SOME OF THE BEST SYNERGISTIC FAMILY LIMITED PARTNERSHIP OR FAMILY LIMITED LIABILITY COMPANY ESTATE PLANNING IDEAS WE SEE OUT THERE ©

S. Stacy Eastland
Houston, Texas

SSE01VL

Goldman Sachs does not provide legal, tax or accounting advice. Any statement contained in this communication (including any attachments) concerning U.S. tax matters was not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code, and was written to support the promotion or marketing of the transaction(s) or matter(s) addressed. Clients of Goldman Sachs should obtain their own independent tax advice based on their particular circumstances.

Table of Contents

I. THE PRIMARY IMPORTANCE OF GOALS-BASED PLANNING FOR THE SUCCESSFUL SUCCESSION OF THE FAMILY WEALTH IRRESPECTIVE OF THE STATUS OF THE TAX LAW....1

A. The Importance of First Determining a Client's Goals That Determine the Estate Plan's Essential Strategies. 1

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

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

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

4. Compatibility of Strategies and Legal Structures with the Stated Purpose of the Family Wealth....3

II. FREQUENTLY MENTIONED GOALS WITH RESPECT TO A TAXPAYER WHO WISHES TO MAKE A SUBSTANTIAL GIFT IN THE NEW TAX ENVIRONMENT: THE DESIRE TO HAVE EXIT STRATEGIES EITHER BECAUSE FUTURE STEWARDSHIP GOALS MAY CHANGE OR CONSUMPTION NEEDS MAY INCREASE AND THE DESIRE TO ACHIEVE MAXIMUM TAX SUBSIDIZATION FOR CHARITABLE GIFTS 4

A. The Desire for Flexibility for Many Clients in Making Future Gifts and With Respect to Their Past Gifts. 4

B. The Desire For Many Clients is to Achieve Maximum Tax Subsidization For Charitable Gifts in the New Tax Environment. 5

III. THE CONTROL ADVANTAGES AND CONSIDERATIONS FOR A TRANSFEROR CONTRIBUTING ASSETS TO A FLP OR FLLC. 5

A. Brief Summary. 5

B. Analysis of Case Law. 6

1. Supreme Court Analysis. 6

2. Tax Court Analysis By Judge Cohen in the *Strangi* Case. 10

3. Full Tax Court Analysis in the *Cohen* Case. 10

C. Six Separate Methodologies That May Prevent Running Afoul of IRC Sec. 2036(a)(2) Inclusion With Respect to Managing Partner Donors and Owners of Partnership Interests...11

1. Successfully Making the Argument That the *O'Malley* Analysis and the Prerequisites of IRC Sec. 2036(a)(2) Are Not Applicable to a Donor Partner, Who Retains a Distribution Power Over a Family Partnership. 12

2. Taxpayers Should Consider Adopting a Strategy of Selling Partnership Interests (Perhaps to Defective Grantor Trusts) in Exchange For a Note or Other Full Consideration. 13

3. IRC Sec. 2036(a)(2) Inclusion Should Not Present Any Issues if the Partnership Agreement is Structured to Provide the Same Fiduciary Constraints That Mr. Byrum Had. 14

4. IRC Sec. 2036(a)(2) Inclusion Should Not Present Any Issues if the Donor Partner's Distribution Power is Limited By Standards That a Court Could Enforce. 14

5. IRC Sec. 2036(a)(2) Inclusion Should Not Present Any Issues if the Donor Partner Contributes the Partnership Interest That Controls the Distribution Power to a Trust and Retains the Power to Remove and Replace the Trustee in a Manner That Complies With Revenue Ruling 95-58. 16

6. IRC Sec. 2036(a)(2) Inclusion Should Not Present Any Issues if the Donor Partner Contributes the Partnership Interest That Controls Distribution Powers to a Corporation That Has the Same Considerations and Constraints in its Structure as Existed in *Byrum* and Complies With Revenue Ruling 81-15. 17

D. Conclusion. 17

IV. BEST FAMILY INVESTMENT PLANNING IDEA – OR WHY INVESTMENT PROFESSIONALS LOVE FLLCS AND/OR FLPS 17

A. Introduction. 17

B. Investment and Trustee Management Reasons For the Use of Closely Held FLPs for the Investor Who Wishes to Create Trusts and Invest in Alternative Investment Classes, as Modern Portfolio Theory Seems to Require. 18

1. The Case For Diversification Into Several Asset Classes, Including So-Called Alternative Investments. 18

2. The First Investment Reason Certain Trusts Are Benefitted By the Creation of FLPs: Closely Held FLPs May Facilitate the Ability of Smaller Trusts to Hold Alternative Investments and Follow Modern Portfolio Theory. 23

3. The Second Investment Reason Certain Trusts Are Benefitted By the Creation of FLPs: Closely Held FLPs Facilitate Income Only (So-Called Simple) Trusts to Be Fully Diversified, as Modern Portfolio Theory Seems to Require. 29

4. The Third Investment Reason Certain Trusts Are Benefitted By FLPs: The Closely Held FLP Has the Management Capacity to Carry Out the Partnership's Capital Gains Income to the Income-Only Beneficiary For Income Tax Purposes. 39

C. If the Closely Held FLP Facilitates the Indirect Ownership of a Fully Diversified Portfolio By Smaller Trusts and Income Only Trusts, Will that Partnership Be Recognized For Transfer Tax Purposes? 40

V. OTHER NON-TRANSFER TAX REASONS WHY FAMILIES FORM FLPS OR FLLCS 46

A. A Taxpayer, By Using the Partnership Vehicle, Has the Ability to Transfer Capital Without Killing the Transferee's Productivity and Initiative, Because the Taxpayer May Have Some Indirect Control Over Distributions, Which May Not Be Possible With the Trust Vehicle. 46

B. The Partnership Vehicle Simplifies Annual Giving For Private Equity Investments. 47

C. Partnership Vehicle Facilitates Assets That Are Important to Be Kept in the Family. 47

D. Partnership Vehicle Provides Some Protection Against a Taxpayer's Future Unforeseeable Creditors, Which Cannot Be Provided to That Taxpayer Under Most States Law By Using Trusts. 48

E. The Partnership Vehicle Provides Greater Protection of Gifted Assets Against Failed Marriages. 48

F. Unlike Irrevocable, Non-Amendable Trust Agreements, Partnership Agreements Are Comparatively Flexible. 49

G. Business Judgment Rule of Partnership Law Offers Greater Flexibility in Investment Management Than Trust Law. 49

H. Partnership Agreements Could Be Drafted to Mandate Arbitration of Family Disputes and Circumvent Court Litigation, Which is Generally Not Possible Under Most State Laws With Respect to Trusts. 49

I. Partnership Agreements Could Be Drafted to Mandate the "English" Rule For Disputes (Loser Pays); That is Generally Not Possible Under Most State Laws With Respect Too Trusts. 50

J. Partnership Arrangements Facilitate and Institutionalize Family Communication and Education on Financial Matters. 50

K. Partnerships Eliminate or Lower Out-of-State Probate Costs For Real Estate Investments. 50

L. A Partnership is Advantageous Compared to a "C" Corporation Because it Has One Level of Income Tax and is Advantageous Compared to an "S" Corporation Because it Allows a Greater Variety of Ownership Structures. 50

M. A Partnership is Advantageous Compared to a Corporate Structure Because in Many Jurisdictions There is No Franchise Tax or Intangibles Tax to Pay With the Use of Partnerships. 50

VI. BEST FLP OR FLLC ESTATE PLANNING IDEA FROM A TRANSFER TAX PERSPECTIVE – SELL IT 51

A. Introduction. 51

B. A Perspective of Modern Integrated Estate Planning. 51

C. The IRC Sec. 2036(a)(1) Problem For Decedents' Who Retain a Significant FLP Interest. 53

1. Brief Summary. 53

2. Analysis of Case Law. 53

D. The IRC Sec. 2036(a)(1) Problem Does Not Exist if There is a Substantive Non-Tax Reason For the Creation of the FLP. 69

E. If a Sale of a Partnership Interest Occurs During a Client's Lifetime, the Gift Tax Equivalent of IRC Sec. 2036 Does Not Exist (i.e., There Is No IRC Sec. 2536 Under Chapter 12 of the Code). 70

F. There Are Many Other Reasons, Other Than Avoiding IRC Sec. 2036(a)(1) Inclusion, for Transferring the Partnership Interest During the Taxpayer's Lifetime For a Note. 71

1. The Valuation Principles of Revenue Ruling 93-12 Apply to Lifetime Transfers, But They Do Not Apply to Transfers at Death. 71

2. Growth of the Underlying Assets of the Partnership, if a Transfer Occurs During the Lifetime of a Taxpayer, Will Not Be Subject to Estate Tax. 71

3. There is a Significant Transfer Tax Advantage for the Taxpayer Who Transfers His Partnership Interests During His Lifetime to a Grantor Trust in Exchange for a Note. 71

4. A Future Congress Could Change the Current Law With Respect to Valuation Discounts Associated With FLPs. 74

5. The Taxpayer May Have the Ability to Indirectly Access All of the Partnership Distributable Cash Flow for Consumption Needs. 75

6. Generally, the Sale of a FLP Interest to a Trust, is a Flexible Arrangement That Can Be Modified in Response to Changed Circumstances. 75

7. The Sale of a FLP Interest for a Note Facilitates Testamentary Charitable Planning, Because the Note is a More Attractive Asset for a Charity to Receive Than FLP Interests. 76

VII. FIRST "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR SELLING FLP INTERESTS (OR NON-MANAGING MEMBER INTERESTS IN A FLLC) TO A TRUST IN WHICH THE TRANSFEROR IS THE INCOME TAX OWNER ("GRANTOR TRUST"), THAT NAMES THE TRANSFEROR'S SPOUSE AS BENEFICIARY AND GIVES THE SPOUSE A SPECIAL POWER OF APPOINTMENT 76

A. What is the Technique? 76

B. Advantages of the Technique. 77

1. Tax Advantages of Creating a Grantor Trust and a Sale to a Grantor Trust. 77

2. The Near Term Death of the Grantor of a Grantor Trust Generally Does Affect the Technique Like the Death of a Grantor of a GRAT. 78

3. 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 79

4. Flexibility Advantages of Selling to a Grantor Trust. 79

C. Considerations of the Technique. 85

1. There May Need to Be Substantive Equity in the Trust From Prior Gifts (is 10% Equity Enough?) Before the Sale is Made. 85

2. State Income Tax Considerations. 86

3. The IRS Could Be Successful in Applying the Step Transaction Doctrine to the Technique. 86

4. If the Assets Decrease in Value, the Gift Tax Exemption Equivalent May Not Be Recoverable. 89

5. There May be Capital Gains Consequences With Respect to the Notes Receivables and/or Payables That May Exist at Death. 89

6. 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. 90

VIII. SECOND "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR CONTRIBUTING FLP INTERESTS OR FLLC MEMBER INTERESTS TO A GRAT IN WHICH THE REMAINDER TRUST IS FOR THE BENEFIT OF THE TRANSFEROR'S SPOUSE AND FAMILY THAT ALSO GIVES THE SPOUSE A LIMITED POWER OF APPOINTMENT. 110

A. What is a GRAT? 110

B. Advantages of the Technique. 113

1. Valuation Advantage of a GRAT. 113

2. Ability of Grantor to Pay For Income Taxes Associated With GRAT Gift Tax-free and Substitute Assets of the GRAT Income Tax-free. 114

3. Synergy With Other Techniques. 114

4. Comparatively Low Hurdle Rate. 114

5. High Leverage. 115

6. Non-recourse Risk to Remaindermen. 115

7. Consumption and Flexibility Advantage of a Remainder Trust for the Benefit of a Spouse Who Has a Limited Power of Appointment. 115

C. Considerations of the Technique. 115

1. Part or all of the Assets Could be Taxable in the Grantor's Estate if the Grantor Does Not Survive the Term of the GRAT. 115

2. If a GRAT is Not Administered Properly the Retained Interest By the Grantor May Not Be Deemed to Be a Qualified Interest. 116

3. GST Planning is Difficult With This Technique. 117

4. The Technique Will Be Unsuccessful Unless the GRAT Assets Grow More Than the IRC Sec. 7520 Rate. 118

IX. THIRD "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR FIRST CONTRIBUTING FINANCIAL ASSETS TO A FLP AND THEN CONTRIBUTING AND SELLING (IN CONSIDERATION OF A NOTE) THE FLP INTEREST AND THE PRIVATE EQUITY INVESTMENTS TO A SINGLE MEMBER FLLC AND THEN CONTRIBUTING NON-MANAGING MEMBER INTERESTS IN THAT FLLC TO A GRAT. 118

A. What is the Technique?..118

B. Advantages of the Technique. 119

1. If Leverage is Used in Creating the FLLC that is Contributed to the GRAT, Much More Wealth is Transferred to the Remainderman of the GRAT...119

2. The Technique Has Many of the Same Advantages as the Sale to the Grantor Trust...121

3. Valuation Advantage of a GRAT. 122

4. Ability of Grantor to Pay For Income Taxes Associated With GRAT Gift Tax-free and Substitute Assets of the GRAT Income Tax-free. 122

5. Synergy With Other Techniques..122

6. Comparatively Low Hurdle Rate. 122

7. High Leverage...122

8. Non-recourse Risk to Remaindermen. 122

9. The "*Atkinson*" Worry About Paying a GRAT Annuity With a Hard-to-Value Asset May Be Eliminated. 122

C. Considerations of the Technique. 122

1. Part or All of the FLLC Interests Could Be Taxable in the Grantor's Estate if the Grantor Does Not Survive the Term of the GRAT....................122

2. It is More Complex Than the Other GRAT Techniques. 123

X. FOURTH "SALES" MEHTOD: THE ADVANTAGES AND CONSIDERATIONS OF ALLOCATING BOTH THE GRANTOR'S GST AND GIFT TAX EXEMPTIONS TO A GRAT THAT OWNS A LEVERAGED FLLC WITH THE ANNUITY BEING DEFINED AS THAT FIXED PERCENTAGE THAT PRODUCES A TRANSFER THAT IS EQUAL TO THE ALLOCATED GIFT TAX EXEMPTION. 123

A. The Technique (Hypothetical Technique 6) and Does it Satisfy the ETIP Rules For Generation-Skipping Tax Purposes? 123

B. Advantages Other Than the Possible Generation-Skipping Advantage of Allocating the Gift Tax and GST Exemptions Up-Front to a GRAT. 126

1. If Leverage is Used in Creating the FLLC That is Contributed to the GRAT, Much More Wealth is Transferred to the Remainderman of the GRAT. 126

2. Valuation Advantage of a GRAT. 126

3. Ability of Grantor to Pay For Income Taxes Association With the GRAT Gift Tax Free and Substitute Assets of the GRAT Income Tax Free. 126

4. Synergy With Other Techniques. 126

5. Comparatively Low Hurdle Rate. 127

6. A Much Smaller Part of the FLLC Interest Will Be Taxed on the Grantor's Estate if the Grantor Does Not Survive the Term of the GRAT in Comparison to the Contribution of a Non-Leveraged FLLC to a GRAT, or a Leveraged FLLC to a GRAT Without the Allocation of the Gift Tax Exemption. 127

7. The *"Atkinson"* Worry About Paying a GRAT Annuity With a Hard-to-Value Asset May Be Eliminated. 127

C. Considerations of the Technique. 127

1. There is Risk That the Allocated Gift Tax and GST Exemptions Will Be Lost. 127

2. It is Important That Each Step of the Transaction Be Independent and Be Able to Stand On its Own. 127

3. There May Exist Better Techniques For Transferring the Remainder Interest to a Generation-Skipping Trust That Do Not Use the Grantor's GST Exemption. 128

XI. FIFTH "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR GIFTING AND SELLING LIMITED PARTNERSHIP INTERESTS TO A TRUST THAT QUALIFIES FOR THE MARITAL DEDUCTION WITH THE REMAINDERMAN BEING A TRUST WHICH PURCHASES THE REMAINDER ("REMAINDER PURCHASE MARITAL TRUST"). 134

