BUSINESS CONTINUATION

For ABC, Inc.

Presented by:
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Important Notes

These pages depict certain business planning options. All of these options are based on the information you shared with us for this purpose and the assumptions stated throughout the report. Of course, any variance in the information or assumptions could change the results.

Inclusion of one or more of these options does not constitute a recommendation of that option over any other option(s). This report simply shows the effect of particular options on your business and potentially your estate, based on certain assumptions detailed in the report.

All assets assume specific growth rates, which are provided by the client. These individual rates are used to project the possible growth of the business. These projections are made to estimate future business insurance needs.

The report generated by this software represents an estimate of the value of the business for the purpose of estimating the amount of life insurance necessary for covering estate taxes or funding a buy and sell agreement. The values computed are, at best, only rough estimates and this report is not intended to be a substitute for a thorough professional appraisal.

The term Proposed Plan, when used within this report, does not imply a recommendation that a specific business planning option should be implemented. Rather it represents a summary of potential considered strategies, which each individual should discuss with his or her tax advisor, attorney, and/or other professional advisor before taking any action. Nothing contained in this report is intended to be used on any tax form or to support any tax deduction.

IMPORTANT: The projections or other information generated by this investment analysis tool (Business Continuation) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

Total Values Today

ABC, Inc.

Current Business Value: $4,666,667

Type:	C Corporation
Tax Bracket:	34.00%
Nature:	Finance

Adam Anderson

Ownership: 40%

Tax Bracket: 30%

Betty Boston

Ownership: 35%

Tax Bracket: 30%

Carl Cannon

Ownership: 25%

Tax Bracket: 30%

Business values based on the method. Each business should have a professional appraiser determine which method will best represent its value.

How to Determine the Value of Your Business

Book Value

The value at which the business is carried on a balance sheet, with all assets adjusted for fair market value (fair market value may not be the same as the depreciated value for income tax purposes.)

Straight Capitalization Method

The amount of capital that would have to be invested at a specified rate to yield the current average net annual earnings of the business.

Earnings Capitalization Method

Assumes that part of earnings are attributed to the assets of the business (book value). Remaining earnings are capitalized at a rate consistent with the relative risk of the business. The result is then added to book value.

Years' Purchase Method

A conservative rate (pure money rate for an investment with generally accepted lower risk) is used to determine the earnings attributed to assets. The balance is assumed to be provided by goodwill. Earnings provided by goodwill are then multiplied by the number of years for which goodwill is expected to be valuable to a purchaser. The result is then added to the book value to obtain the valuation.

Discounted Future Earnings Method

Projected future business earnings are forecasted, and then discounted using an appropriate rate which reflects the return from the next best investment opportunity with a comparable level of risk. The sum of the discounted future earnings is the current valuation. The result is then added to the book value to obtain the valuation.

Average of 5 Methods (Shown for Comparison Purposes Only)

The average of these five methods is not an acceptable method of valuation. Each business should have a professional appraiser determine the method that will best represent all of its factors.

Business Valuation
Comparison of Methods

Book Value:	**$3,000,000**

Straight Capitalization Method:	**$4,666,667**

Adjusted Average Annual Earnings[1]	$700,000
Capitalization Rate	15.000%
Total Value	**$4,666,667**

Earnings Capitalization Method:	**$6,266,667**

Adjusted Average Annual Earnings[1]	$700,000
Estimated Earnings on Assets[2]	- 210,000
Excess Earnings	$490,000
Excess Earnings Capitalized at 15.000%	$3,266,667
plus Book Value	+ 3,000,000
Total Value	**$6,266,667**

Years' Purchase Method:	**$5,450,000**

Adjusted Average Annual Earnings[1]	$700,000
Estimated Earnings on Assets[2]	- 210,000
Earnings Attributed to Goodwill	$490,000
Multiply by 5 Years Goodwill	$2,450,000
plus Book Value	+ 3,000,000
Total Value	**$5,450,000**

Discounted Future Earnings Method:	**$5,039,543**

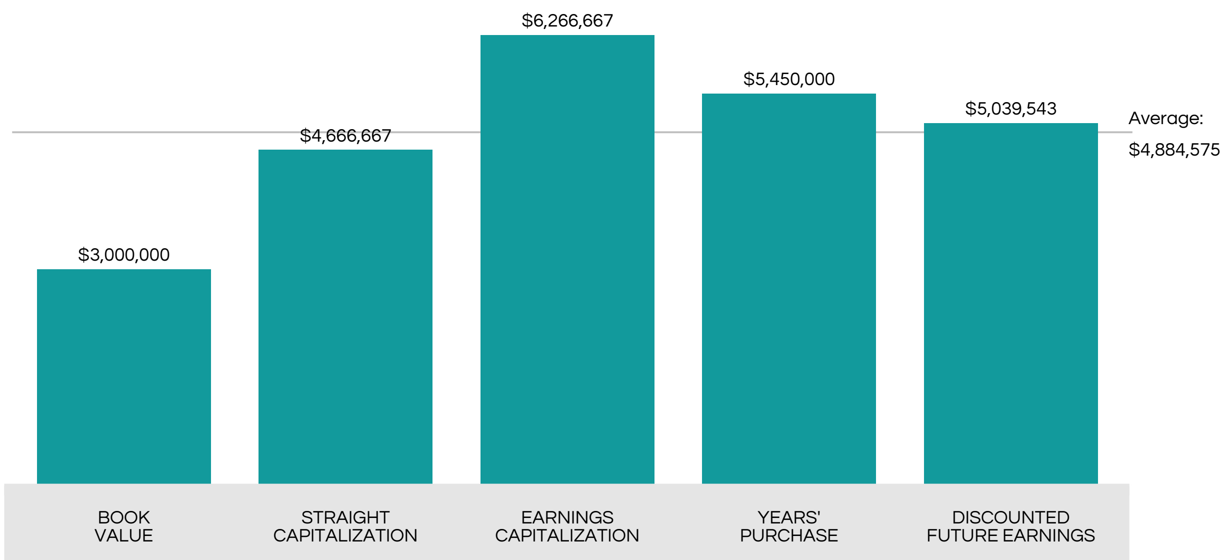
Adjusted Average Annual Earnings[1]	$700,000
Annual Growth Rate	8.000%
Years to Forecast Future Earnings	7
Rate to Discount Future Earnings	7.000%
Resulting Future Value	**$5,039,543**

Average:	**$4,884,575**

[1] Adjusted Average Annual Earnings is the sum of an Average Annual Earnings of $600,000 and an Excess Owner Salary of $100,000.
[2] Estimated Earnings on Assets is calculated from the book value and a Rate of Return value of 7.000%.

