,320,000	560,012	(560,012)	29,320,000
Year 2	29,320,000	560,012	(560,012)	29,320,000
Year 3	29,320,000	560,012	(560,012)	29,320,000
Year 4	29,320,000	560,012	(560,012)	29,320,000
Year 5	29,320,000	560,012	(560,012)	29,320,000
Year 6	29,320,000	560,012	(560,012)	29,320,000
Year 7	29,320,000	560,012	(560,012)	29,320,000
Year 8	29,320,000	560,012	(560,012)	29,320,000
Year 9	29,320,000	560,012	(560,012)	29,320,000
Year 10	29,320,000	560,012	(560,012)	29,320,000
Year 11	29,320,000	560,012	(560,012)	29,320,000
Year 12	29,320,000	560,012	(560,012)	29,320,000
Year 13	29,320,000	560,012	(560,012)	29,320,000
Year 14	29,320,000	560,012	(560,012)	29,320,000
Year 15	29,320,000	560,012	(560,012)	29,320,000
Year 16	29,320,000	560,012	(560,012)	29,320,000
Year 17	29,320,000	560,012	(560,012)	29,320,000
Year 18	29,320,000	560,012	(560,012)	29,320,000
Year 19	29,320,000	560,012	(560,012)	29,320,000
Year 20	29,320,000	560,012	(29,880,012)	-
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-
Year 26	-	-	-	-
Year 27	-	-	-	-
Year 28	-	-	-	-
Year 29	-	-	-	-
Year 30	-	-	-	-

Note #2 Between Ian & Inez Insurance and Insurance GST Grantor Trust for the Purchase of Growth Interest

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 5	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 6	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 7	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 8	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 9	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 10	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 11	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 12	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 13	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 14	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 15	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 16	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 17	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 18	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 19	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 20	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 21	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 22	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 23	52,362,103	1,000,116	(1,000,116)	52,362,103
Year 24	52,362,103	1,000,116	(6,000,116)	47,362,103
Year 25	47,362,103	904,616	(5,904,616)	42,362,103
Year 26	42,362,103	809,116	(10,809,116)	32,362,103
Year 27	32,362,103	618,116	(10,618,116)	22,362,103
Year 28	22,362,103	427,116	(15,427,116)	7,362,103
Year 29	7,362,103	140,616	(7,502,719)	-
Year 30	-	-	-	-