A. What is the Technique? 134

B. Advantages of the Technique. 136

1. Tax Advantages of Creating a Grantor Trust. 136

2. The Near Term Death of Grantor, or the Grantor's Spouse, Generally Does Not Affect the Technique Like the Death of a Grantor of a GRAT. 136

3. The Appreciation of the Assets Will Be Out of the Grantor's Estate and the Spouse of the Grantor's Estate. 136

4. The Grantor and the Grantor's Spouse Will Have Available For Their Consumption Needs the Consideration Paid By the Remainderman Trust and the Distributions Paid Pursuant to the Beneficial Provisions of the RPM Trust (and Perhaps the Remainderman Trust). 136

5. There is More Flexibility in the Design of the Structure in Comparison to a GRAT Because IRC Sec. 2702 Does Not Apply to the Technique and it is Easier to Do Leveraged GST Planning in Comparison to a GRAT. 137

6. The Technique Could Also Serve as a Qualified Personal Residence Trust (QPRT) Substitute and Could Be a Very Good Vehicle For Planning For Art. 137

C. Considerations of the Technique. 138

1. It Requires a Spouse Beneficiary. 138

2. The RPM Trust Cannot Have a Divorce Clause, But it Could be an Advantageous Technique to Use in Pre-Divorce Planning. 138

3. It is Crucial That the Remainderman Trust Pay Full Consideration. 138

4. The Step Transaction Doctrine Could Apply. 139

5. The Need For "Substance" With Respect to the Purchase By the Remainderman Trust. 139

6. It is Crucial That the Remainder and Term Interests in the RPM Trust Be Transferred Simultaneously. 139

7. The Interest on the Note Received By the Selling Spouse Will Be Taxable Income to That Selling Spouse and There Will Be a Corresponding Deduction to the Spouse Who Created the Grantor Trust. 140

8. The RPM Transaction Will Only Be a Profitable Transaction to the Remainderman Trust if the Assets Subject to the Remainder Purchase Grow Faster Than What the Consideration Utilized By the Remainderman Trust Would Have Otherwise Increased. 140

XII. SIXTH "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR SELLING ASSETS TO A TRUST THAT NAMES THE TRANSFEROR AS A BENEFICIARY, GIVES THE TRANSFEROR A SPECIAL POWER OF APPOINTMENT, AND UNDER WHICH THE TRANSFEROR'S SPOUSE IS CONSIDERED THE INCOME TAX OWNER ("SPOUSAL GRANTOR TRUST"). 140

A. What is the Technique? 140

B. Advantages of the Technique. 142

1. There Will Be No Capital Gains Consequence on the Original Sale of the Assets to the Trust. 142

2. The Technique, With Respect to a Sale to the Trust in Which the Seller Has a Power of Appointment, Has the Potential of Mitigating Gift Tax Surprises. 143

3. It Has the Advantage of Allowing the Transferor to Be a Beneficiary of the Trust and Have a Power of Appointment Over the Trust. 143

4. Appreciation Will Be Out of the Transferor's Estate. 144

C. Considerations of the Technique. 144

1. There May Need to Be Substantive Equity in the Trust From Prior Gifts (is 10% Equity Enough?) Before the Sale is Made. 144

2. Federal Income Tax Considerations. 144

3. State Income Tax Considerations. 144

4. Necessary to File Gift Tax Returns....144

5. The Family Could Lose The Benefits of Using the Gift Tax Exemption, if the Trust Assets Depreciate. 145

6. The IRS Could Be Successful in Applying the Step Transaction Doctrine to the Technique....145

7. If it is Possible For a Current Creditor, or Any Future Creditor, of the Assigning Spouse/Beneficiary to Reach Part of the Assets of the Trust For a Period of Time That Does Not End Before the Assigning Spouse/Beneficiary's Death, By Either Voluntary or Involuntary Assignment By the Assigning Spouse/Beneficiary, Then That Part of the Trust May Be Included in the Assigning Spouse/Beneficiary's Estate Under IRC Secs. 2036 or 2038. 145

8. If it is Possible For a Current or Future Creditor of an Assigning Spouse/Beneficiary to Reach Part of the Assets of a Self-settled Trust, Then That Part of the Trust May Not Constitute a Complete Gift For Gift Tax Purposes. 147

XIII. SEVENTH "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR SELLING ASSETS TO A THIRD PARTY CREATED TRUST THAT NAMES THE TRANSFEROR AS A BENEFICIARY, GIVES THE TRANSFEROR A SPECIAL POWER OF APPOINTMENT, AND UNDER WHICH THE TRANSFEROR IS CONSIDERED THE INCOME TAX OWNER ("BENEFICIARY GRANTOR TRUST"). 147

A. What is the Technique?....148

B. Advantages of the Technique. 149

C. Considerations of the Technique. 149

1. Guarantee Fee Transfer Tax Issues....149

2. Additional Transfer Tax Issues. 149

3. Income Tax Issues....153

D. A Beneficiary Grantor Trust Makes an Investment That Has Substantial Value Without a Sale By the Transferor Beneficiary to the Beneficiary Grantor Trust. 156

1. Additional Advantages of This Technique. 157

2. Considerations of the Technique. 158

E. A Beneficiary Grantor Trust Purchases the Remainder Interest in a GRAT. 159

1. What is the Technique? 159

2. Advantages of the Technique. 161

3. Considerations of the Technique. 163

XIV. EIGHTH "SALES" MEHTOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR SELLING FLP INTERESTS (OR NON-MANAGING MEMBER INTERESTS IN A FLLC) TO A TRUST IN WHICH THE TRANSFEROR IS THE INCOME TAX OWNER ("GRANTOR TRUST") IN WHICH THE TRANSFEROR WOULD BE ELIGIBLE FOR DISTRIBUTIONS BY AN INDEPENDENT TRUSTEE UNDER A DISCRETIONARY STANDARD IN A STATE THAT RECOGNIZES SELF-SETTLED TRUSTS. 165

A. What is the Technique? 165

B. Advantages of the Technique. 166

1. Tax Advantages of Creating a Grantor Trust and a Sale to Grantor Trust. 166

2. The Near Term Death of the Grantor of a Grantor Trust Generally Does Not Affect the Technique Like the Death of a Grantor of a GRAT. 166

3. The Appreciation of the Assets Above the Interest of the Note Used in Any Sale to a Grantor Trust Will Not Be Taxable in the Grantor/Seller's Estate. 166

4. Flexibility Advantages of Selling to Grantor Trust in Which the Seller is a Discretionary Beneficiary. 166

5. Flexibility Could Also Be Achieved By Converting the Note With a Different Interest Rate, a Private Annuity, Purchasing Assets Owned By the Trust and/or Renaming the Powers That Make the Trust A Grantor Trust. 166

C. Considerations of the Technique. 166

1. There May Need to be Substantive Equity in the Trust From Prior Gifts (is 10% Equity Enough?) Before the Sale is Made. 166

2. State Income Tax Considerations. 166

3. The IRS Could Be Successful in Applying the Step Transaction Doctrine to the Technique. 167

4. If the Assets Decrease in Value, the Gift Tax Exemption Equivalent May Not Be Recoverable. 167

5. There May Be Capital Gains Consequences With Respect to the Notes Receivables and/or Payables That May Exist at Death. 167

6. 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. 167

7. If it is Possible For a Current Creditor or Any Future Creditor of the Grantor/Beneficiary to Reach Part of the Assets of the Trust For a Period of Time That Does Not End Before the Grantor/Beneficiary's Death, By Either a Voluntary or Involuntary Assignment By the Grantor/Beneficiary, Then That Part Of The Trust May Be Included in the Grantor/Beneficiary's Estate Under IRC Sec. 2036(a)(1). 167

8. Incomplete Gift Issues. 167

9. To Get the Benefit of the Laws of an Asset Protective Jurisdiction For a Grantor/Beneficiary Who Does Not Live in Such a Jurisdiction, Trustee Fees Will Be Incurred, and if There is a Co-Fiduciary in Another Jurisdiction, the Creditor Protection May Not Exist. 167

XV. THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR CREATING A FLP OR A FLLC WITH FLEXIBLE PREFERRED INTERESTS AND RETAINING THOSE PREFERRED INTERESTS, EVEN IF THE DESIGN OF THE PREFERRED INTERESTS DELIBERATELY VIOLATES THE GIFT TAX VALUATION RULES OF IRC SEC. 2701. 168

A. What is the Technique. 168

B. Advantages of the Technique. 170

1. Tax Advantages of Creating a Grantor Trust and Tax Advantages Similar to a Sale to a Grantor Trust. 170

2. The Near Term Death of the Grantor of a Grantor Trust Generally Does Not Effect the Technique Like The Death of a Grantor of a GRAT. 171

3. The Appreciation of the Assets of the Trust Above the Preferred Coupon Will Not Be Taxable in the Grantor's Estate. 171

4. IRC Sec. 2036 Advantage. 171

5. Flexibility Advantages. 179

6. Basis Advantages. 180

7. The Capital Gains Consequences That May Exist For Existing Note Receivables and/or Payables Does Not Exist at Death With This Technique. 180

8. The Technique Could Work in Much Larger Situations Through the Use of Debt. 180

C. Considerations of the Technique. 181

1. There Needs to Be Enough Substantive Equity in the Growth Interest in the Entity. 181

2. The IRS Could Be Successful in Applying the Step Transaction Doctrine to the Technique. 181

3. If the Assets of the Entity Decrease in Value, the Gift Tax Exemption Equivalent May Not Be Recoverable. 181

4. The IRS May Contest the Valuation of the Growth Interests That Are Donated to the Grantor Trust. 181

XVI. USE OF THE LEVERAGED REVERSE FREEZE TO PAY FOR LIFE INSURANCE AND CASCADING PURCHASES OF GROWTH FLP INTERESTS 181

A. Introduction. 181

B. Example. 181

C. Valuation Advantage: IRS Concedes Preferred Partnership Interests Should Have a High Coupon. 184

D. IRC Sec. 2036 Advantage. 184

E. The Valuation Rules of IRC Sec. 2701 Should Not Apply, if One Generation Transfers the Preferred Partnership Interests to the Second Generation. 184

F. The Effect of Cascading Sales to an Intentionally Defective Grantor Trust. 185

G. What is the Comparative Outcome Under the Proposed Plan. 186

H. Use of High Yield Preferred Partnership Interests in Conjunction With Long Term GRATs. 188

1. The Technique. 188

2. Outcome. 188

I. Conclusions. 188

XVII. USE OF A DISCOUNTED SALE OF THE NON-CHARITABLE INTEREST IN A CHARITABLE REMAINDER UNITRUST ("CRUT") TO A GRANTOR TRUST 189

A. Introduction and Case Study Example. 189

B. A General Review of the Solution. 189

C. The Concepts. 190

1. The Tax Advantage of Creating a Grantor Trust and a Sale to a Grantor Trust. 191

2. The Tax Advantage of Using Leverage. 191

3. The Tax Advantage of Lowering Opportunity Costs By Delaying Taxes. 191

4. The Tax Advantage of Allocating Tax Liabilities to the Donor and Layering Tax Effects. 191

5. The Tax Advantage of Integration. 191

D. The Rules. 192

1. What is a Charitable Remainder Unitrust ("CRUT")? 192

2. Why Use a Term of Years CRUT? 194

3. Advantages of a FLLC in This Context. 194

4. Consideration of a FLLC in this context. 195

5. What are the Considerations of an Installment Sale to an IDGT in This Context? 196

6. What Are the Risks of the Combined Techniques? 197

E. What is the Outcome? 197

XVIII. USE OF A LEVERAGED BUY-OUT OF A TESTAMENTARY CHARITABLE LEAD ANNUITY TRUST ("CLAT") 200

A. Introduction. 200

B. What is a CLAT? 202

1. A charitable lead annuity trust 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. 202

2. In the charitable lead annuity trust, 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 principle. 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. 203

3. The lead interest in a charitable lead annuity trust can be for a fixed term of years. Unlike a charitable remainder trust, the fixed term can be indefinite. The lead interest can also be measured by the life of an existing individual or the joint lives of existing individuals..........................203

4. Charitable lead annuity trusts are not subject to the minimum payout requirements associated with charitable remainder trusts. Thus, there is no 5% minimum payout for charitable lead annuity trusts. 203

5. The charitable lead annuity trust is not a tax-exempt entity. Thus, 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.......203

6. Charitable lead trusts are characterized as private foundations for purposes of certain restrictions placed on such organizations. Accordingly, CLATs are subject to private foundation excise tax provisions. The governing trust instrument must contain specific prohibitions against (i) self-dealing; (ii) excess business holdings; (iii) jeopardy investments; and (iv) taxable expenditures. If the specified prohibited transactions occur onerous significant excess taxes could accrue. 203

C. What is a Leveraged Buyout Testamentary CLAT?.......203

D. What is the Outcome?.......204

XIX. SYNERGY OF USING PREFERRED INTERESTS IN FLPS AND FLLCS WITH CHARITABLE PLANNING.......206

A. Significant Income Tax and Healthcare Tax Savings Associated With Gifting a Preferred FLP or FLLC Interest to a Public Charity and the Corollary Opportunity to Gift and/or Sell the Remainder Interests to Family Members or Trusts for Family Members. 206

1. Valuation Advantage: IRS Concedes Preferred Partnership Interests Should Have a High Coupon. 206

2. IRC Sec. 2036 Advantage.......206

3. The Valuation Rules of IRC Sec. 2701 Should Not Apply, if the Preferred Partnership Interests Are Not Retained By the Owner Who Later Transfers Other Partnership Interests to His Family. 206

B. The Use of a High-Yield Preferred Partnership or Membership Interest With Charitable Lead Annuity Trust (“CLAT”).......210

XX. USING A 20% ANNUAL INCREASING ANNUITY GRAT, AND USING "PROPORTIONALITY" AND "DEBT" EXCEPTIONS TO IRC SEC. 2701 TO PLAN FOR PRIVATE EQUITY FUND MANAGERS AND HEDGE FUND MANAGERS 212

A. The Technique. 212

B. Observations. 218

SOME OF THE BEST SYNERGISTIC FAMILY LIMITED PARTNERSHIP OR FAMILY LIMITED LIABILITY COMPANY ESTATE PLANNING IDEAS WE SEE OUT THERE ©

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.

---

[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).

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.

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.

II. FREQUENTLY MENTIONED GOALS WITH RESPECT TO A TAXPAYER WHO WISHES TO MAKE A SUBSTANTIAL GIFT IN THE NEW TAX ENVIRONMENT: THE DESIRE TO HAVE EXIT STRATEGIES EITHER BECAUSE FUTURE STEWARDSHIP GOALS MAY CHANGE OR CONSUMPTION NEEDS MAY INCREASE AND THE DESIRE TO ACHIEVE MAXIMUM TAX SUBSIDIZATION FOR CHARITABLE GIFTS

A. The Desire for Flexibility for Many Clients in Making Future Gifts and With Respect to Their Past Gifts.

Given the calamity of economic events in 2000, 2001, 2008 and early 2009, many clients legitimately worry about their future consumption needs and how those needs may be affected by large gifts. Many events have occurred during our lifetimes that we never anticipated. For instance, who could have anticipated the fall of the Berlin Wall or casual Fridays at law firms? In a similar fashion, in the family unit, all patriarchs and matriarchs have seen family situations that could not be anticipated, which can lead to "donor's remorse" about significant gifts. What if one child discovers the equivalent of the Alaskan North Slope in South Texas, while another child needs substantial help because of a terrible automobile accident that physically disabled that child? What if both of these events occur 20 years from today? What if a client changes his or her mind about the stewardship abilities of a child or grandchild? For instance, what if a patriarch or matriarch currently feels that making significant wealth available to a family member would kill that family member's initiative? However, that patriarch or matriarch concedes that if that child develops leadership characteristics and financial stewardship in the future, the amount of wealth under the control of that child should increase.