Business Valuation

Valuation Graph



Each business should have a professional appraiser determine which method will best represent its value. The average of the five valuation methods is not an acceptable method of valuation. It is shown in this presentation for comparison purposes only.

Valuation Guidelines

Revenue Ruling 59-60

A buy-sell agreement may be used to establish or peg the value of a business interest for federal estate tax purposes. So long as the agreement meets the standards set by IRC Section 2703 and subsequent related case law, it should be accepted by the IRS.[1] This assumes, of course, that the value specified in the agreement is deemed to be a reasonable valuation as of the time of the agreement. A perfectly legitimate buy-sell agreement will still be challenged if the value it specifies is not a reasonable estimation of the value of the business interest in question. So the question still exists as to how to determine this value.

Estate and gift tax regulations show that the standard to be used here is fair market value, which is loosely defined as "the amount at which the asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of all relevant facts." While this may be an adequate definition for the purpose of valuing many assets, it is usually far too vague a standard to be useful when valuing business interests.

Revenue Ruling 59-60 supplements this vague standard by specifying several important factors that must be considered when valuing a business interest for tax purposes. It establishes that although several valuation methods exist, no single method is adequate for determining an acceptable value for a business interest. Instead, all relevant facts and circumstances regarding the business must be considered. The ruling lists the following factors which must be accounted for:

- Nature and history of the business
- Outlook of the economy in general and of the specific industry
- Financial condition of the business and the book value of its stock
- Earning capacity of the company
- Dividend-paying capacity of the company
- Nature and value of any intangible assets of the business, such as goodwill
- Relative size of the block of stock to be valued and prior sales of the stock
- Market price of actively traded stocks of corporations in the same or a similar business

The relative weights of each of these factors are largely dependent on the circumstances of the business and of the specific interest in question. The ruling therefore provides specific guidelines to apply, while retaining the flexibility needed for individual circumstances.

[1] Under Section 2703, a buy-sell agreement will be disregarded unless: (1) it is a bona fide business arrangement; (2) it is not a device to transfer property to members of the decedent's family for less than full value; and (3) the terms of the agreement are comparable to similar arm's length arrangements.

Buy-Sell Agreements

IRC Section 2703

One method to solve the problem of business valuation is to establish a buy-sell agreement. A buy-sell agreement is a contract between a buyer and a seller which stipulates that the buyer must purchase the property in question from the seller upon the occurrence of a specified event. The event is usually death, disability or retirement of the owner of the property. A price for the property in question is specified in the agreement. Therefore, a buy-sell agreement can solve the problem of establishing a reasonable value for a business interest.

To make it likely that the value established in a buy-sell agreement will be accepted by the IRS[1], the following criteria must be met:

- Agreement must be a bona fide business arrangement, negotiated at arm's length.
- It must not be merely a device to transfer the business interest to family members for less than full and adequate consideration.
- Terms of the agreement must be comparable to those found in similar arrangements entered into at arm's length.
- There must be an option to buy and a binding obligation to sell.
- Price must be fixed in the agreement, or the agreement must specify a formula or method for determining the price.
- Agreement must prohibit the owner of the business interest from selling or otherwise disposing of the property during lifetime without first offering it to the other party at a price which does not exceed the price determined in the agreement.

NOTE: The Conference Committee Report for the Revenue Reconciliation Act of 1990 recognizes that there is more than one method of valuing a business (even in the same industry) and it does not require that the method producing the highest value be used.

[1] These guidelines are derived from IRC Section 2703 and prior case law. Technically, while it is a question of fact, a buy-sell agreement could bind the IRS or the courts if all of the above requirements are met, and if the value set in the agreement follows the guidelines discussed in Revenue Ruling 59-60, as outlined on the Valuation Guidelines page. If the business is held by primarily family members, it is subject to the special valuation rules of Chapter 14 (IRC Sections 2701-2704).

Future Business Values

ABC, Inc.

Current Business Value: $4,666,667 **Estimated Value in 10 Years:** $10,074,984 **Growth at:** 8.000%

Adam Anderson

Ownership: 40%

Value Today:	$1,866,667
In 10 Years:	$4,029,994

Betty Boston

Ownership: 35%

Value Today:	$1,633,333
In 10 Years:	$3,526,243

Carl Cannon

Ownership: 25%

Value Today:	$1,166,667
In 10 Years:	$2,518,747

Business Valuation Assumptions

ABC, Inc.

Financial

Book Value	$3,000,000
Average Annual Earnings	$600,000
Excess Owner Salary	$100,000

Calculation

Capitalization Rate	15.000%
Fair Rate of Return	7.000%
Goodwill Multiplier	5 years
Annual Growth Rate	8.000%
Forecast Future Earnings	7 years
Rate to Discount Future Earnings	7.000%

Recommended Policies

Recommendations based on future business value of $10,074,984

Adam Anderson's Entity Purchase Solution

Share of Future Value: $4,029,994

Insured	Policy Owner/Beneficiary	Future Needed Amount[1]	Initial Face Amount	Initial Annual Premium
Adam Anderson	ABC, Inc.	$4,029,994	$4,000,000	$40,699

Betty Boston's Unilateral Buy-Sell Solution

Share of Future Value: $3,526,243

Insured	Policy Owner/Beneficiary	Future Needed Amount[1]	Initial Face Amount	Initial Annual Premium
Betty Boston	Family Member	$3,526,243	$3,500,000	$41,100

Carl Cannon's Cross Purchase Solution

Share of Future Value: $2,518,747

Insured	Policy Owner/Beneficiary	Future Needed Amount[1]	Initial Face Amount	Initial Annual Premium
Carl Cannon	Adam Anderson	$1,343,331	$1,350,000	$10,163
Carl Cannon	Betty Boston	$1,175,414	$1,200,000	$9,041

[1] Recommended death benefit amounts are based on the surviving owners maintaining the same ownership relative to the other surviving owners. There are a number of reasons why a different amount may be more appropriate. All factors must be considered when deciding on the proper amount.

Considerations

Recommendations for Adam Anderson

If you died last night—

- Would a willing buyer for your business interest be available today?
- How would the value of the business be determined?
- Would you or your family get a fair price?
- Where would the money come from to pay for your interest in the business?
- Would the buyer have the cash?

Your Preference

You indicated that your preference would be to sell or transfer the business to a co-owner.

A Formal Buy-Sell Arrangement

- Guarantees a buyer
- Establishes a fair price or valuation method in advance
- Arranges the terms of the purchase-obligees buyer and seller
- Drafted properly, may set the value of the business for federal estate tax purposes
- Assures a smooth transition for you, your family and the buyers
- Provides reassurance for creditors and employees of continuation of the business

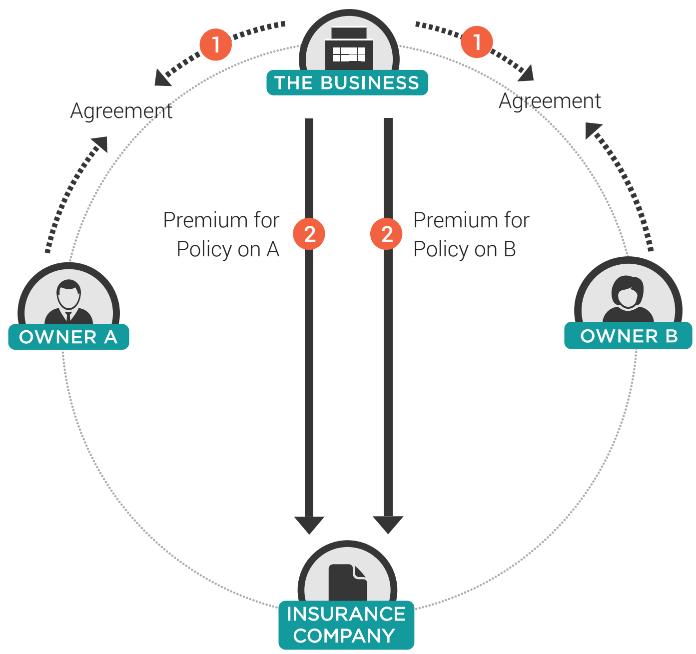
Funding Alternatives

Cash	Will sufficient funds be available to pay the full price at the time needed?
Borrowing	Credit availability and cost of borrowing in the future are unknown. Any borrowed funds must be repaid with interest from earnings.
Saving	Since timing is not predictable, you cannot be assured that sufficient funds will be available when needed. Saving also requires that a portion of earnings be set aside and not used for the growth of the business.

The potential solution is to establish an entity purchase agreement with business.

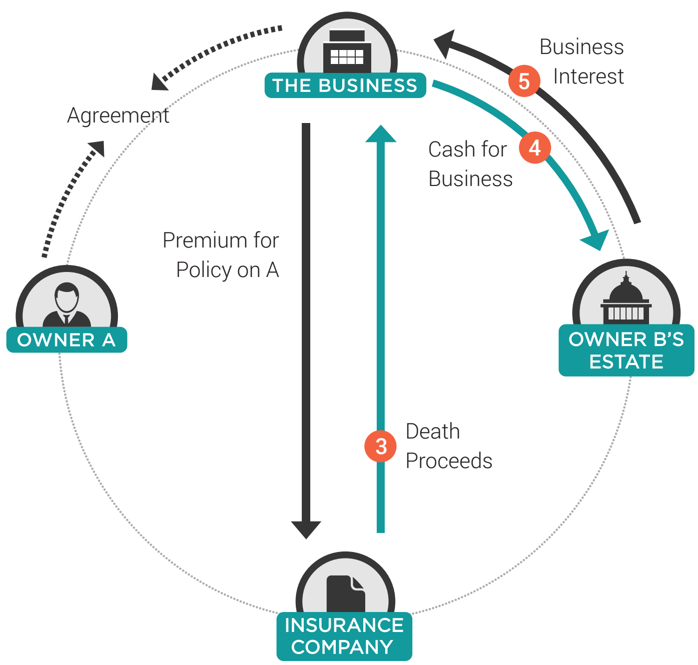
Entity Purchase

How it Works



1. Business enters into an entity purchase agreement with each owner obligating the business to purchase a disabled or deceased owner's business interest in the business. Each owner or owner's estate agrees to sell the business interest to the business.
2. The business purchases insurance protection on the life of each owner. The business is the policy owner, the premium payer and beneficiary of each policy.

At Owner B's Death



3. At the triggering event, the business collects proceeds from the policy.
4. The business pays an amount, determined according to the terms of the entity purchase agreement, to the owner or owner's estate.
5. The owner or the owner's estate transfers the business interest to the business.

Comparison of Funding Alternatives

Buying Adam Anderson's Interest at Death

Owner/Beneficiary:	**Insured:**	**Valuation Period:**
ABC, Inc.	Adam Anderson	10 Years

As your business grows, the value of the business changes each year. This comparison assumes values in 10 years. Deposits to a sinking fund as well as insurance premiums reflect just the payments during these 10 years; time value of money is not reflected. Some numbers show the amount at death, the sum of the payments beginning at death, and sum of premiums beginning now.

$ Cash: $4,029,994

Value represents the amount needed for ABC, Inc. to buy out Adam Anderson's interest at death, based on the values in year 10.

$ Borrow: $5,234,449

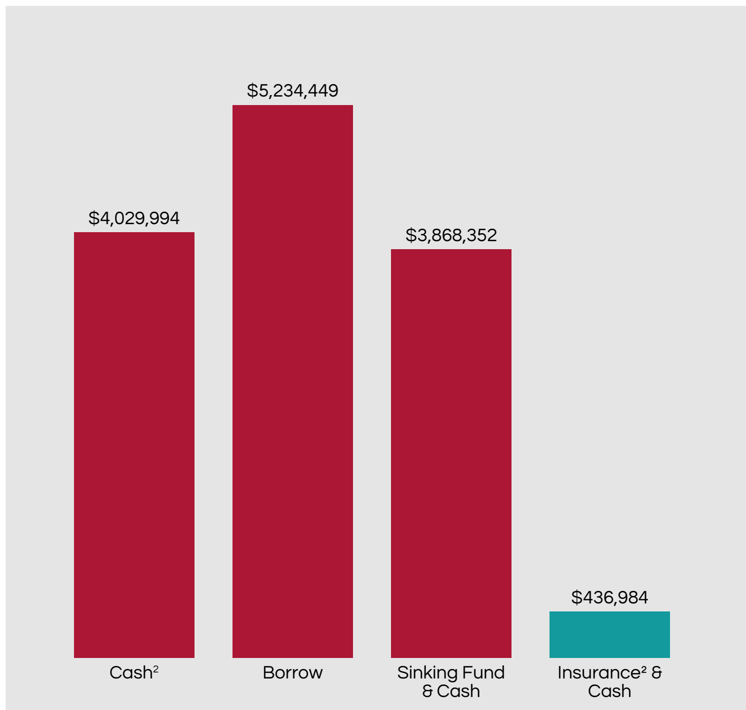
At 7.000% interest, 7 annual payments of $747,778 for total payments of $5,234,449.

$ Sinking Fund and Cash: $3,868,352

Sinking fund of $568,632 (annual deposits equal to life insurance premiums with interest at 6.000%) plus the balance necessary of $3,461,362 in cash.