It is clear that taking advantage of in the past or in the future existing exemption equivalents, and packing assets into a vehicle that will not be subject to future estate taxes or generation-skipping taxes, can be a very productive plan; not only for saving transfer taxes, but also for creditor protection purposes for the family. The question is what techniques exist to transfer current wealth, or deal with past gifts, that will also provide the client with the flexibility to supplement the client's consumption needs and/or to give the client flexibility to change the characteristics of his or her stewardship goals? Unless there is a satisfactory answer to those goals and concerns, many clients will not avail themselves of the current gift planning opportunities or they will not leverage their past gifts. One of the purposes of this paper is to discuss some of our favorite family limited partnership ("FLP") and family limited liability company ("FLLC") estate planning ideas, which address those goals and concerns.[3]

---

[3] I would like to thank my colleagues at Goldman Sachs who helped with many of these ideas: Jeff Daly, Cliff Schlesinger, Karey Dye, Melinda Kleehamer, Michael Duffy and Cathy Bell. 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, Steve Gorin, Jonathan Koslow and Dan Hastings.

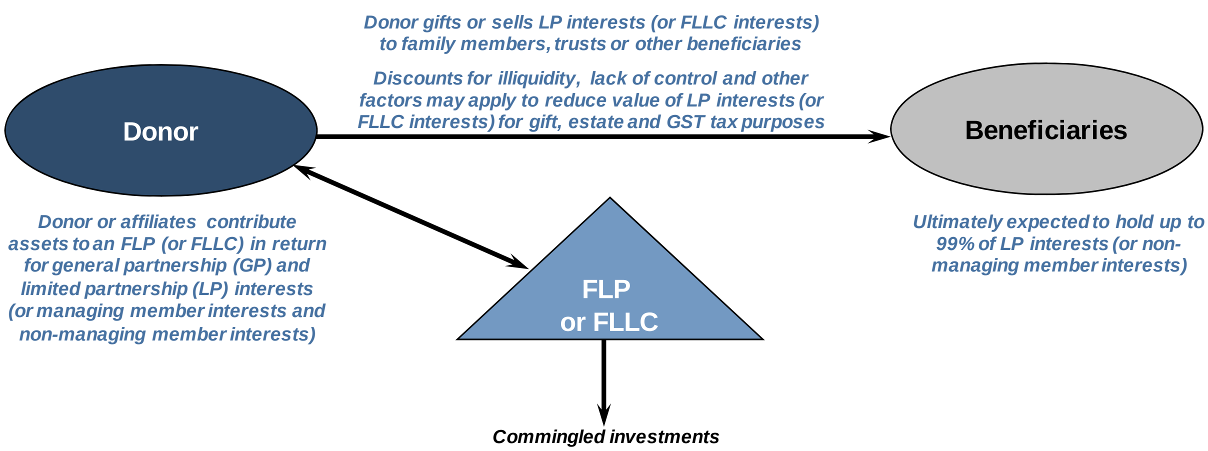
B. The Desire For Many Clients is to Achieve Maximum Tax Subsidization For Charitable Gifts in the New Tax Environment.

Many clients find that their gifts to their favorite charitable causes can only be partially deducted for income tax purposes and cannot be deducted at all for purposes of determining the new health care tax, which affects the after tax cost of the charitable gift. One of the purposes of this paper is to discuss some of our favorite FLP and FLLC planning ideas that ameliorate those concerns.

III. THE CONTROL ADVANTAGES AND CONSIDERATIONS FOR A TRANSFEROR CONTRIBUTING ASSETS TO A FLP OR FLLC.

A. Brief Summary.

A transferor could contribute the transferor's assets to a FLP or FLLC and transfer the FLP or member interests to a donee as illustrated below:



The taxpayer can retain investment control of a partnership or FLLC in which he has donated FLP or member interests. A donor may wish to determine in the future who should have stewardship of future investment decisions of her donated assets. If a donor first contributes his investment assets to a partnership and retains the equity interests that determine the partnership's investments, that donor could delay determining who has future investment control until he transfers that equity interest.

However, if a taxpayer has control of partnership distributions, according to one judge in an advisory opinion, there may not be a discount available on retained partnership interests at death, or even possibly any partnership interests that were given away before death because of operation of IRC Sec. 2036(a)(2). Obviously, a taxpayer could only retain investment control, give away those management interests that control distributions, and this doctrine would not apply. The good news is, even for those who believe that the judge in that advisory opinion may have it right, that the courts and the IRS have provided three safe harbors for taxpayers who wish to at least, indirectly, have an impact on the level of partnership distributions.

It should be noted that the other reason this technique is popular for gift planning, valuation discounts, in computing the gift tax, may be affected by future legislation. President Obama has proposed the ability to obtain valuation discounts for the transfer of FLP interests for passively managed assets should be eliminated.[4] However, the use of FLPs as an investment control and distribution control mechanism, under the circumstances noted below may still be viable, even if that legislation eventually passes. In many of the techniques described in this paper, there is integration with the ownership of a FLP interest, in order to facilitate the client's investment control and distribution control goals.

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

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

b. The general partnership 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*

c. The general partnership 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.

B. Analysis of Case Law.

1. Supreme Court Analysis.

Even if a general partner controls partnership distributions, the partnership agreement could be designed to address IRC § 2036(a) from including any previously transferred FLP interests or assignee interests in his estate. The Supreme Court's analysis in *United States v. Byrum*[5] provides authority that IRC § 2036(a)(1), IRC § 2036(a)(2) and IRC § 2038 do not apply (under the right facts).

A transferred partnership interest will not be included in the donor's estate under IRC Sec. 2036(a)(2) where the only distribution power is one subject to a definite external standard, which could be enforced by a court. If a distribution power is so constrained, the donor does not have the legal right to designate the persons who shall possess or enjoy the property or the income therefrom. The original source of this doctrine is *Jennings v. Smith,*[6] and several other cases (*e.g.*, see the discussion by Justice Powell of *Northern Trust Co.* and *King* cases below) have followed that logic. That court-made doctrine, or exception, to IRC Sec. 2036(a)(2) was approved by the IRS in Rev. Rul. 73-143. The *Jennings v. Smith* line of cases involved retained trustee powers by

[4] The Obama Administration's 2013 Budget Proposal (the "Green Book" released February 13, 2012).

[5] 408 U.S. 125 (1972).

[6] 161 F.2d, 74 (2nd Cir. 1947).

a donor of a trust. In the corporate or partnership context the external standard may be satisfied, if normal fiduciary constraints exist in the corporation or partnership. *United States v. Byrum* endorsed the proposition that this may be all that is required.

United States v. Byrum involved a case in which the IRS determined that certain transferred stock of a closely held corporation was included in a decedent's estate under IRC § 2036(a)(2). The decedent had transferred stock to a trust and retained the rights to vote the stock and also retained the power to disapprove the transfer of any trust assets, investments and reinvestments, and to remove the trustee and designate a corporate trustee. The decedent's right to vote the stock of the trust corpus, together with his right to vote the stock he owned individually, gave him the right to vote 71% of the stock.

The IRS argued that under IRC § 2036(a)(2), Mr. Byrum, the decedent, retained the right to designate the persons who had enjoyed the income from the transferred property. The Service argued that he had this right because he had control over the corporate dividend policy and could liquidate the corporation. By increasing, decreasing, or stopping the dividends completely, Byrum could indirectly "regulate the flow of the income to the trust" and thereby shift or defer the beneficial enjoyment of the trust income between the beneficiaries.

The Supreme Court rejected the Service's reasoning based on three different theories. The first theory was that the power to manage transferred assets that affect the income of a transferee, and the power to determine the inherent distributions associated with the transferred assets within a court enforceable standard, are not powers that are subject to IRC § 2036(a)(2):

> At the outset we observe that this Court has never held that trust property must be included in a settlor's gross estate solely because the settlor retained the power to manage trust assets. On the contrary, since our decision in *Reinecke v. Northern Trust Co.*, 278 U.S. 339, 49 S.Ct. 123, 73 L.Ed. 410, 66 A.L.R. 397 (1929), it has been recognized that a settlor's retention of broad powers of management does not necessarily subject an inter vivos trust to the federal estate tax. Although there was no statutory analogue to § 2036(a)(2) when Northern Trust was decided, several lower court decisions decided after the enactment of the predecessor of § 2036(a)(2) have upheld the settlor's right to exercise managerial powers without incurring estate-tax liability. In *Estate of King v. Commissioner*, 37 T.C. 973 (1962), a settlor reserved the power to direct the trustee in the management and investment of trust assets. The Government argued that the settlor was thereby empowered to cause investments to be made in such a manner as to control significantly the flow of income into the trust. The Tax Court rejected this argument, and held for the taxpayer. Although the court recognized that the settlor had reserved "wide latitude in the exercise of his discretion as to the types of investments to be made," id. at 980, it did not find this control over the flow of income to be equivalent to the power to designate who shall enjoy the income from the transferred property.
>
> Essentially the power retained by Byrum is the same managerial power retained by the settlors in *Northern Trust* and in *King*. Although neither case

> controls this one--*Northern Trust*, because it was not decided under § 2036(a)(2) or a predecessor; and *King*, because it is a lower court opinion--the existence of such precedents carries weight. The holding of *Northern Trust*, that the settlor of a trust may retain broad powers of management without adverse estate-tax consequences, may have been relied upon in the drafting of hundreds of inter vivos trusts. The modifications of this principle now sought by the Government could have a seriously adverse impact, especially upon settlors (and their estates) who happen to have been "controlling" stockholders of a closely held corporation. Courts properly have been reluctant to depart from an interpretation of tax law, which has been generally accepted when the departure could have potentially far-reaching consequences. When a principle of taxation requires reexamination, Congress is better equipped than a court to define precisely the type of conduct, which results in tax consequences. When courts readily undertake such tasks, taxpayers may not rely with assurance on what appear to be established rules lest they be subsequently overturned. Legislative enactments, on the other hand, although not always free from ambiguity, at least afford the taxpayers advance warning.[7]

Secondly, the Supreme Court held that *Byrum* did not have a retained "right" as that term is used in IRC § 2036(a)(2) because of the fiduciary duty *Byrum* owed to the corporation:

> It must be conceded that Byrum reserved no such "right" in the trust instrument or otherwise. The term "right," certainly when used in a tax statute, must be given its normal and customary meaning. It connotes an ascertainable and legally enforceable power, such as that involved in O'Malley. Here, the right ascribed to Byrum was the power to use his majority position and influence over the corporate directors to "regulate" the flow of dividends" to the trust. That "right" was neither ascertainable nor legally enforceable and hence was not a right in any normal sense of that term.
>
> . . . .
>
> A majority shareholder has a fiduciary duty not to misuse his power by promoting his personal interests at the expense of corporate interests. Moreover, the directors also have a fiduciary duty to promote the interests of the corporation. However great Byrum's influence may have been with the corporate directors, their responsibilities were to all stockholders and were enforceable according to legal standards entirely unrelated to the needs of the trust or to Byrum's desires with respect thereto.[8]

---

[7] *Byrum*, 408 U.S. at 132-35.

[8] *Byrum*, 408 U.S. at 136-38 (footnotes omitted).

Thirdly, the Supreme Court ruled that Byrum was not in control of determining the dividends of the corporation because of the many practical difficulties and business realities involved in such a determination, over which Byrum had no control:

> There is no reason to suppose that the three corporations controlled by Byrum were other than typical small businesses. The customary vicissitudes of such enterprises--bad years; product obsolescence; new competition; disastrous litigation; new, inhibiting Government regulations; even bankruptcy--prevent any certainty or predictability as to earnings or dividends. There is no assurance that a small corporation will have a flow of net earnings or that income earned will in fact be available for dividends. Thus, Byrum's alleged de facto "power to control the flow of dividends" to the trust was subject to business and economic variables over which [he] had little or no control.
>
> . . . .
>
> These various economic considerations are ignored at the directors' peril. Although vested with broad discretion in determining whether, when, and what amount of dividends shall be paid, that discretion is subject to legal restraints. If, in obedience to the will of the majority stockholder, corporate directors disregard the interests of shareholders by accumulating earnings to an unreasonable extent, they are vulnerable to a derivative suit. They are similarly vulnerable if they make an unlawful payment of dividends in the absence of net earnings or available surplus, or if they fail to exercise the requisite degree of care in discharging their duty to act only in the best interest of the corporation and its stockholders.[9]

All three of the considerations that led the Supreme Court to rule that IRC § 2036(a)(2) does not exist in the corporate context could also apply in the partnership context. First of all, the partnership agreement could be designed where the donor general partner does not have the "legal right" to enjoy any of the income of that transferred FLP interest or that assignee interest, or to determine who does enjoy that income because he may only retain a distribution power that relates to partnership objectives that may be enforced by a court. Secondly, the partnership agreement could be designed where the donor general partner has a fiduciary duty not to misuse his power to promote his personal interest at the expense of the partnership (just as a majority shareholder has a fiduciary duty not to misuse his power by promoting his personal interests at the expense of the corporation). Thus, it is important not to negate normal state law fiduciary duties a partner owes to the partnership. Thirdly, the customary vicissitudes of enterprises that affect a corporation's ability to make distributions also affect a partnership's ability to make distributions (even with securities partnerships, the vicissitudes of the Dow certainly affect distribution). Thus, just as Byrum was not in control of the dividend policy of the corporations because of these outside factors, a general partner may not be in control of the cash flow of the partnership because of those same outside factors.

---

[9] *Byrum*, 408 U.S. at 139-42 (footnotes omitted).

2. Tax Court Analysis By Judge Cohen in the *Strangi* Case.

In the past, the IRS has ruled privately that because of the controlling case authority in *United States v. Byrum*, IRC § 2036(a)(2) does not apply with a properly worded partnership agreement where the partners follow the agreement.[10] However, *Byrum* was distinguished, and the private rulings disavowed, by Judge Cohen in dicta in a memorandum opinion in the *Strangi* case discussed above.

In addition to whether IRC Sec. 2036(a)(1) applies to the facts of *Strangi* (discussed above), Judge Cohen addressed whether IRC Sec. 2036(a)(2) applies to the facts of *Strangi*. Judge Cohen, citing *United States v. O'Malley*, 383 U.S. 627, 631 (1966), held that IRC Sec. 2036(a)(2) applies because the decedent, in conjunction with other individuals, had the power to accumulate partnership income for the benefit of each partner, rather than disperse that income, which in turn constituted a "right to designate" under IRC Sec. 2036(a)(2). The Court distinguished the facts under *United States v. Byrum*, supra, finding that the decedent, along with others, had management rights that exceeded the administrative powers in *Byrum* and, most important, that management in *Strangi* did not owe fiduciary duties that would limit its distribution powers as they were limited in *Byrum*.

Judge Cohen's holding in effect attributes the power of the corporate general partner to the decedent, among others, both because of the decedent's 47% ownership of, and board membership in, the corporate general partner, and because the general partner hired as managing partner the decedent's attorney-in-fact. Since the general partner's right to distribute income or not distribute it does not include a right to shift ownership of the income among partners or to a non-partner, Judge Cohen's holding endorses (without discussing) the idea that a power to control only the timing of receipt of income is a power to designate under IRC Sec. 2036(a)(2).

3. Full Tax Court Analysis in the *Cohen* Case.

The IRC Sec. 2036(a)(2) position taken by Judge Cohen in *Strangi* is contrary in certain respects to the position taken by the full Tax Court in *Estate of Cohen v. Comm'r*, 79 T.C. 1015 (1982). In *Cohen* the decedent was a co-trustee of a Massachusetts business trust. The trust agreement gave the decedent and his co-trustees broad management powers with respect to the property of the trusts, including the discretionary power to determine whether to declare dividends on common shares of the business trust. Similar to *Strangi*, the Internal Revenue Service argued that the dividend power possessed by the decedent and the co-trustees gave them the "right" to designate the persons who enjoy trustee income.

The *Cohen* emphasized the similarities between the Massachusetts business trust and the corporation in *Byrum*, and stated that "the very fact that we are concerned here with the

[10] *See* Tech. Adv. Mem. 9131006 (citing *Byrum* for the proposition that the Service will not consider the managing partner in a typical family limited partnership, because of his or her fiduciary duty obligations, as having retained an IRC Sec. 2036(a)(2) power over the transferred limited partnership interest); *see also* Rev. Rul. 81-15, 1981-1 C.B. 457; P.L.R. 9415007 (Jan. 12, 1994); P.L.R. 9332006 (Aug. 20, 1992); P.L.R. 931-039 (Dec. 16, 1992); P.L.R. 9026021 (Mar. 26, 1990); G.C.M. 38,984 (May 6, 1983); G.C.M. 38,375 (May 12, 1980).

declaration of ***dividends*** on ***shares*** representing interests in the entity bolsters the corporate analogy, and thus the relevance of *Byrum*." *Id*. at 1025. The Court further opined that:

> In *Byrum*, the critical impediments to the transformation of the power to affect dividend policy into a right to designate enjoyment where the fiduciary obligations imposed by local law on *Byrum* as a controlling shareholder and on the corporate directors he could elect. Therefore, the issue here must turn upon the construction of this trust agreement under Massachusetts law. ***If the agreement may be said to give the trustees unlimited discretion in this respect, so that dividends could be arbitrarily and capriciously withheld or declared, then the dividend power would constitute a "right" under section 2036(a)(2); if, on the other hand, the power is circumscribed by cognizable limits on the exercise of discretion, then no such "right" exists.***

Id. (emphasis added).

The Court determined that a fair reading of the trust agreement would permit the omission of the dividend (or a reduction in amount) "only if the determination to eliminate or reduce the dividend were made in good faith and in the exercise of a bona fide business judgment." *Id*. at 1026. Thus, the Court held that

> In view of the perceived limitations on the dividend power in the trust agreement in question, and the apparent willingness of the Massachusetts courts to hold business trustees to a fair standard of conduct, we conclude that the decedent and his sons did not have the power to withhold dividends arbitrarily. Thus, they did not have an "ascertainable and legally enforceable" *right* to shift income between the classes of shareholders, and the dividend power does not require inclusion of either the common or preferred shares in the decedent's estate under section 2036(a)(2). We think *Byrum* is controlling.

Id. at 1027.

C. Six Separate Methodologies That May Prevent Running Afoul of IRC Sec. 2036(a)(2) Inclusion With Respect to Managing Partner Donors and Owners of Partnership Interests.

If the taxpayer does not retain a distribution power, then he or she will not run afoul of IRC Sec. 2036(a)(2). Other than not retaining any input in distribution decisions by the partnership, what should a potential donor of partnership interests do to circumvent IRC Sec. 2036(a) scrutiny? The following actions should assist:

1. Successfully Making the Argument That the *O'Malley* Analysis and the Prerequisites of IRC Sec. 2036(a)(2) Are Not Applicable to a Donor Partner, Who Retains a Distribution Power Over a Family Partnership.

No other court has reviewed Judge Cohen's analysis. This writer believes that if another court reviews her analysis that Court may find her analysis problematic for either of three reasons: (i) that court may find that it is a matter in which IRC Sec. 2033 supersedes IRC Sec. 2036 for estate inclusion purposes; (ii) the analysis in the *Estate of Cohen* is more appropriate; or (iii) that court may find that, unlike the situation with the trust described in the *O'Malley* case, supra, cited by Judge Cohen in *Strangi*, the decedent did not retain the "legal right to designate" who would receive the income of the partnership assets, because each donee partner beneficially owns, through the partnership, any past, current or future income that belongs to his partnership interest, whether it is distributed to him or not.

IRC Sec. 2036(a)(2) will apply to assets contributed to a partnership, if the decedent at the moment of his death had the legal right, either alone or in conjunction with any person, to designate the *persons* who shall possess or enjoy the property or the income therefrom, and not solely the power to affect the *timing* of distributions to such persons, particularly when those persons have the power to receive value for any distributions that are not currently paid.

Assuming the managing partner acts in that capacity with others, it is generally existing precedent that the phrase "in conjunction with any person" in IRC Sec. 2036(a)(2) does not apply to a decedent, like the decedent in *Strangi*, who would have to persuade others (in a non-trusteeship capacity) to act. As Professor Dodge noted:

> . . . a 'power' to persuade others to act, or join in acting, in a way that could affect possession or enjoyment of the transferred property is not considered to be a taxable power. This rule is not limited to the obvious situation where the transferor is not a member of the decision-making body (if such were deemed to be a taxable power, nothing would be immune from §§2036(a)(2) and 2038). The rule applies even to cases in which the transferor is a member of the decision-making group, provided that such body is not a trusteeship (or equivalent body) whose sole purpose is to administer the transferred property. Thus, the doctrine has been applied to irrevocable death-benefit and stock-transfer situations in which the transferor was a major stockholder, executive committee member, and/or member of the board of directors. These holdings probably cover the situation in which the transferor has more than 50% control over the entity, although there is authority in other areas [life insurance and contractual death benefits] lending support to the contrary position. . .[11]

See Estate of Tully v. United States, 528 F.2d 1401 (Ct. Cl. 1976). *But see Estate of Levin v. Commissioner*, 90 T.C. 723 (1988).

---

[11] Joseph M. Dodge, Transfers With Retained Interest In Powers, 50-5th Tax Mgmt. Port. (BNA) at A-46.

A court may also find that IRC Sec. 2036(a)(2) does not apply, even if the court finds the decedent managing partner had control, because the managing partner did not have the *legal right to designate the persons* who shall possess or enjoy the property or the income therefrom. The managing partner in the subject partnership may have the power to accumulate income owed to a partner and pay it at a later time to the partner (or to the partner's estate). However, that income will always be paid or held for the benefit of *that partner* and not some other person. That partner, directly or indirectly, has the ability to enjoy the benefit of any accumulation of income, without interference from the managing partner, by selling his partnership interest. Stated differently, any partner, by simply selling his interest, has the right, in effect, to veto a managing partner's attempt to deny that partner the economic benefit of accumulating the current income.

A court may conclude that Judge Cohen incorrectly compares the trust in *O'Malley* (in which the current beneficiaries may not receive all of the trust estate) to a vested partnership interest. Trusts, of course, are significantly different legal relationships than partnerships. In *O'Malley* the trustee had the ability to withhold income and that withheld income would be accumulated in the trust estate, which could then pass to beneficiaries at the time of the termination of the trust. If the beneficiary did not live beyond the term of the trust, then that property would pass to a different beneficiary (i.e., a different person).

Assume, instead of the facts of *O'Malley*, that a beneficiary of a trust had, at any time, the right to enjoy the income of the trust without trustee interference. For instance, if the beneficiary of the trust in *O'Malley* had a unilateral, unlimited power to enjoy the benefit of the past, current and future income of the trust by vetoing the trustee's accumulation exercise and/or a power to sell the past, current or future income rights of the trust, at any time before the trust terminates, without trustee interference, the trustee would not have the *legal right to designate* which trust beneficiary would enjoy the income.

Similarly, the partners in *Strangi* (and almost all other partnerships and/or business trusts as analyzed in the *Estate of Cohen*) had the right at any time to sell the past, current and future income of the partnership, without managing partner interference, through their right to sell their partnership interests (subject to any rights of first refusal that may have existed under the partnership agreement). The managing partner in *Strangi* did not retain the *legal right to designate* that another person (i.e., another partner) had the right to enjoy that partner's past, current or future income of the partnership. Thus, another court may conclude the distribution powers of the managing partner may affect valuation under IRC Sec. 2033, but those powers do not constitute a *legal right to designate* that another person receives the benefit of that partner's income.

2. Taxpayers Should Consider Adopting a Strategy of Selling Partnership Interests (Perhaps to Defective Grantor Trusts) in Exchange For a Note or Other Full Consideration.

The sales should be made for full and adequate consideration. If there is any gift element, and if the prerequisites of IRC Sec. 2036(a)(2) are met, IRC Sec. 2036(a)(2) could apply, at least with respect to the growth in value of the partnership interest, to cause inclusion in the donor's estate. Thus, that transferor partner may wish to sell his or her partnership interest, pursuant to a formula defined value allocation (assuming the formula can be structured, and is structured, in a manner that is not contrary to public policy). Even if the transferor retains a potential IRC Sec. 2036(a)(2) power, if the transfer is for full and adequate consideration (i.e., if the formula is honored), IRC Sec. 2036(a)(2) does not apply. (Additionally, if there is some consideration, but not full consideration, IRC Sec. 2043 would provide for partial inclusion.)

3. IRC Sec. 2036(a)(2) Inclusion Should Not Present Any Issues if the Partnership Agreement is Structured to Provide the Same Fiduciary Constraints That Mr. Byrum Had.

Normal partnership fiduciary duties should be affirmed in the partnership agreement, including fiduciary constraints on the distribution power that are consistent with Mr. Byrum's constraints. In order to provide protection for management that is acceptable under IRC Sec. 2036(a)(2), consider providing for arbitration for any partner disagreements with management decisions. Consider providing that management will only be liable for decisions that are not within the confines of the business judgment rule. Also consider providing in the partnership agreement that any party who loses that arbitration action shall pay for all costs associated with that arbitration action.

4. IRC Sec. 2036(a)(2) Inclusion Should Not Present Any Issues if the Donor Partner's Distribution Power is Limited By Standards That a Court Could Enforce.

If the donor partner is going to retain a distribution power, consideration should be given to having the distribution power of the managing partner limited to a standard that may be enforced by a court. See Rev. Rul. 73-143, 1973-1 C.B. 407. This may be crucial. If the donor of a partnership interest is the sole managing partner, any gifts of partnership interests may be brought back into the donor's estate under IRC Sec. 2036(a)(2), if the ability to accumulate income for a partner is considered to be a legal right to designate that another person (i.e. another partner) enjoys the past, current or future income of the partnership. Stated differently, if *O'Malley* analysis applies to partnerships and if the transfer of the partnership interest is not for adequate and full consideration, IRC Sec. 2036(a)(2) may apply unless the dispositive powers are limited by standards that a court can enforce. If the dispositive powers retained by the donor partner are not limited by standards, it may not matter what other actions or drafting constraints are present (with the possible exception of a sale for adequate and full consideration). On the other hand, the transferred partnership interest will not be included in the donor's estate under IRC Sec. 2036(a)(2) where the only distribution power is one subject to a definite external standard subject to supervision by a court. If a power is so constrained, the donor does not have the legal right to designate the persons who shall possess or enjoy the property or the income therefrom. The original source of this doctrine is *Jennings v. Smith,* [12] but it has been approved by the IRS in Rev. Rul. 73-143.

---

[12] 161 F.2d 74 (2d Cir. 1947).

A caveat: the application of the doctrine to powers that, though subject to an enforceable standard, are exercisable in favor of the creator of the power is uncertain. Thus, this approach has greater certainty in negating IRC Sec. 2036(a)(2) with respect to gifted partnership interests than with respect to partnership assets deemed retained by the decedent under IRC Sec. 2036(a)(1). Stated differently, the standard may put more pressure on any potential Sec. 2036(a)(1) argument by the IRS. Obviously, this is not a concern, if the taxpayer only retained *de minimis* partnership interests (i.e., that partner has already transferred all but a small portion of the partnership interests). Secondly, in those situations where significant partnership interests have been retained, if as a matter of partnership practice, the partnership distributions pursuant to the standard are different than the income earned by the partnership assets, the standard may buttress the argument that the decedent-managing partner did not retain income rights with respect to the underlying partnership assets. Furthermore, if the managing partner retains most of his FLP interest, there is significant authority that the underlying assets of the partnership that the managing partner originally contributed will not be brought back into that partner's estate under IRC Sec. 2036(a)(1), because the retained right with respect to the distributions is *a retained right with respect to the partnership interest* and not a retained right with respect to the underlying assets of the partnership. *See Estate of Boykin v. Commissioner*, TC Memo 1987-134, 53 TCM 345, (1987). *Boykin* (according to legislative history) led to the passage of the infamous IRC Sec. 2036(c), in which Congress overturned existing case law and applied IRC Sec. 2036 to include the contributed assets to an "enterprise" back into the partner or shareholder's estate. In 1990, Congress repudiated its previous work and repealed IRC Sec. 2036(c) (thus, implicitly approving the result of *Boykin*). Stated differently, the prevailing case law with respect to entities, and recent Congressional legislative history, may be persuasive that rights with respect to income of significant retained partnership interests should not be considered rights to possess the partnership assets or income.

An example of partnership drafting that provides a distribution power that is subject to court enforcement is the following:

> No Other Distributions. Except as provided in this Article, the Partnership shall make no distributions of cash or other property to any Partner until its liquidation as provided in Section ____.
>
> Distributable Cash. Distributable Cash includes only that cash held by the Partnership at the end of a Fiscal Year after reasonable reserves of cash have been set aside by the Partnership Management, subject to the duties imposed by Section ___, for working capital and other cash requirements, including current and reasonably projected expenses, current and reasonably projected investment opportunities, and reasonably anticipated contingencies. For purposes of this Section, any of the Partnership Assets which are contributed to the Partnership by the Partners, any borrowed funds, and any cash generated upon the sale of any of the Partnership Assets, including Partnership Assets which are purchased with borrowed funds and including the cash attributable to appreciation in value, shall be considered as necessary for investment purposes.

> <u>Operating Distributions</u>. From time to time during each Fiscal Year, the Partnership may distribute any part or all of the Distributable Cash proportionately to each of the Partners based on their Percentage Interests; provided that no more than sixty days after each Fiscal Year, the Partnership shall distribute all of the Distributable Cash proportionately to each of the Partners based on their Percentage Interests. No distributions under this Section shall have the effect of changing any of the Percentage Interests.

To ensure that there are no issues with IRC Sec. 2036(a)(2), caution would indicate that the method listed above should be implemented, even if the donor is not a general partner or manager, because the donor may be imputed with the actions of other partners, as per the analysis of the Court in *Strangi*, and because of the Court's interpretation of the "in conjunction with any person" rule of IRC Sec. 2036(a)(2).

If discretion is not removed from the general partner or manager, is it sufficient protection under IRC Sec. 2036(a)(2) for the transferor not to act as general partner or manager? The answer should be yes. In this regard, however, it should be noted that under Judge Cohen's analysis there are two pitfalls that must be planned for. First, the donor must not bear such a relationship to any of the general partners or managers that their powers will be attributed to him. For example, in *Strangi* the manager was the donor's attorney-in-fact, who had established the partnership, and the manager's powers were imputed to the donor. Whether this principle would be extended to, for example, the donor's children or spouse, is uncertain, but a strong argument can be made that it should not be extended to anyone, such as a child or spouse, who could serve as trustee of a trust created by the donor without triggering IRC Sec. 2036(a)(2). However, it should be noted that the person who had Mr. Strangi's power of attorney (Mr. Gulig) could have served as trustee without triggering IRC Sec. 2036(a)(2). Second, the donor must not have any rights as limited partner that could affect the timing of distribution of income. One such right identified by Judge Cohen was the right as limited partner to participate in a vote to dissolve the partnership. While this holding was questionable (see the discussion of joint action as a retained "power" above), it cannot be ignored until it is overturned. In effect the limited partners (or at least the donor as limited partner) must be stripped of any rights normally pertaining to limited partners under state law that could implicate IRC Sec. 2036. It is difficult to say where the line must be drawn; as a practical matter safety is achieved only by stripping the transferor of all voting rights he would otherwise have as limited partner.

5. IRC Sec. 2036(a)(2) Inclusion Should Not Present Any Issues if the Donor Partner Contributes the Partnership Interest That Controls the Distribution Power to a Trust and Retains the Power to Remove and Replace the Trustee in a Manner That Complies With Revenue Ruling 95-58.

If a donor partner wishes to have some influence on distributions, but does not wish to have distributions subject to an enforceable standard, the donor partner could utilize Rev. Rul. 95-58. For instance, the potential donor-managing partner could bifurcate the powers of the general partner. That is, one general partnership interest could have all of the powers of management, except the discretionary right to make distributions. Another general partnership interest would only have rights with respect to determining the distributions of the partnership.

The donor general partner would not own the general partnership interest that has the distribution power. The "distribution power" general partnership interest then could be contributed to a trust. The donor could retain the right to remove the trustee, and under Rev. Rul. 95-58, 1995-2 C.B. 151, as long as the successor trustee is not related or subordinate to the donor, concerns about the application of IRC Sec. 2036(a)(2) are addressed.