$ Insurance[1] and Cash: $436,984

Total premiums for 10 years plus immediate cash need at death of $29,994 for a total of $436,984.



	Total Cost	Net Present Value	Cost of $1.00
Cash[2]	$4,029,994	$2,474,067	$1.00
Borrow	5,234,449	2,656,357	1.07
Sinking Fund and Cash	3,868,352	2,454,956	0.99
Insurance[1] and Cash	436,984	348,394	0.14

[1] This cost only reflects premiums during these 10 Years. See the complete life insurance illustration attached for all policy values.
[2] Value represents the amount needed for ABC, Inc. to buy out Adam Anderson's interest at death, based on the values in year 10.

Comparison of Funding Alternatives—Details

Buying Adam Anderson's Interest at Death

Owner/Beneficiary:	**Insured:**	**Valuation Period:**
ABC, Inc.	Adam Anderson	10 Years

Below are the year by year details of ABC, Inc.'s various funding alternatives. The "Premium Outlay" shows the year by year cost of the Life Insurance funding alternative. The "Cumulative Premiums Plus Int." gives the ongoing balance of the Sinking Fund funding alternative. The "Borrow-Total Payments" shows the year by year amount needed for the Borrow funding alternative. The last two columns illustrate the annual net present value "Cost of One Dollar" amount for the Life Insurance and Borrow funding alternatives.

		LIFE INSURANCE		SINKING FUND	BORROW	NET PRESENT VALUE	
End of Year	**Value of Business**[1]	**Life Insurance Death Benefit**	**Annual Premium Outlay**	**Cumulative Premiums Plus Interest at 6.000%**	**Borrow Total Payments**[2]	**Insured Plan Cost Per Dollar**[3]	**Borrow Cost Per Dollar**
1	$2,016,000	$4,000,000	$40,699	$43,141	$2,618,528	-$0.96	$0.69
2	2,177,280	4,000,000	40,699	88,870	2,828,010	-0.80	0.73
3	2,351,463	4,000,000	40,699	137,343	3,054,250	-0.64	0.76
4	2,539,580	4,000,000	40,699	188,725	3,298,591	-0.50	0.80
5	2,742,746	4,000,000	40,699	243,189	3,562,478	-0.37	0.84
6	2,962,166	4,000,000	40,699	300,922	3,847,476	-0.25	0.88
7	3,199,139	4,000,000	40,699	362,118	4,155,274	-0.14	0.93
8	3,455,070	4,000,000	40,699	426,986	4,487,696	-0.04	0.97
9	3,731,476	4,000,000	40,699	495,746	4,846,712	0.05	1.02
10	4,029,994	4,000,000	40,699	568,632	5,234,449	0.14	1.07

[1] Recommend amount of Adam Anderson's business interest assumed to increase at the rate of 8.000% annually (end of year value).
[2] Assumes a loan to purchase Adam Anderson's business interest with annual payments for 7 years at 7.000% interest.
[3] Based on cumulative premiums at the time of death and the business value less life insurance death proceeds.The life insurance death proceeds in excess of the value of the business provides a gain which is represented by a negative cost per dollar.

Action Plan

For Adam Anderson

✓ Recommendations

- [ ] Seek professional legal advice regarding your needs for disposition of the business.
- [ ] Meet with a qualified, professional appraiser to determine business value.
- [ ] Determine appropriate business solution.
- [ ] Have an attorney draft proper agreement and necessary resolutions to implement an entity purchase agreement with business.
- [ ] Apply for life insurance and complete medical requirements.
- [ ] Execute all agreements and put plan into effect.
- [ ] Schedule annual review of business continuation plan.

Considerations

Recommendations for Betty Boston

If you died last night—

- Would a willing buyer for your business interest be available today?
- How would the value of the business be determined?
- Would you or your family get a fair price?
- Where would the money come from to pay for your interest in the business?
- Would the buyer have the cash?

Your Preference

You indicated that your preference would be to sell or transfer the business to an employee or third party.

A Formal Buy-Sell Arrangement

- Guarantees a buyer
- Establishes a fair price or valuation method in advance
- Arranges the terms of the purchase-obligees buyer and seller
- Drafted properly, may set the value of the business for federal estate tax purposes
- Assures a smooth transition for you, your family and the buyers
- Provides reassurance for creditors and employees of continuation of the business

Funding Alternatives

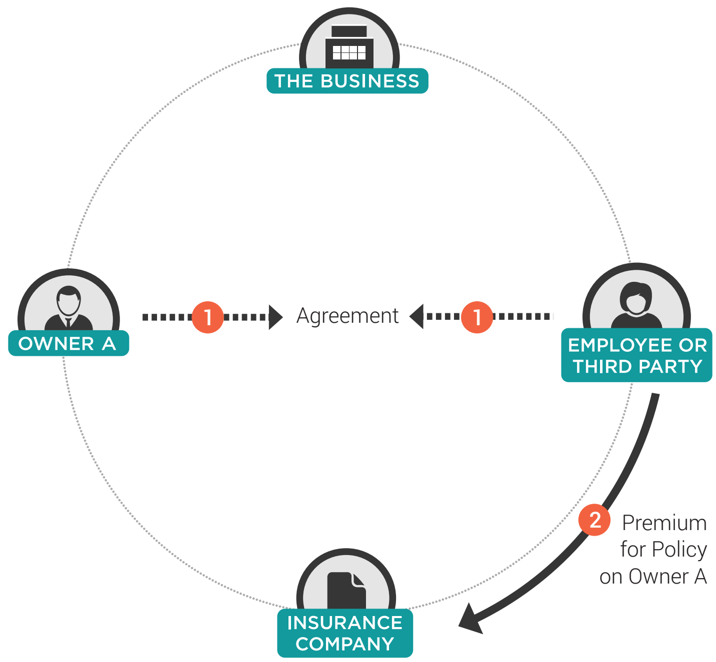
Cash	Will sufficient funds be available to pay the full price at the time needed?
Borrowing	Credit availability and cost of borrowing in the future are unknown. Any borrowed funds must be repaid with interest from earnings.
Saving	Since timing is not predictable, you cannot be assured that sufficient funds will be available when needed. Saving also requires that a portion of earnings be set aside and not used for the growth of the business.

The potential solution is to establish a unilateral (one-way) buy-sell with an employee or third party.