6. IRC Sec. 2036(a)(2) Inclusion Should Not Present Any Issues if the Donor Partner Contributes the Partnership Interest That Controls Distribution Powers to a Corporation That Has the Same Considerations and Constraints in its Structure as Existed in *Byrum* and Complies With Revenue Ruling 81-15.

If a donor partner, wishes to retain the distribution power (and not delegate it to a "removable" independent trustee) and have that power "free" of an enforceable standard, except to the extent restraints exist in the corporation consistent with the *Byrum* case, consideration should be given to utilizing the safe harbor under Revenue Ruling 81-15, 1981-1 C.B. 457. The managing partner interest, including all powers with respect to making discretionary distributions of the partnership, could be contributed by the taxpayer to a Subchapter S corporation. The voting rights of the stock of the corporation could be bifurcated between full voting stock and limited voting stock (e.g., a ratio of 1:99). The "limited" voting stock may be allowed to only vote on decisions with respect to dissolution of the partnership or the corporation. The potential donor could then transfer both FLP interests and a majority of the stock that has the limited voting rights to a trust for the benefit of others in his family. Even though the taxpayer controls a corporation, which in turn controls distributions from the partnership, Revenue Ruling 81-15, in combination with the reasoning of the *Byrum* case, appears to provide a safe harbor from application of IRC Sec. 2036(a)(2) to such transfers.

D. Conclusion.

A donor giving or selling FLP interests, or non-managing member interests in a FLLC, may be able to retain investment control and limited distribution control with respect to the transferred interests. Secondly, until the donor transfers the equity interests that determine future investment control, the donor has flexibility to determine who should have that future stewardship.

IV. BEST FAMILY INVESTMENT PLANNING IDEA – OR WHY INVESTMENT PROFESSIONALS LOVE FLLCS AND/OR FLPS

A. Introduction.

The conventional wisdom this author sometimes hears on this subject is as follows: "for the passive trustee investor, there does not exist any substantive non-tax investment reason to invest in a FLP;" or "Congress has not expressed its intent in the Internal Revenue Code as to under what circumstances, for transfer tax purposes, FLPs should be recognized apart from its owners as a permissible organizational form for passive investors in marketable stocks and bonds." This "conventional wisdom," under the circumstances discussed below, is incorrect.

Congress, for tax purposes, has generally allowed the taxpayer to conduct his financial affairs in the form the taxpayer wishes and does not by statute "second guess" the investment reasons why the taxpayer chooses that form. In fact, for the passive investor who wishes to create trusts for his family and invest in alternative investments, as modern portfolio theory seems to require, the use of the FLP "wrapper" around those is almost a requirement. This section of the paper explores why.

B. Investment and Trustee Management Reasons For the Use of Closely Held FLPs for the Investor Who Wishes to Create Trusts and Invest in Alternative Investment Classes, as Modern Portfolio Theory Seems to Require.

1. The Case For Diversification Into Several Asset Classes, Including So-Called Alternative Investments.

a. Introduction.

During the latter half of the 1990s, the United States witnessed explosive growth in the scope and breadth of wealth held by executives and entrepreneurs. As a result, many very wealthy individuals and families hold a significant portion of their wealth in the stock of one corporation. Over time, and particularly the period 2000 to 2002 with respect to the technology sector, the number of fortunes that have been made and lost as a result of the performance of a single stock brings into focus the risks associated with ownership of large, concentrated stock positions. A successful wealth preservation and estate plan for individuals and families with concentrated stock positions should address preservation of the value of the position and tax efficient diversification. With apologies to many of my economist colleagues who systematically quantify and measure risk, the following discussion is intended merely to highlight for my fellow civilians the benefits of asset diversification.

Most commentators credit Harry Markowitz, a 1990 Nobel Prize winner in Economic Science, with presenting and focusing on the notion that investors should be interested in risk as well as return. Prior to 1950, judgments about the performance of a security were expressed in terms of how much money the investor made or lost. Markowitz's key insight was the role of diversification. Most investors today grasp that the use of a diversified portfolio will improve risk by decreasing volatility (i.e., variance of return). Developing a sound asset allocation policy that seeks to identify an appropriate mix of assets (e.g., cash, fixed income, domestic equities, international equities and alternative investments) can improve the return of a portfolio as compared with the desired level of risk.

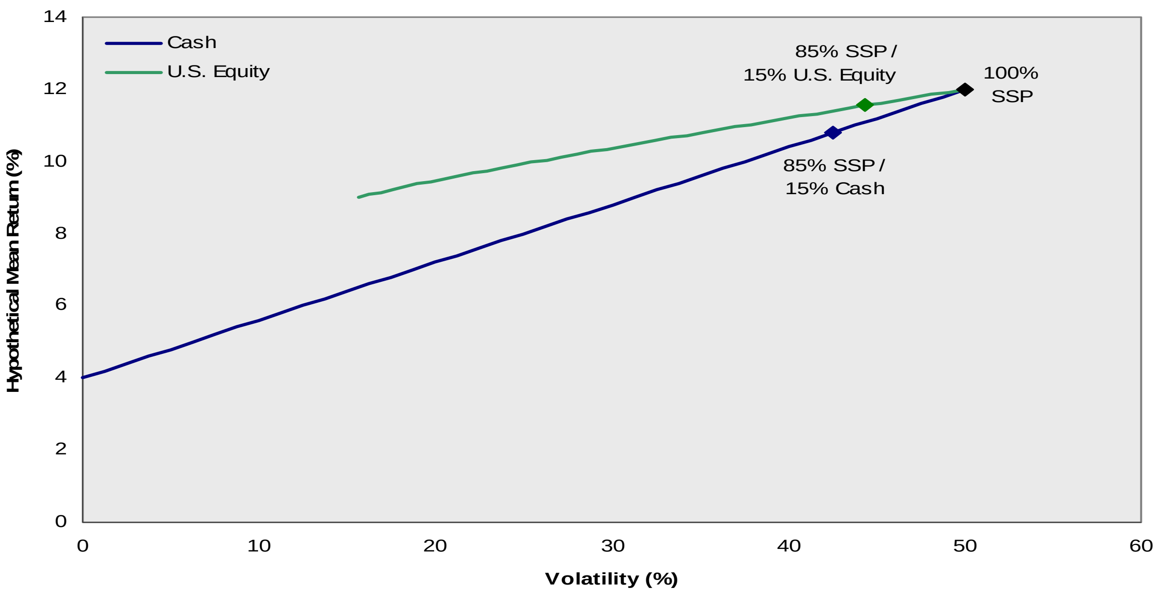
The volatility of the NASDAQ during April 2000 provides a clear example of how quickly wealth can evaporate. Days like April 14, 2000 where the NASDAQ fell 9.7% tend to make even the most optimistic single stockholders consider taking stock off the table.

One important factor is to understand the difference between mean and median. The mean value of a one-dollar lottery ticket is 90¢. The median value of a lottery ticket is, obviously, near "0". Generally, only about 1/3 of the stocks beat the mean average of their respected index. Stated differently, for the universe of clients who have most of their wealth in one stock, two out of three of those clients will *not* beat the mean average of the stock market. The role of diversification is to achieve for those clients a return closer to the mean than the median.

b. Simplified examples analyzing the effect of diversification.

Individuals who have a concentrated single stock position (SSP) often establish barbell positions – all investable assets in cash and all equity in the concentrated position. The straight line in Figure 1 illustrates the risk/return tradeoff for cash ranging from 100% of assets (the leftmost point of the line) to 0% of assets (the rightmost point of the line, or 100% SSP).

Figure 1.



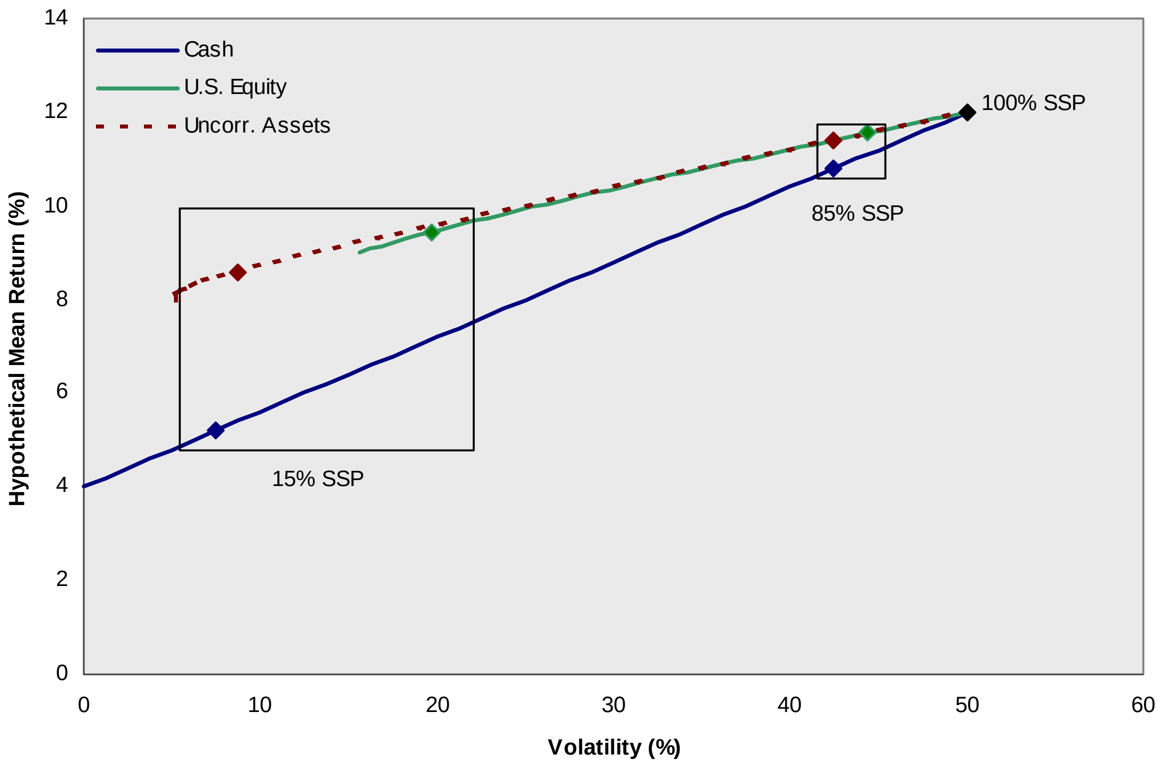
As an example, please note the above 85% SSP/15% cash point. With this allocation, the investor modestly reduces the volatility of the portfolio to 43% from the hypothetical 100% SSP volatility of 50%. This SSP/cash strategy offers a measure of security and peace of mind while providing the flexibility to take advantage of unusual investment opportunities. The disadvantage is the lowering of hypothetical return potential.

As an alternative to holding investable assets in cash, an aggressive investor might place those assets in a well-diversified U.S. equity portfolio. However, if the performance of the SSP is fairly highly correlated with the performance of the broad U.S. equity market, adding U.S. equity will result in only a slight reduction in portfolio risk.

The allocation of 85% SSP/15% U.S. equity is representative of the portfolios of many single stockholders. However, other asset classes, such as uncorrelated alternative assets (e.g. market neutral hedge funds, private equity investments in real estate or oil and gas) and international equity, with lower correlations to the SSP, may act as better diversifiers. Figure 2 illustrates the effect of mixing the SSP with "ideal" uncorrelated assets. In comparison to cash, with 15% invested in uncorrelated assets (and 85% in the SSP), a modest gain in return may be achieved at the same level of volatility (42%) as the SSP/cash portfolio. However, truly uncorrelated investments are difficult to obtain. Even many hedge funds that claim market neutrality are found to have significant correlations to other asset classes. For example, because many long-short equity managers tend to tilt long during bull markets, these managers are likely to show substantial positive correlations with the equity market.

Figure 2.

Barbell Portfolios Consisting of SSP and Other Asset Classes.



All three portfolios with 85% SSP are clustered near a volatility of 42%-46%. This volatility is around three times the historical 14% volatility of the S&P 500.[13] Regardless of how the remaining 15% of the portfolio is invested, the total risk is dominated by the volatility of the SSP. This observation implies that theoretical asset allocation can do little to improve the risk/return tradeoff if the equity position is highly concentrated. Shareholders who wish to reduce their overall portfolio risk over time generally consider a regular selling program that will gradually reduce the stock concentration.[14]

---

[13] Monthly return data obtained from Wilshire Associates (1975-1999).

[14] If an investor has the ability to use leverage by borrowing against the SSP position, that might allow greater exposure to diverse asset classes while still holding the SSP. However, utilization of leverage leads to a greater risk of monetary loss.

As holdings of the SSP drop below 50% of assets, the importance of asset allocation increases. Figure 2 shows that with only 15% of assets in the SSP, a wide range of portfolio volatilities and returns are possible, depending on the asset allocation. At this level of SSP exposure, some very high net worth investors choose a hybrid strategy in which they establish a pool of very safe money. For example, suppose one third of total assets invested in short duration fixed income was sufficient to support the current lifestyle forever, even if all other investments went to zero. In this case, the investor might choose a "barbell" strategy in which the non-fixed income assets are invested very aggressively, reasoning that the upside potential is unlimited, and even disastrous equity market performance will have no lifestyle impact.

For investors whose total wealth is overwhelmingly dominated by the SSP, another approach to managing assets is to view the investable portion of assets separately. In this case, an asset allocation policy for the investable assets that is consistent with long-term goals and objectives can be established. As shares of the SSP are liquidated, the proceeds could be invested in a wide range of asset classes in the proportions prescribed by the long-term asset allocation plan. However, one disadvantage to this simple approach occurs when, at the outset, only modest funds are available for investment. In this case, the dollar amount available for investment in certain asset classes may be insufficient to meet various investment minimums (e.g. uncorrelated alternative assets and private equity).

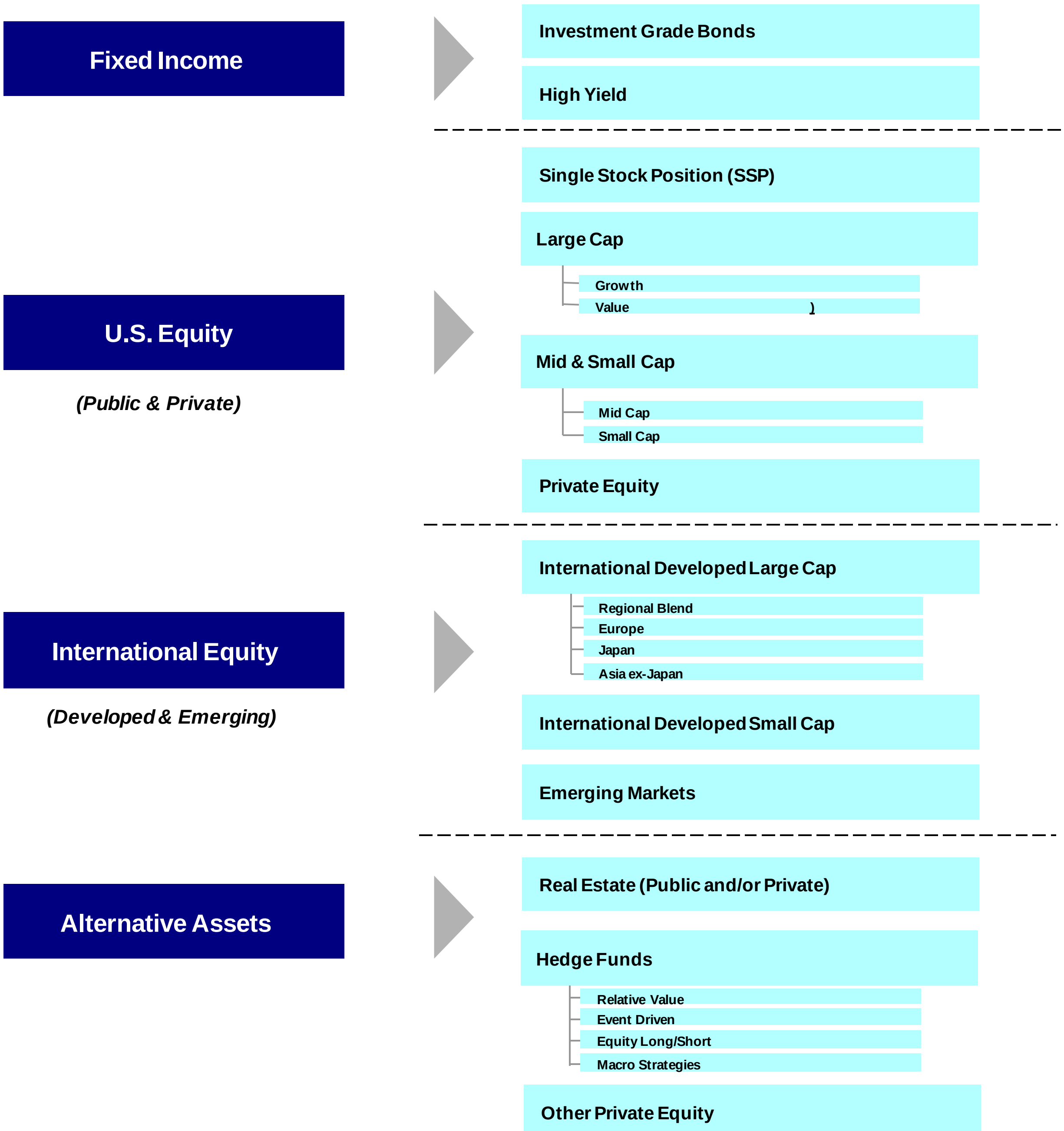
An alternative plan might be to select a target allocation based on where an investor wants to be in a few years. At the outset, the investor may fill in asset class "buckets" that tend to have low correlation with the SSP position: fixed income, international equity, and uncorrelated alternative assets. As the SSP position is further reduced, there will be a gradual increase in the commitment to U.S. Equity.