Unilateral Buy-Sell

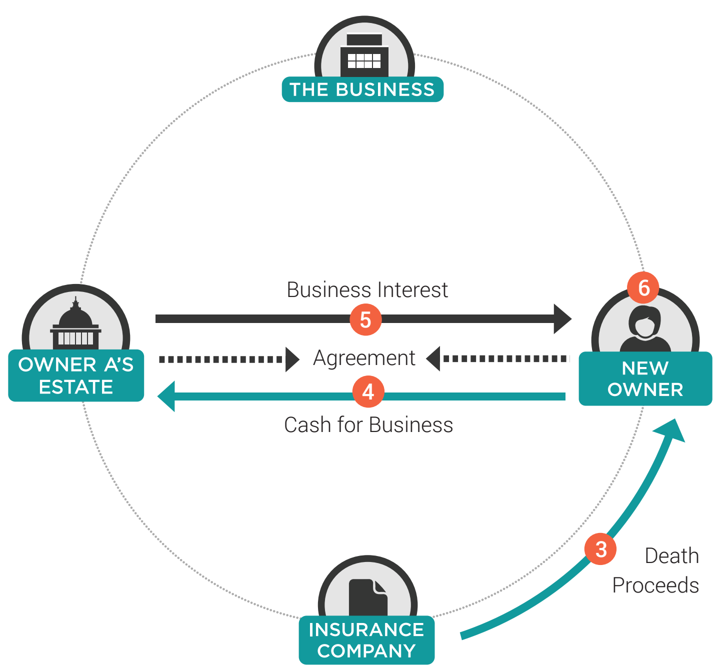
One Half of a Cross Purchase

How it Works



1. The owner enters into an agreement with a third party (usually family member or employee) obligating them to purchase the owner's interest and obligating the owner's estate to sell.
2. The obligated buyer purchases and is the premium payor and beneficiary of a life insurance policy on the life of the owner.

At Owner B's Death



3. At the death of the owner, the employee or third party receives income tax-free death proceeds from the policy.
4. The buyer pays the proceeds of the policy to the estate of the owner according to the provisions of the buy-sell agreement.
5. The estate of the deceased owner transfers the business interest to the purchasing party.
6. The employee or third party becomes a new owner.

Comparison of Funding Alternatives

Buying Betty Boston's Interest at Death

Owner/Beneficiary:	**Insured:**	**Valuation Period:**
Family Member	Betty Boston	10 Years

As your business grows, the value of the business changes each year. This comparison assumes values in 10 years. Deposits to a sinking fund as well as insurance premiums reflect just the payments during these 10 years; time value of money is not reflected. Some numbers show the amount at death, the sum of the payments beginning at death, and sum of premiums beginning now.

$ **Cash:** $3,526,243

Value represents the amount needed for Family Member to buy out Betty Boston's interest at death, based on the values in year 10.

$ **Borrow:** $4,580,141

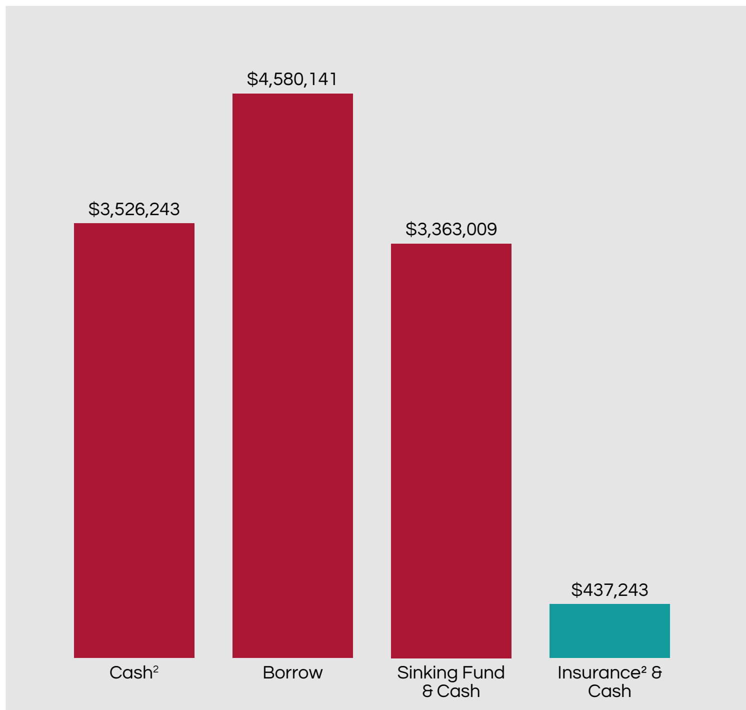
At 7.000% interest, 7 annual payments of $654,306 for total payments of $4,580,141.

$ **Sinking Fund and Cash:** $3,363,009

Sinking fund of $574,235 (annual deposits equal to life insurance premiums with interest at 6.000%) plus the balance necessary of $2,952,008 in cash.

$ **Insurance[1] and Cash:** $437,243

Total premiums for 10 years plus immediate cash need at death of $26,243 for a total of $437,243.



	Total Cost	Net Present Value	Cost of $1.00
Cash[2]	$3,526,243	$2,164,807	$1.00
Borrow	4,580,141	2,324,311	1.07
Sinking Fund and Cash	3,363,009	2,145,508	0.99
Insurance[1] and Cash	437,243	349,343	0.16

[1] This cost only reflects premiums during these 10 Years. See the complete life insurance illustration attached for all policy values.
[2] Value represents the amount needed for Family Member to buy out Betty Boston's interest at death, based on the values in year 10.

Comparison of Funding Alternatives—Details

Buying Betty Boston's Interest at Death

Owner/Beneficiary:	**Insured:**	**Valuation Period:**
Family Member	Betty Boston	10 Years

Below are the year by year details of Family Member's various funding alternatives. The "Premium Outlay" shows the year by year cost of the Life Insurance funding alternative. The "Cumulative Premiums Plus Int." gives the ongoing balance of the Sinking Fund funding alternative. The "Borrow-Total Payments" shows the year by year amount needed for the Borrow funding alternative. The last two columns illustrate the annual net present value "Cost of One Dollar" amount for the Life Insurance and Borrow funding alternatives.