In contrast to public investments, private equity commitments might be made at the onset since drawdowns for these investments typically extend for several years after commitment. Once SSP holdings are reduced to a small fraction of assets (e.g. 15%), the investor will have steadily moved toward a well-diversified allocation with significant allotments to U.S. equity, international equity, and private equity. Figure 3 shows how the broad asset class allocation may ultimately be broken down into tactical implementations. The actual proportions invested in each asset class will be determined by an investor's goals, risk tolerance, tax status, and a combination of qualitative and quantitative judgments.

The problem with private equity commitments, which are very important in reducing risk for the desired return for an investor, is that the *trust* investor has great difficulty, in many cases, investing in that desired asset class. The reasons are noted below. The cure is the use of a closely held FLP or a FLLC "wrapper".

Figure 3.

Sample Strategic Asset Allocation Implementation Plan



2. The First Investment Reason Certain Trusts Are Benefitted By the Creation of FLPs: Closely Held FLPs May Facilitate the Ability of Smaller Trusts to Hold Alternative Investments and Follow Modern Portfolio Theory.

Example 1: Client Wishes to Create Several Trusts For the Benefit Of Family Members and Follow Modern Portfolio Theory

Marvin and Maggie Modern have substantial assets including over $30,000,000 in financial assets. They are believers in modern portfolio theory and the need for an asset class of alternative investments.

Marvin and Maggie Modern wish to give $300,000 to separate trusts for each of their grandchildren. Marvin and Maggie understand modern portfolio theory and the importance of diversification. They want the grandchildren's trusts to invest for the greatest risk-adjusted return and are concerned that the trusts will not be large enough to meet SEC limitations on who may invest in certain alternative asset classes.

In addition to current gift planning, Marvin and Maggie want to provide a qualified terminable interest marital deduction trust ("QTIP") for the surviving spouse under their estate plans. Many of their personal alternative asset investments are currently held in private equity partnerships. Marvin and Maggie worry that these investments could cause income tax fairness issues for the QTIP trust – that is, they worry that the surviving spouse, as income beneficiary, may bear a disproportionate amount of income tax liability on the alternative investments - but still feel strongly that the QTIP trust should have exposure to alternative asset classes.

When Marvin and Maggie asked their investment adviser to fund a series of GRATs with alternative investments, their advisor explained that the alternatives manager might not be willing to divide the title to those investments to make annuity payments over time. Even if the manager did permit the division of the alternative investment between two separate owners (the annuitant and the GRAT), potential transfer complications may make it difficult to make the annuity payment within 105 days of its due date if the request to divide is not timely.

Marvin and Maggie ask their attorney, Pam Planner, how to structure their investment portfolio so the trustees for their grandchildren's individual trusts, the survivor's QTIP trust and the proposed GRATs can invest in the broad array of asset classes necessary to maximize risk-adjusted return under modern portfolio theory.

Pam Planner recommends that Marvin and Maggie transfer their significant investment portfolio to a partnership or FLLC so they have an investment entity that meets the accredited investor and qualified purchaser tests under applicable securities laws. The FLP will not be created for the purpose of accessing a specific hedge fund or private equity investment, and the FLP will have a mix of investment assets. At a later date, Marvin and Maggie could give $300,000 worth of partnership interests to their grandchildren's trusts instead of cash. The survivor's QTIP trust could own partnership interests as well. The partnership, with its larger pool of capital common to all trusts, could own a diversified portfolio.[15]

a. Securities laws.

Alternative investments often come in partnership or FLLC wrappers for a reason. Managers of hedge funds and private equity funds generally seek one or more exemptions from registration under U.S. securities laws for two reasons. First, the cost to comply with the initial disclosure and ongoing reporting requirements of major U.S. securities legislation is substantial. Large companies who seek to raise capital in the public market can more easily bear these costs than smaller funds which target more narrow investment objectives. Second, federal law strictly limits the amount of leverage fund managers can use in certain funds available to the general investing public. That limitation prevents managers from using a number of debt-financed investment techniques. Some sophisticated investors, however, want access to portfolios that employ leverage.

Generally, private equity and hedge fund partnerships operate under two basic formats. In broad brush, these partnerships either (1) admit no more than 100 investors who are "accredited investors" (defined below), or (2) in the case of U.S. organized partnerships, admit no more than 499 investors who are "qualified purchasers" (defined below) and in the case of non-U.S. organized partnerships, admit no more than 299 investors who are "qualified purchasers."

Most hedge fund managers seek the latitude to pursue a broad array of investment strategies, some of which are not available within the regulatory and leverage restrictions under the Investment Company Act of 1940 (the "1940 Act"). But first, to understand the background of that legislation and to review the definition of "accredited investor," it is helpful to understand the history of two significant securities laws enacted in the 1930s.

b. The Securities Act of 1933 and the Securities Exchange Act of 1934.

Congressional members introduced major legislation to address the securities market after the U.S. financial market crash of 1929. It enacted many of these legislative initiatives during the Great Depression. The thesis of the 1930s legislation is that the securities markets operate more efficiently and transparently if investors have more information to evaluate a company generally and its proposed offering of securities specifically before making a purchase. Accordingly, the Securities Act of 1933 (the "1933 Act") regulates securities offered or sold to the general investing public in the United States by the original issuer. "Securities" for this purpose is broadly defined and can include partnership interests in private equity, hedge funds and other alternative investments. To ensure prospective investors have a significant amount of financial information, a company must file an extensive registration statement with the Securities and

[15] The investing benefits to a trust investing in a closely held family partnership is one of the reasons the Tax Court rejected the IRS's Internal Revenue Code Sections 2035(a)(1), 2036(a)(2), 2038 and 2035 arguments in *Mirowski v. Commissioner*, T.C. Memo 2008-74 (March 26, 2008). See pages 10-12, 18-19 and 40 of that Opinion.

Exchange Commission ("SEC") about its operations and a detailed prospectus about the specific securities for sale unless an exemption from registration applies.

Most securities trading occurs between holders who have no direct relationship with the issuing company. Those transactions fall under the rubric of "secondary trading." The 1933 Act addressed only the original issuance of securities. To cover secondary trading, Congress enacted the Securities Exchange Act of 1934 (the "1934 Act"). The 1934 Act created the SEC. It provided rules for securities associations and exchanges.[16] It also required companies with regulated securities available in the secondary market to file extensive updated company information with the SEC regularly.

The 1933 Act provides issuing companies with a number of exemptions from registration. Because the registration requirements of the 1933 and 1934 Acts are time consuming and expensive, especially for smaller companies or funds, and failure to comply leads to substantial penalties, finding an exemption is highly desirable. Regulation D under the 1933 Act grants an exemption from registration to a company that sells its securities in a private placement to what are known as "accredited investors."[17]

As defined by Rule 501 of Regulation D, the term "accredited investor" includes, among other things:

- Any natural person whose individual net worth, or joint net worth with the person's spouse, exceeds $1 million at the time of the purchase;

- Any natural person whose individual income exceeded $200,000 in each of the two most recent years or whose joint income with that person's spouse exceeded $300,000 for those years and who has a reasonable expectation of the same income level in the current year;

- Any corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5 million;

- A trust with total assets in excess of $5 million, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) (for this purpose, Rule 506 (b)(2)(ii) defines a "sophisticated person" as "one who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment"); and

- Any entity in which all of the equity owners are accredited investors.

---

[16] Examples include the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX) and the National Association of Securities Dealers (the association that operates NASDAQ), brokers, transfer agents and clearinghouses.

[17] 17 C.F.R. § 230.501 *et seq*.

Marvin and Maggie easily qualify as accredited investors under Regulation D because of their income and personal net worth. As such, they are free to acquire investments that can be offered only to accredited investors. When they fund the FLP with cash and various investments, the FLP will also qualify as an accredited investor since all the equity owners of the FLP will be accredited investors. In addition, the FLP itself will qualify because it will own well over $5 million in assets and will not be formed with the acquisition of a specific investment in mind.

If the Moderns sell LP interests to the grandchildren's trusts through a private sale without a general solicitation, the sale will generally not trigger 1933 or 1934 Act registration requirements. However, in the absence of full disclosure at the time of sale, the purchaser could technically later seek to exercise a rescission right pursuant to Rule 10b-5 of the 1934 Act. The successful exercise of a rescission right would be to the detriment of the FLP only to the extent that the assets of the FLP have declined in value since the time that the sale was made, and accordingly a rescission right will not negatively impact the FLP if its assets have increased in value since the time of sale. In addition, the Moderns will need to consult with their counsel to determine whether any state law requirements must be met in connection with such a sale. In certain circumstances, state laws may also provide for rescission rights similar to those that exist under Rule 10b-5 of the 1934 Act. Alternatively, if the Moderns were to give FLP interests to their grandchildren's trusts and the GRATS as a bona fide gift, neither federal securities law nor state law would apply to such gift.

c. Investment Company Act of 1940.

The 1940 Act regulates companies that at the same time invest and trade in securities, and also offer their own securities for purchase to investors. The most common examples of entities subject to the 1940 Act are publicly traded open-end and closed-end mutual funds. Mutual funds allow investors with smaller amounts of capital to own a diversified portfolio of stocks, bonds or other securities. The 1940 Act can also apply to private equity funds, hedge funds and other alternative investments, but it impacts hedge funds most directly. If the 1940 Act applies, a company must make extensive disclosures to prospective investors about the company, the fund it offers and the fund's investment objectives.

The 1940 Act goes beyond disclosure requirements. An investment company registered under the 1940 Act has strict limits on the amount of leverage it can use. It may not issue debt or other senior securities unless its asset coverage (i.e., its assets to debt ratio) is at least 300% after considering the debt issuance. Moreover, an investment company registered under the 1940 Act may not pay any dividends on its common stock if its asset coverage in respect of outstanding indebtedness drops below 300%. Debt holders must also be given control of the board of directors of the investment company if asset coverage drops below 100% for a year or more. Leverage can substantially increase an investor's return, although it can also quickly magnify losses as well. For widely traded public mutual funds accessed by investors with limited capital, the debt coverage ratio is protective. Many hedge fund managers, however, wish to employ leverage either as a consistent investment strategy or opportunistically, and some investors want access to those strategies.

The key exemption to registration under The 1940 Act for hedge fund managers is called the "qualified purchaser" exemption. It provides an exemption for issuers whose outstanding securities are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers.[18]

The 1940 Act goes on to define a "qualified purchaser" as one of the following:

- A natural person (including any person who holds a joint, community property or other similar shared ownership interest in an issuer with that person's qualified purchaser spouse) who owns not less than $5 million in "investments" (as defined by the SEC);

- Any person acting for its own account or the accounts of other qualified purchasers who in the aggregate owns and invests on a discretionary basis at least $25 million in "investments";

- A company that owns not less than $5 million in "investments" and that is owned directly or indirectly by two or more natural persons who are related as siblings, spouses, direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, trusts or charitable organizations established by or for the benefit of such persons (a "family company");

- A trust not formed for the specific purpose of acquiring the securities offered and as to which the trustee or other person authorized to make decisions with respect to the trust, and each person who has contributed assets to the trust are qualified purchasers; and

- A company in which all beneficial owners of all securities issued are qualified purchasers which was not formed for the specific purpose of acquiring the securities offered.[19]

Section 2(a)(8) of the 1940 Act also provides:

> "Company" means a corporation, a *partnership*, an association, a joint-stock company, a trust, a fund, or any organized group of persons whether incorporated or not; or any receiver, trustee in bankruptcy or similar official or any liquidating agent for any of the foregoing, in his capacity as such. (*Emphasis added*).

Marvin and Maggie's joint net worth in excess of $30 million exceeds the threshold of $5 million in investments for an individual to be a qualified purchaser. When they fund the FLP with

---

[18] Investment Company Act of 1940 § 3(c)(7) provides an exemption from registration for "any issuer, the outstanding securities of which are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers, and which is not making and does not at that time propose to make a public offering of such securities. Securities that are owned by persons who received the securities from a qualified purchaser as a gift or bequest, or in a case in which the transfer was caused by legal separation, divorce, death, or other involuntary event, shall be deemed to be owned by a qualified purchaser, subject to such rules, regulations, and orders as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors."

[19] Section 2(a)(51) of the 1940 Act and Rule 2a51-3 of the 1940 Act.

cash and investments of $20 million, the FLP itself will be a qualified purchaser because all of the initial equity owners of the FLP (Marvin and Maggie) are qualified purchasers. The FLP will also qualify as a qualified purchaser under a different provision if its investment portfolio grows to $25 million. The FLP also qualifies under the "family company" exception which requires only $5 million in investments because of the family relationship between the Moderns and the future owners.[20] Finally, Marvin and Maggie's transfers to the grandchildren's trusts and the GRATs are acceptable because securities received from a qualified purchaser as a gift or bequest are deemed to be owned by a qualified purchaser.[21]

d. The outcome.

Marvin and Maggie want to move forward with their advisor's recommendations. At a recent family meeting they described the plan to their sons. Marvin and Maggie propose to establish an FLP in which each of them will initially own a .3% interest as a GP and a 49.5% interest as an LP, so that together they will own 99.6% of the partnership interests. They invite each of their sons to invest a *pro rata* amount equal to .2% of the partnership's initial value in exchange for GP interests. As GPs, Marvin and Maggie, and the survivor of them, will control the FLP's investment policy and administrative decisions. Their sons, as GPs, will determine the partnership's distribution policy.

Marvin and Maggie intend to invest the FLP in a $20 million diversified portfolio of investments. A reasonable portion of the portfolio, based on the GPs' statement of the FLP's investment objectives and risk parameters, will access alternative investment vehicles designed to participate in a wide variety of market opportunities, including risk arbitrage, venture, mezzanine, real estate and distressed investing. To fill in their specific asset allocation to these categories, Marvin and Maggie, with the help of their investment advisor, will select individual managers as well as "fund-of-funds" investments.

Once Marvin and Maggie have fully funded the FLP's investment portfolio, they will transfer LP interests to the grandchildren's trusts and to a series of nearly zeroed-out GRATs for their children. To the extent Marvin or Maggie receive LP interests as annuity payments from the GRATs, they plan to transfer the interests to new GRATs or to trusts for the grandchildren over time. Their ultimate goal is to transfer 100% of the LP interests to their children and grandchildren before the death of the surviving spouse. With proper planning, however, any FLP interests that have not been transferred by the death of the first spouse can be held in a marital trust for the surviving spouse.