		LIFE INSURANCE		SINKING FUND	BORROW	NET PRESENT VALUE	
End of Year	**Value of Business**[1]	**Life Insurance Death Benefit**	**Annual Premium Outlay**	**Cumulative Premiums Plus Interest at 6.000%**	**Borrow Total Payments**[2]	**Insured Plan Cost Per Dollar**[3]	**Borrow Cost Per Dollar**
1	$1,764,000	$3,500,000	$41,100	$43,566	$2,291,211	-$0.96	$0.69
2	1,905,120	3,500,000	41,100	89,746	2,474,508	-0.79	0.73
3	2,057,529	3,500,000	41,100	138,697	2,672,468	-0.63	0.76
4	2,222,132	3,500,000	41,100	190,585	2,886,266	-0.49	0.80
5	2,399,902	3,500,000	41,100	245,586	3,117,167	-0.36	0.84
6	2,591,894	3,500,000	41,100	303,887	3,366,540	-0.24	0.88
7	2,799,246	3,500,000	41,100	365,686	3,635,863	-0.12	0.93
8	3,023,185	3,500,000	41,100	431,193	3,926,732	-0.02	0.97
9	3,265,040	3,500,000	41,100	500,631	4,240,871	0.07	1.02
10	3,526,243	3,500,000	41,100	574,235	4,580,141	0.16	1.07

[1] Recommend amount of Betty Boston's business interest assumed to increase at the rate of 8.000% annually (end of year value).
[2] Assumes a loan to purchase Betty Boston's business interest with annual payments for 7 years at 7.000% interest.
[3] Based on cumulative premiums at the time of death and the business value less life insurance death proceeds.The life insurance death proceeds in excess of the value of the business provides a gain which is represented by a negative cost per dollar.

Action Plan

For Betty Boston

✓ Recommendations

- [ ] Seek professional legal advice regarding your needs for disposition of the business.
- [ ] Meet with a qualified, professional appraiser to determine business value.
- [ ] Determine appropriate business solution.
- [ ] Have an attorney draft proper agreement and necessary resolutions to implement a unilateral (one-way) buy-sell with an employee or third party.
- [ ] Apply for life insurance and complete medical requirements.
- [ ] Execute all agreements and put plan into effect.
- [ ] Schedule annual review of business continuation plan.

Considerations

Recommendations for Carl Cannon

If you died last night—

- Would a willing buyer for your business interest be available today?
- How would the value of the business be determined?
- Would you or your family get a fair price?
- Where would the money come from to pay for your interest in the business?
- Would the buyer have the cash?

Your Preference

You indicated that your preference would be to sell or transfer the business to a co-owner.

A Formal Buy-Sell Arrangement

- Guarantees a buyer
- Establishes a fair price or valuation method in advance
- Arranges the terms of the purchase-obligees buyer and seller
- Drafted properly, may set the value of the business for federal estate tax purposes
- Assures a smooth transition for you, your family and the buyers
- Provides reassurance for creditors and employees of continuation of the business

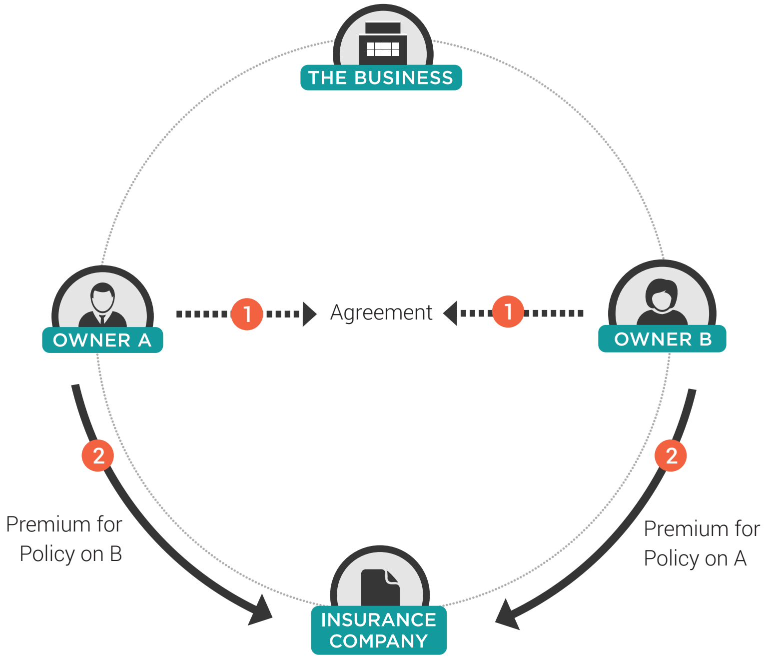
Funding Alternatives

Cash	Will sufficient funds be available to pay the full price at the time needed?
Borrowing	Credit availability and cost of borrowing in the future are unknown. Any borrowed funds must be repaid with interest from earnings.
Saving	Since timing is not predictable, you cannot be assured that sufficient funds will be available when needed. Saving also requires that a portion of earnings be set aside and not used for the growth of the business.

The potential solution is to establish a cross purchase agreement with co-owners.

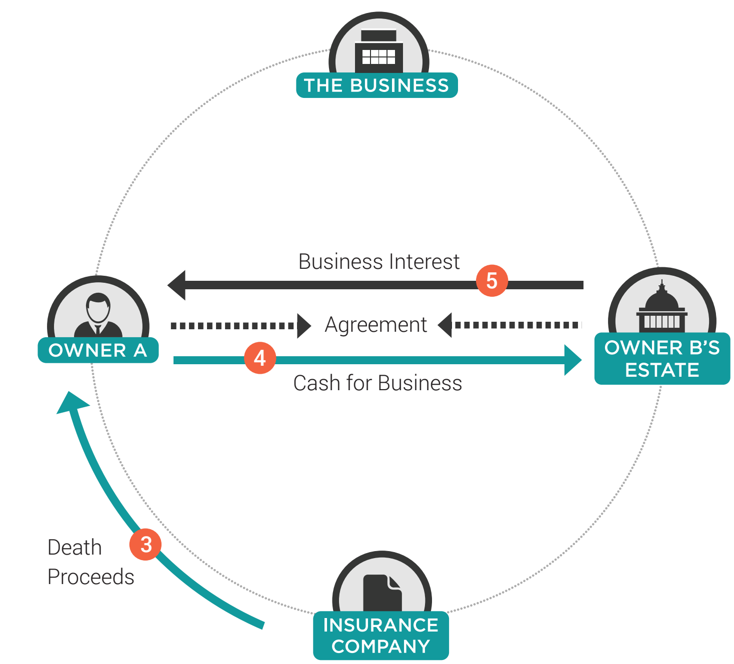
Cross Purchase

How it Works



1. All owners enter into an agreement obligating the survivors to purchase a decedent's interest and obliging the decedent's estate to sell.
2. Each owner purchases and is the premium payer and beneficiary of a life insurance policy on the life of each other.

At Owner B's Death



3. At the death of one of the owners, the surviving owner(s) receive income tax-free death proceeds from the policy.
4. The surviving owner pays the proceeds of the policy to the estate of the decedent according to the provisions of the buy-sell agreement.
5. The estate of the deceased owner transfers the business interest to the surviving owner.

Comparison of Funding Alternatives

Buying Carl Cannon's Interest at Death

Owner/Beneficiary:	**Insured:**	**Valuation Period:**
Adam Anderson	Carl Cannon	10 Years

As your business grows, the value of the business changes each year. This comparison assumes values in 10 years. Deposits to a sinking fund as well as insurance premiums reflect just the payments during these 10 years; time value of money is not reflected. Some numbers show the amount at death, the sum of the payments beginning at death, and sum of premiums beginning now.

$ Cash: $1,343,331

Value represents the amount needed for Adam Anderson to buy out Carl Cannon's interest at death, based on the values in year 10.

$ Borrow: $1,744,815

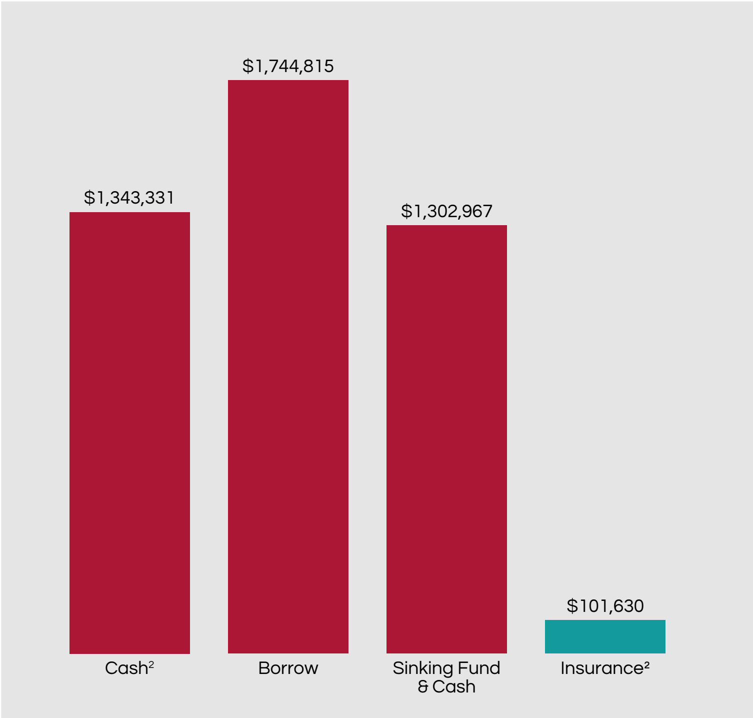
At 7.000% interest, 7 annual payments of $249,259 for total payments of $1,744,815.

$ Sinking Fund and Cash: $1,302,967

Sinking fund of $141,994 (annual deposits equal to life insurance premiums with interest at 6.000%) plus the balance necessary of $1,201,337 in cash.

$ Insurance[1]: $101,630

Total premiums for 10 years of $101,630.



	Total Cost	Net Present Value	Cost of $1.00
Cash[2]	$1,343,331	$824,689	$1.00
Borrow	1,744,815	885,452	1.07
Sinking Fund and Cash	1,302,967	819,916	0.99
Insurance[3]	101,630	82,400[4]	0.09[5]

[1] The death benefit of the life insurance in year 10 is $6,669 more than the amount needed. This amount could be used to offset the economic loss of Adam Anderson. See the complete life insurance illustration attached for all policy values.
[2] Value represents the amount needed for Adam Anderson to buy out Carl Cannon's interest at death, based on the values in year 10.
[3] This cost only reflects premiums during these 10 Years. See the complete life insurance illustration attached for all policy values.
[4] This is the net present value of the premiums without considering the life insurance in excess of the amount needed.
[5] The cost of one dollar of the business considers all premiums, and all insurance death benefits. A negative cost indicates a gain since the death benefits exceed the amount needed.

Comparison of Funding Alternatives—Details

Buying Carl Cannon's Interest at Death

Owner/Beneficiary:	**Insured:**	**Valuation Period:**
Adam Anderson	Carl Cannon	10 Years

Below are the year by year details of Adam Anderson's various funding alternatives. The "Premium Outlay" shows the year by year cost of the Life Insurance funding alternative. The "Cumulative Premiums Plus Int." gives the ongoing balance of the Sinking Fund funding alternative. The "Borrow-Total Payments" shows the year by year amount needed for the Borrow funding alternative. The last two columns illustrate the annual net present value "Cost of One Dollar" amount for the Life Insurance and Borrow funding alternatives.

		LIFE INSURANCE		SINKING FUND	BORROW	NET PRESENT VALUE	
End of Year	**Value of Business[1]**	**Life Insurance Death Benefit**	**Annual Premium Outlay**	**Cumulative Premiums Plus Interest at 6.000%**	**Borrow Total Payments[2]**	**Insured Plan Cost Per Dollar[3]**	**Borrow Cost Per Dollar**
1	$672,000	$1,350,000	$10,163	$10,773	$872,842	-$0.99	$0.69
2	725,760	1,350,000	10,163	22,192	942,669	-0.83	0.73
3	783,821	1,350,000	10,163	34,296	1,018,083	-0.68	0.76
4	846,526	1,350,000	10,163	47,127	1,099,530	-0.54	0.80
5	914,248	1,350,000	10,163	60,727	1,187,492	-0.41	0.84
6	987,388	1,350,000	10,163	75,144	1,282,491	-0.29	0.88
7	1,066,379	1,350,000	10,163	90,425	1,385,091	-0.18	0.93
8	1,151,689	1,350,000	10,163	106,623	1,495,898	-0.08	0.97
9	1,243,825	1,350,000	10,163	123,793	1,615,570	0.01	1.02
10	1,343,331	1,350,000	10,163	141,994	1,744,815	0.09	1.07

[1] Recommend amount of Carl Cannon's business interest assumed to increase at the rate of 8.000% annually (end of year value).

[2] Assumes a loan to purchase Carl Cannon's business interest with annual payments for 7 years at 7.000% interest.

[3] Based on cumulative premiums at the time of death and the business value less life insurance death proceeds.The life insurance death proceeds in excess of the value of the business provides a gain which is represented by a negative cost per dollar.

Comparison of Funding Alternatives

Buying Carl Cannon's Interest at Death

Owner/Beneficiary:	**Insured:**	**Valuation Period:**
Betty Boston	Carl Cannon	10 Years

As your business grows, the value of the business changes each year. This comparison assumes values in 10 years. Deposits to a sinking fund as well as insurance premiums reflect just the payments during these 10 years; time value of money is not reflected. Some numbers show the amount at death, the sum of the payments beginning at death, and sum of premiums beginning now.

$ Cash: $1,175,414

Value represents the amount needed for Betty Boston to buy out Carl Cannon's interest at death, based on the values in year 10.