---

[20] Section 2(a)(51)(ii) of the 1940 Act; *Cf.* ABA Letter, SEC No-Action Letter, at Section C, Question 4 (Apr. 22, 1999); Meadowbrook Real Estate Fund, SEC No-Action Letter (August 26, 1998).

[21] See footnote 8.

Marvin and Maggie explain to their family that the FLP is necessary to satisfy investment managers with large minimums, to keep a diversified pool of assets together, and to facilitate transfers for investment and estate planning purposes. They intend to engage a qualified appraiser to determine the fair market value of their LP interests at the time of each gift. On the administrative side, they will hire tax preparers to keep the books of the FLP and to make all the required federal and state tax filings. They will maintain separate bank and brokerage accounts for the FLP.

3. The Second Investment Reason Certain Trusts Are Benefitted By the Creation of FLPs: Closely Held FLPs Facilitate Income Only (So-Called Simple) Trusts to Be Fully Diversified, as Modern Portfolio Theory Seems to Require.

Smaller trusts may access alternative investments through a closely held partnership as described above. The second investment advantage of FLPs for certain trusts is for income only trusts. Even income only trusts with an asset base large enough to permit stand alone alternative investing can benefit from a partnership wrapper because of the way distributions from a closely held partnership are characterized for income and principal trust accounting. Although mandatory income trusts are not as common today as they were in the past, they continue to be important for QTIP.

a. Closely held FLPs could be a tool to manage distribution fairness issues associated with distributions (or lack of distributions) from alternative investments for income only trusts.

Hedge funds and private equity investments are generally offered as private partnership structures to certain investors. These investments pose certain challenges to mandatory income and income-only trusts. Hedge funds tend to produce short-term capital gains due to their short-term tactical trading strategies. Private equity investments, on the other hand, tend to generate long-term capital gains due to their buy and hold strategies.[22] In either case, these private investment partnerships generally distribute little or no "income" as that term is defined for fiduciary accounting purposes, which means that their cash returns are not income which the trustee is obligated to distribute.[23] As a consequence, to produce the requisite income, a trustee may be forced to invest the trust portfolio in high dividend and high interest bearing investments, and away from growth stocks, hedge funds and private equity, thereby skewing the desired risk adjusted return profile of the trust's portfolio. Recent changes in the laws of many states permitting adjustments between principal and income by the trustee, and/or permitting trust "income" to be defined as a unitrust amount (a fixed percentage of the trust's value, revalued annually) have eased this pressure somewhat, but do not solve the problem presented by hedge fund and private equity investments. Unlike marketable securities, hedge fund and private equity investments may be difficult to revalue annually, as required under a unitrust definition of

---

[22] *See* generally IRC §1222; private equity managers generally produce long-term capital gains through selling their underlying investments in portfolio companies, IPOs, and leveraged recapitalizations.

[23] IRC §2056(b)(7).

income. Often it will not be possible to distribute units of such interests to trust beneficiaries in satisfaction of the unitrust amount or as part of an adjustment from principal to income, because beneficiaries are not and perhaps cannot qualify as investors in the fund. Additionally, most general partners of alternative investments have the right to decline transfer requests. Satisfaction of an adjustment or of a unitrust amount may therefore require other trust assets to be distributed, potentially distorting the trust's overall asset allocation.

b. Trusts: Income-only marital trusts.

Generally, for estate tax purposes the federal government allows a married couple to be treated as a single economic unit, which means that a married couple who plans properly may defer all federal estate taxation on the couple's assets until the death of the surviving spouse. U.S. citizens commonly use a "marital deduction power of appointment trust" or a "qualified terminable interest property trust" ("QTIP") to obtain this estate tax deferral. To qualify for the marital deduction, a surviving spouse must receive an income interest for life.[24] The trustee cannot circumvent this mandatory income requirement by investing in non-income producing property unless the surviving spouse gives the trustee permission to make that investment.[25]

A trustee who holds a partnership interest must exercise special care to observe the "qualifying income interest for life" requirement in a power of appointment trust or a QTIP trust as set forth in the Internal Revenue Code ("Code").[26] There is no bright-line rule that applies to a partnership interest but, in addition to the surviving spouse's right to compel the trustee to make the property productive, at least one expert suggests that the partnership might have to pay at least 3% of its net asset value per year to satisfy the income requirement of the Code and Treasury Regulations.[27] However, no case or published ruling actually sets forth this percentage requirement.

---

[24] Treas. Reg. §20.2056(b)-7(d)(2) (concerning QTIP trusts) provides for the application of the principles of Treas. Reg. §20.2056(b)-5 and in particular §20.2056(b)-5(f) (power of appointment trusts) regarding the surviving spouse's right to all income for life; Treas. Reg. §20.2056(b)-5(f)(1) provides: "[T]he surviving spouse is 'entitled for life to all the income from the entire interest or a specific portion of the entire interest'…if the effect of the trust is to give her substantially that degree of beneficial enjoyment of the trust property during her life which the principles of the law of trusts accord to a person who is unqualifiedly designated as the life beneficiary of a trust. Such degree of enjoyment is given only if it was the decedent's intention, as manifested by the terms of the trust instrument and the surrounding circumstances, that the trust should produce for the surviving spouse during her life such an income, or that the spouse should have such use of the trust property as is consistent with the value of the trust corpus and with its preservation. The designation of the spouse as sole income beneficiary for life of the entire interest or a specific portion of the entire interest will be sufficient to qualify the trust unless the terms of the trust and the surrounding circumstances considered as a whole evidence an intention to deprive the spouse of the requisite degree of enjoyment."

[25] Treas. Regs. §20.2056(b)-5(f)(5); *See, e.g.*, IRS Priv. Ltr. Rul. 8931005 (marital trust funded solely with closely held stock qualified for marital deduction because wife had power to request sale).

[26] IRC §2056(b)(7)(B)(i)(II).

[27] Carol A. Cantrell, "Comparing S Corporations and Partnerships in Estate Planning," *ALI-ABA: Planning for Large Estates* (April 28 – May 2, 2008).

c. Partnerships: Basic income tax primer.

Under Subchapter K of the Code, a FLP is treated as a pass-through entity for income tax purposes.[28] This means that while income and loss is determined at the partnership level and reported on IRS Form 1065 for informational purposes, items of partnership income or loss are allocated to each partner on Schedule K-1 of IRS Form 1065.[29] Each partner must then report his or her *pro rata* share of partnership income and loss, including certain separately stated items of partnership income, gain, loss, deduction or credit, on his or her individual IRS Form 1040.[30]

d. Trusts: Basic income tax primer.

Under Subchapter J of the Code a trust can be treated as a separate tax paying entity, a conduit that distributes income and deductions to its beneficiaries, or a combination of both.[31] A trust must use a calendar year and pay income tax using tax tables set forth in the Code.[32]

A trustee must file an annual federal tax return, IRS Form 1041, for any domestic trust that has: (i) any taxable income for the year, (ii) gross income of $600 or more (regardless of taxable income), or (iii) a beneficiary that is a nonresident alien.[33]

Trust taxation is similar to the taxation of individuals.[34] The biggest exception is that a trust is generally allowed a deduction for amounts distributed to beneficiaries.[35] After a trustee has determined a trust's adjusted total income, it must complete Schedule B of IRS 1041 to determine whether there is a distribution deduction.[36] For simple trusts, like income-only marital trusts, the deduction will be the lesser of: (1) fiduciary accounting income (discussed immediately below) or (2) distributable net income (discussed below).[37] Failure to compute either trust accounting income or DNI correctly can result in the wrong taxpayer being taxed.

---

[28] IRC §710.

[29] IRC §§702, 6031(a)&(b).

[30] A more detailed description of partnership taxation is set forth in Goldman Sachs Strategic Wealth Advisory Team, "Investment Rationales for Investment Partnerships," *SWAT Case Study* Vol. 1, Issue 3 (Part One).

[31] One notable exception to the separate tax paying entity classification is when a trust is classified as a grantor trust under IRC §§671-677, which causes all income and deductions to pass directly through to the grantor's personal tax return.

[32] IRC §644; IRC §1(e) (the top income tax bracket of 35% for trusts and estates in 2009 is reached when taxable income exceeds $11,150).

[33] *See 2007 Instructions for Form 1041 and Schedules A, B, D, G, I, J and K-1* (p. 4).

[34] IRC §641(b).

[35] "In effect, the concept of distributable net income gives statutory expression to the principle underlying trust taxation of estates and trusts, that is, that these separate taxable entities are only *conduits* through which income flows to beneficiaries except where income is accumulated by the estate or trust for future distribution," Senate Report No. 1622: 83d Congress 2d Session; H.R. 8300 (emphasis added).

[36] *See 2007 Instructions for Form 1041 and Schedules A, B, D, G, I, J and K-1* (p. 25).

[37] *See generally* IRS *Form 1041; Schedule B.*

A trust must report and pay income tax on its *pro rata* share of partnership income regardless of whether the trust receives partnership distributions. When distributions from a partnership are less than the trust's *pro rata* share of income from the partnership, the trust will need to find other sources of cash to pay tax on the undistributed income.[38]

e. Trusts: Basic fiduciary accounting income primer.

Fiduciary accounting is an accounting methodology that categorizes trust receipts, expenditures and disbursements; the ultimate goal of which is to determine the amounts a trustee may distribute or charge against an income beneficiary's share versus a remainder beneficiary's share. Consequently, a trustee is required to keep two sets of books; an income account for the income beneficiaries and a principal account for the remainder beneficiaries. Fiduciary accounting rules address these allocations; they do not address trust taxation.

If the document is silent as to which set of books an item of income or expense should be charged, a determination is made by looking at state law, which in most cases will be some version of the Uniform Principal and Income Act ("UPIA").[39]

f. Trusts: Distributable net income.

To determine the proportions of the income tax burden to be borne between the trust and its beneficiaries a trustee must calculate a trust's distribution deduction, which is the lesser of fiduciary accounting income ("FAI") or distributable net income ("DNI").[40]

While FAI is an accounting concept that is concerned with properly allocating income and expenses between beneficiaries, DNI is a federal tax concept that: (i) places a ceiling on the income distribution deduction of a trust, (ii) determines the amount that is includible in a beneficiary's income, and (iii) determines the character of the distribution received by a beneficiary.[41]

DNI is basically a trust's taxable income; modified as follows: (i) no distribution deduction, (ii) no personal exemption, (iii) capital gains not included, unless allocated to FAI or paid, credited, or required to be distributed to a beneficiary or paid or set aside for charitable purposes, (iv) capital losses are not taken into account, except to the extent they reduce the amount of capital gains actually paid or credited to beneficiaries, (v) no exclusion for gain from certain small business stock under IRC §1202, and (vi) tax-exempt interest is included, net of disallowed deductions attributable to such interest.[42]

---

[38] Steve B. Gorin, "*Effect of Tax Distributions From Flow-Through Entities to Trusts: Proposed Changes to the Uniform Principal & Income Act*," *Memorandum to Joint Editorial Board for Uniform Trusts and Estates Act* (March 20, 2008).

[39] IRC §643(b).

[40] *See generally* IRC §661(a).

[41] IRC §643(a); §661; Treas. Regs. §§1.652(b)-2(a), 1.662(b)-1.

[42] IRC §643(b); Treas. Reg. §1.643(d)-2; IRS *Form 1041, Schedule B* (lines 1-7).

g. Trusts: Uniform Principal and Income Act.

Completed by the Uniform Law Commissioners in 1997 and most recently amended in 2008, the UPIA revised the Uniform Principal and Income Act of 1931 and 1962. The model act has been adopted by a majority of States.[43] The latest version of the UPIA is intended to reflect changes in a trustee's fiduciary accounting obligations brought about by the recognition of modern portfolio theory, in particular the Prudent Investor Act.[44]

Under the UPIA, a trustee must allocate a distribution from an entity like a FLP to the income ledger.[45] Distributions received in a partial liquidation of an entity are credited to the principal ledger.[46]

To the extent tax is required to be paid by a trust, the trustee must fairly allocate the cost of the tax payment between the income beneficiaries and the remainder beneficiaries.[47]

h. Trusts: Prudent Investor Act.

Promulgated by the Uniform Law Commissioners in 1994, the Uniform Prudent Investor Act has been adopted by most States. The Uniform Act allows for a wide variety of trust investments so long as such investments in the aggregate would be deemed reasonable given the purpose of the trust. This is a break from common law which tended to limit investments by creating lists of appropriate and inappropriate investment choices. Under old trust doctrine, each investment was considered to stand on its own. There was no consideration given towards how one investment worked in tandem with another investment.

According to the Commissioners' website, forty-four States, as well as the District of Columbia and Virgin Islands, had adopted the Uniform Prudent Investor Act by the end of 2009.[48] However, in the six states that are missing from that list (Delaware, Florida, Georgia, Kentucky, Louisiana and New York), there are prudent investor statutes that adopt the overall-portfolio

---

[43] Adopted by 41 States as of March 2009. *See generally* website for The National Conference for Commissioners on Uniform State Laws at http://www.nccusl.org.

[44] Id.

[45] Unif. Principal & Income Act §401(b) (1997 Act).

[46] Unif. Principal & Income Act §401(d) (1997 Act); A distribution will be considered a "partial" liquidation if the entity indicates that it is such, or if the total amount distributed equals 20 percent of the entity's gross assets. A well-known example occurred in 2004 when Microsoft declared a dividend that exceeded 30 percent of its then book value. Because the distribution exceeded 20 percent of Microsoft's gross assets, it was a "partial" liquidation and trustees should have classified its receipt as principal, despite the fact that Microsoft did not intend to liquidate its business.

[47] Unif. Principal & Income Act §505(c) (1997 Act).

[48] *See generally* the website for The National Conference for Commissioners on Uniform State Laws, http://www.nccusl.org.

standard and reject the old law investment-by-investment test.[49] In this regard, at least, the principles of the Uniform Act have been adopted in all the States.

Using new prudent investor standards, trusts are no longer restricted to using common trust funds, U.S. large cap stocks and U.S. Treasury securities. Today, modern portfolio theory has greatly expanded trust investment options. In theory, trustees are free to invest among a broad spectrum of asset classes if the trust's portfolio, taken as a whole, is designed to achieve the desired level of risk and return. Depending on the purpose of the trust, investments in alternative investment partnerships and other alternative investments (e.g., real property, art, etc.) can be prudent.

i. Trusts: Allocating taxes between trust and beneficiaries.

When a trust owns an interest in a partnership, the trust must report its *pro rata* share of the partnership's taxable income each year, regardless of whether the partnership makes a distribution to the trust. The trust must pay the income taxes and then allocate the tax burden between income and principal. In 2008 the Uniform Law Commission amended Section 505 of the UPIA to help clarify how to allocate the taxable income received from a pass-through entity. The goal of newly amended Section 505 is to ensure that the trustee will have enough money to pay the trust's taxes before making distributions to income beneficiaries.[50]

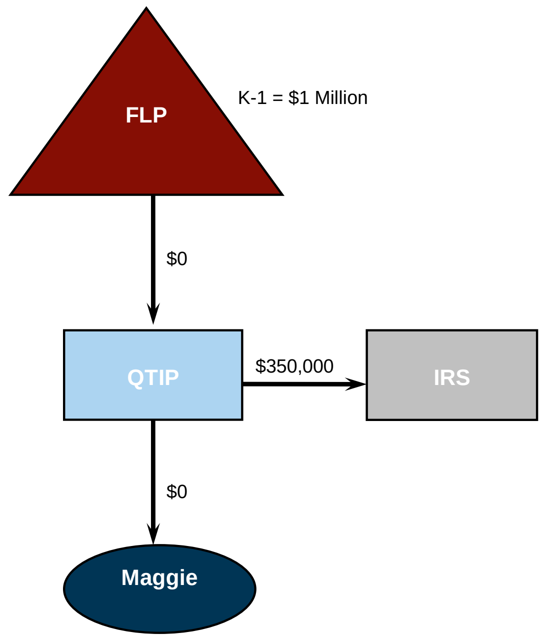
Example 1(a) Partnership distributes nothing. *In year 1 alternative investment partnership makes no distributions during the year. The K-1 indicates that QTIP is subject to tax on $1 million.*

Result - In year 2 the FLP must file IRS Form 1065 for informational purposes. Since the alternative investment partnership made no distributions to the QTIP there is no FAI. Assuming that the QTIP and the spouse, Maggie, are in the 35% bracket, the QTIP must file IRS Form 1041 and find other resources to pay income taxes of $350,000.[51] The taxes should be charged against principal under UPIA §103(a)(4) and §505(c)(4). If the partnership distributes this income in later years the trustee must then decide whether to reduce the income beneficiary's distribution and allocate the difference to principal under UPIA §506(a)(3) in order to maintain tax fairness between the beneficiaries.