$ Borrow: $1,526,713

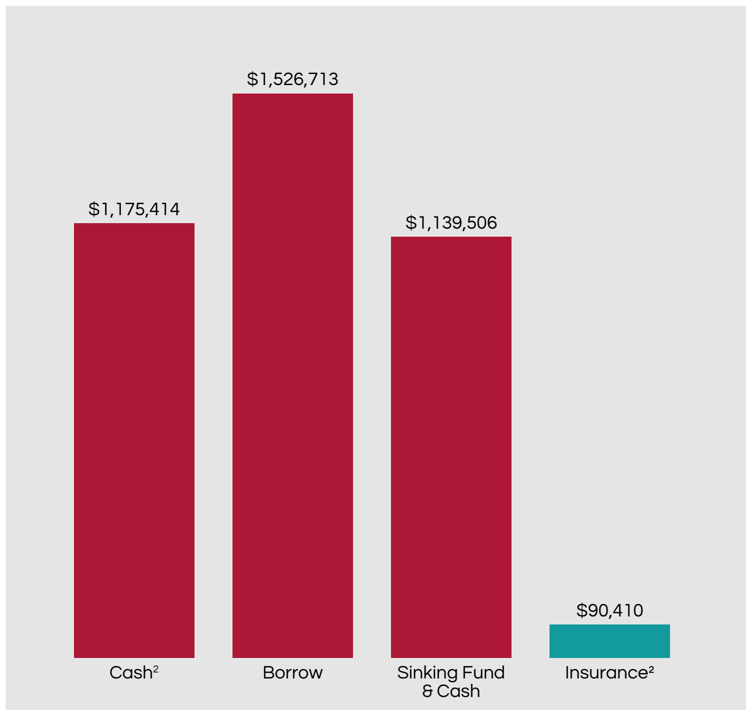
At 7.000% interest, 7 annual payments of $218,102 for total payments of $1,526,713.

$ Sinking Fund and Cash: $1,139,506

Sinking fund of $126,318 (annual deposits equal to life insurance premiums with interest at 6.000%) plus the balance necessary of $1,049,096 in cash.

$ Insurance[1]: $90,410

Total premiums for 10 years of $90,410.



	Total Cost	Net Present Value	Cost of $1.00
Cash[2]	$1,175,414	$721,602	$1.00
Borrow	1,526,713	774,770	1.07
Sinking Fund and Cash	1,139,506	717,357	0.99
Insurance[3]	90,410	73,303[4]	0.08[5]

1 The death benefit of the life insurance in year 10 is $24,586 more than the amount needed. This amount could be used to offset the economic loss of Betty Boston. See the complete life insurance illustration attached for all policy values.
2 Value represents the amount needed for Betty Boston to buy out Carl Cannon's interest at death, based on the values in year 10.
3 This cost only reflects premiums during these 10 Years. See the complete life insurance illustration attached for all policy values.
4 This is the net present value of the premiums without considering the life insurance in excess of the amount needed.
5 The cost of one dollar of the business considers all premiums, and all insurance death benefits. A negative cost indicates a gain since the death benefits exceed the amount needed.

Comparison of Funding Alternatives—Details

Buying Carl Cannon's Interest at Death

Owner/Beneficiary:	**Insured:**	**Valuation Period:**
Betty Boston	Carl Cannon	10 Years

Below are the year by year details of Betty Boston's various funding alternatives. The "Premium Outlay" shows the year by year cost of the Life Insurance funding alternative. The "Cumulative Premiums Plus Int." gives the ongoing balance of the Sinking Fund funding alternative. The "Borrow-Total Payments" shows the year by year amount needed for the Borrow funding alternative. The last two columns illustrate the annual net present value "Cost of One Dollar" amount for the Life Insurance and Borrow funding alternatives.

		LIFE INSURANCE		SINKING FUND	BORROW	NET PRESENT VALUE	
End of Year	**Value of Business[1]**	**Life Insurance Death Benefit**	**Annual Premium Outlay**	**Cumulative Premiums Plus Interest at 6.000%**	**Borrow Total Payments[2]**	**Insured Plan Cost Per Dollar[3]**	**Borrow Cost Per Dollar**
1	$588,000	$1,200,000	$9,041	$9,583	$763,736	-$1.02	$0.69
2	635,039	1,200,000	9,041	19,742	824,835	-0.86	0.73
3	685,843	1,200,000	9,041	30,510	890,822	-0.71	0.76
4	740,710	1,200,000	9,041	41,924	962,088	-0.56	0.80
5	799,967	1,200,000	9,041	54,023	1,039,055	-0.43	0.84
6	863,964	1,200,000	9,041	66,848	1,122,179	-0.31	0.88
7	933,081	1,200,000	9,041	80,442	1,211,954	-0.20	0.93
8	1,007,728	1,200,000	9,041	94,852	1,308,910	-0.10	0.97
9	1,088,346	1,200,000	9,041	110,127	1,413,623	-0.01	1.02
10	1,175,414	1,200,000	9,041	126,318	1,526,713	0.08	1.07

[1] Recommend amount of Carl Cannon's business interest assumed to increase at the rate of 8.000% annually (end of year value).
[2] Assumes a loan to purchase Carl Cannon's business interest with annual payments for 7 years at 7.000% interest.
[3] Based on cumulative premiums at the time of death and the business value less life insurance death proceeds.The life insurance death proceeds in excess of the value of the business provides a gain which is represented by a negative cost per dollar.

Action Plan

For Carl Cannon

✓ Recommendations

- [ ] Seek professional legal advice regarding your needs for disposition of the business.
- [ ] Meet with a qualified, professional appraiser to determine business value.
- [ ] Determine appropriate business solution.
- [ ] Have an attorney draft proper agreement and necessary resolutions to implement a cross purchase agreement with co-owners.
- [ ] Apply for life insurance and complete medical requirements.
- [ ] Execute all agreements and put plan into effect.
- [ ] Schedule annual review of business continuation plan.

Assumptions

Additional Notes and Details

Business Type:	C Corporation
Nature of Business:	Finance
Business Tax Bracket:	34.00%
Business Value Today:	$4,666,667
Business Growth Rate:	8.000%

Recommended amounts of life insurance are based on the solution being considered and the assumption that the successive owners would desire that their relative ownership to one another should remain the same. This may or may not reflect the owner's actual objective.

The numbers produced by this analysis in no way guarantee the right to purchase life insurance in the amounts illustrated. Premiums may vary based on many factors, including the age, sex and health of the insured. If life insurance is illustrated, this presentation is not valid unless accompanied by a complete illustration of proposed policy values.

We offer you this presentation to help you understand how life insurance can be used to provide funds for business continuation arrangements. This material contains references to concepts that have legal, accounting and tax implications. It is not intended as legal, accounting or tax advice. Consult your own attorney and/or accountant for advice regarding your particular situation.