[49] Delaware: Del. Code Title 12, §3302(b); Florida: Fla. Stat. 518.11(1)(a)&(b); Georgia: O.C.G.A. § 53-8-1(c); Kentucky: KRS § 286.3-277(2)(corporate trustees), KRS § 386.454(1) (elective for individual trustees); Louisiana La. R.S. 9:2127; New York: EPTL §11-2.3(b)(2) & (b)(4)(A).

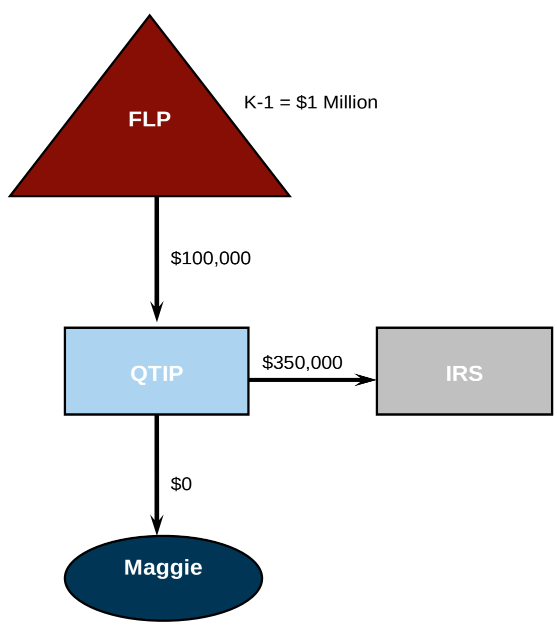
[50] Steven B. Gorin and Carol A. Cantrell, "UPIA Amendment Clarifies Tax Allocation Between Income and Principal When Mandatory Income Trust Owns Pass-Through Entity," *Probate & Property*,(January/February 2009); Steve B. Gorin, "The 505 Fix: Trustees of Mandatory Income Trusts Saved by a Change to the UPIA" *Trusts & Estates* (December 2008).

[51] $1 million multiplied by 35% = $350,000.



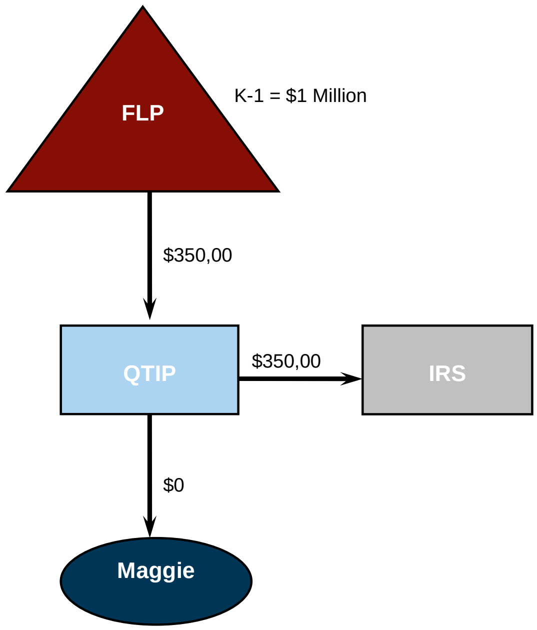
Example 1(b) Partnership distributes less than tax due, trust distributes nothing – *QTIP receives a Schedule K-1 reflecting taxable income of $1 million. The partnership distributes $100,000 to QTIP.*

Result - QTIP's tax is $350,000. QTIP must use the entire $100,000 to pay its tax and raise another $250,000 to pay the balance of the tax. The remaining $250,000 should be charged against principal. Maggie receives nothing.



Example 1(c) Partnership distributes tax due – *QTIP receives a Schedule K-1 reflecting taxable income of $1 million; partnership distributes $350,000 designated as tax distribution.*

Result – QTIP's tax is $350,000. QTIP uses entire $350,000 to pay its taxes. Maggie receives nothing.



In every case a trustee must allocate taxes between income and principal.[52] The comments to the recently amended UPIA Section 505 provide:

> Because the trust's taxes and amounts distributed to a beneficiary are interrelated, the trust may be required to apply a formula to determine the correct amount payable to a beneficiary. This formula should take into account that each time a distribution is made to a beneficiary, the trust taxes are reduced and amounts distributable to a beneficiary are increased. The formula assures that after deducting distributions to a beneficiary, the trust has enough to satisfy its taxes on its share of the entity's taxable income as reduced by distributions to beneficiaries.

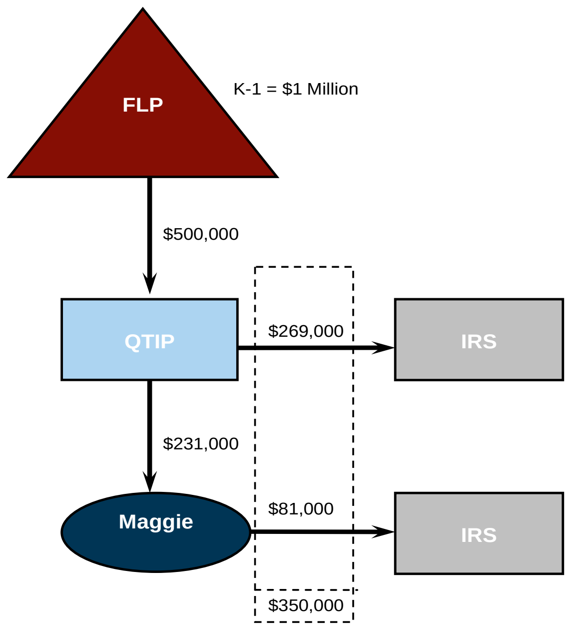
The algebraic formula is called "an infinite series approaching a finite sum" and it is expressed as follows: D = (C-R*K)/(1-R), where: D = distribution to income beneficiary, C = cash paid by the entity to the trust, R = tax rate on income and K = entity's taxable income.

[52] Unif. Principal & Income Act §505(c)&(d)(1997 Act as amended by 2008 technical correction to codify interrelated calculation for distribution deductions (*aka* "Gamble Ordering Rule")).

Example 1(d) Partnership distributes more than tax due, trust makes required income distribution – *QTIP receives a Schedule K-1 reflecting taxable income of $1 million. FLP distributes $500,000 to QTIP designated as income.*

Result - QTIP's tax is $269,231. Applying the algebraic formula, QTIP must pay $230,769[53] *to Maggie so that after deducting the payment, QTIP has exactly enough ($269,231) to pay its tax on the remaining taxable income from FLP. Maggie will report $230,769 on her own personal income tax return, paying taxes of $80,769.*

Because QTIP withheld $269,231 to pay its taxes and Maggie paid $80,769 in tax, Maggie essentially bore the entire $350,000 tax burden on the $1 million of entity taxable income.[54] *Depending upon how future distributions from the partnership, and the taxes attributable to them, are allocated between principal and income, an adjustment from principal in favor of Maggie under UPIA §506(a)(3) may be warranted at some point.*



The interrelated calculation in Example 1(d) occurs only when the entity distributes an amount greater than enough to pay the tax on its taxable income, but less than its total taxable income. When the entity distributes less than enough to pay the tax on the trust's share of the entity's taxable income as in Example 1(b), the trust must retain the entire distribution to pay its income tax. When the entity distributes more than its taxable income, the trust's tax liability attributable to its share of the entity's taxable income is zero because the distributions to the

[53] Payment to beneficiary = $230,769; D = ($500,000 – 350,000)/(1-.35) = $230,769.

[54] *See* comments under Amendment 2 to UPIA §505(c)&(d), part of the 2008 Amendments to the UPIA, available at http://www.nccusl.org .

income beneficiary of the trust are enough to fully reduce the trust's share of the entity's taxable income to zero.

j. Possible equitable and flexibility solution for the trustee that owns or desires to own alternative investments: Placing alternative investments in FLP structures.

Placing assets in a partnership arguably gives a trustee greater flexibility to treat income and remainder beneficiaries fairly on distribution and tax apportionment issues. For example, before selling a capital asset that was held longer than twelve months, a trustee could place the asset inside a FLP, sell the asset, and distribute less than 20% of the sales proceeds. For tax purposes, any gain would be taxed as long-term capital gains. But for UPIA purposes, the distributed gains would be characterized as income (i.e., not principal) and credited to the income beneficiary's ledger.

This practice may allow a trustee of a marital trust to be a partner in a FLP that invests in private equity investments which traditionally produce long-term capital gain. Stated differently, a FLP could invest in low distribution investments that are appropriate on a risk-adjusted return basis and the distribution policy of the partnership can, in effect, fairly convert what would be considered principal distributions into income distributions for trust accounting purposes.[55] As a result, the FLP can create the investment and distribution flexibility that a family may need to comply with modern portfolio theory, a flexibility that is not subject to the same fiduciary constraints that would apply under a statutory power to adjust from principal to income, or a fiduciary power to distribute principal.

In addition, by careful management of a closely held FLP, an income-only trust could operate like the best features of a unitrust without the negative attributes. A unitrust may operate more evenly when there is a smoothing formula that takes into account the average trust value over several years (a period of time which many QTIPs do not have) and a "collar" provision to ensure that the distributions are neither too high nor too low. The problem is that under some of the state statutes permitting a unitrust definition of income, an income-only trust that is converted into a unitrust may not have a "smoothing" formula or a "collar" provision. Those correcting features for a unitrust are not needed with an income-only trust that invests in a closely held FLP, assuming the cash distribution policy of the partnership management is reasonable or the partnership agreement provides for a "smoothing" formula subject to a "collar" provision.[56]

FLPs could also be a tool for income-only trusts to manage fairness issues of who pays income taxes on the alternative investments between income and remainder beneficiaries. As noted above, there are two possible areas of tax fairness contention for income-only trusts under UPIA Section 505. They occur when a private equity partnership does not distribute enough

---

[55] *See Crisp v. United States*, 34 Fed. Cl. 112 (1995); Stacy Eastland, Managing Director of Goldman, Sachs & Co., "Family Limited Partnerships: Current Status and New Opportunities," *ALI-ABA Planning Techniques for Large Estates Course of Study* (November 18, 2008).

[56] Id. at p.13.

money for the trust beneficiary to pay taxes and when the private equity partnership does distribute enough to pay taxes, but distributes less than its total income.[57] Consider the following:

Example 1(e) A FLP owns a wide variety of assets in different asset classes – *The FLP makes two distributions a year to the QTIP. The first FLP cash distribution is designated as trust accounting income by the FLP. The second distribution to the QTIP is specifically designated to pay the trust's taxes on its undistributed taxable income from its FLP investment. The first distribution is $2,500,000. The second distribution is $75,000. The FLP owns an alternative asset class investment like the asset in Example 1(d). Like Example 1(d), the FLP receives a $500,000 cash distribution from the alternative investment on taxable earnings of $1,000,000. The FLP's other asset classes produce $1,500,000 of ordinary net income and $500,000 of net long-term capital gain. The source for both FLP distributions could be from existing FLP cash or cash flow from any asset class owned by the FLP, including cash that would not be FAI of the current year if held directly by the QTIP but becomes FAI because it is a distribution from an entity. By boosting the QTIP's FAI beyond what it would be if the FLP assets were held directly, the FLP helps the QTIP to "match" FAI and DNI, so that nothing need be withheld by the QTIP and the full $2,500,000 of ordinary income is both distributed, and taxed, to Maggie.*

Result - The first distribution is paid to Maggie and she pays income taxes on that distribution, to the extent it carries out DNI. The FLP, with that second distribution, has effectively designated the character of the payment as corpus (i.e., it is not to be distributed to Maggie) under UPIA Section 401(f) by stating that it is to pay the trust's income taxes. The $75,000 enables the trust to pay its tax (at 15%) on the $500,000 capital gain that was not part of DNI. Unlike Example 1(d), in this case there may not be any need in the future to make an adjustment from principal in favor of Maggie. The FLP does not eliminate the need to make distributions and pay taxes in a way that is fair to the income and remainder beneficiaries, but it increases the flexibility available to attain these goals.[58]

4. The Third Investment Reason Certain Trusts Are Benefitted By FLPs: The Closely Held FLP Has the Management Capacity to Carry Out the Partnership's Capital Gains Income to the Income-Only Beneficiary For Income Tax Purposes.

The third advantage of a closely held FLP for certain trusts is that it may be possible under the operation of IRC Sec. 643(a) to allow all or a portion of the closely held FLP capital gain to be included in DNI that is carried out to the income beneficiaries for tax purposes. Under UPIA Section 401, a distribution of cash from an entity to a trust may be deemed to have carried out capital gain income as trust accounting income. Final regulations under IRC Sec. 643(a) avoided the question by stating:

---

[57] *See* Examples 1(c) and 1(d) in this paper.

[58] *See* IRS Priv. Ltr. Ruls. 200531008, 200531009 and 20053202 (payment made by entity to a trust, where entity designated payment for taxes, was allocated to corpus).

> One commentator [the AICPA[59]] requested examples of the effect on DNI of capital gains from a passthrough entity and income from a passthrough entity that is more or less than the trust accounting income from that entity. These issues are beyond the scope of this project.[60]

The reason why the IRS "ducked" this question is that gains from the sale of assets held by a partnership are typically gains in which the trustee has no absolute authority or control. Therefore, the trustee cannot directly allocate those gains to corpus or to income or establish a regular practice of doing one or the other, a key determinant of whether gains are in DNI under IRC Sec. 643(a). The trustee can only allocate receipts from the entity between income and principal according to the trust agreement or UPIA Section 401. See also *Crisp v. United States.*[61] That court held that it was reasonable for the trustee to allocate capital gain profits from a privately held partnership to income.

C. If the Closely Held FLP Facilitates the Indirect Ownership of a Fully Diversified Portfolio By Smaller Trusts and Income Only Trusts, Will that Partnership Be Recognized For Transfer Tax Purposes?

It is clear, under certain Supreme Court holdings, in determining the value for gift and estate tax purposes of any asset that is transferred, the legal rights and interests inherent in that transferred property must first be determined under state law (*unless federal law supersedes state law, and in the case of determining if an asset is to be recognized as a partnership interest, as will be addressed below, federal tax law has even more liberal standards than state law*).[62] After that determination is made, the federal tax law then takes over to determine how such rights and interests will be taxed.[63] In its legislative history to various revenue acts, Congress has endorsed these principles, which had been developed under case law. For instance, the reports to the 1948 changes in the estate taxation of community property provide that those changes restore the rule by which estate and gift tax liabilities are to depend upon the ownership of property under state law.[64]

---

[59] Tax Notes Today, 2001 TNT 97-26 (May 17, 2001) (Comments by the AICPA to Treasury regarding the proposed regulations to revise the definition of trust income under Section 643(b)).

[60] T.D. 9102.

[61] *Crisp v. United States*, 34 Fed. Cl. 112 (1995).

[62] Occasionally, federal law does supersede state law in this context. For instance, federal law determines what is charity for purposes of IRC § 2055, not state property law.

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

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

In a 1996 federal district court case in New Hampshire, *Hilco Property Services, Inc. v. United States*,[65] District Judge Joseph A. Di Clerico, Jr. found that the estate tax lien statutes were not applicable to the assets of the partnership and would only apply to the partnership interest in a case where an individual, through a gift deed, conveyed property to an oral partnership on her death bed and was incoherent at the time of that conveyance. The Court found that under the laws of New Hampshire, a valid partnership existed with respect to that property (because of estoppel theories) and that the Service would be bound by the state law property rights and encumbrances with respect to that property. The court delineated an excellent synopsis of the controlling authorities:

> [The Government argues] that although the taxpayer's property rights are defined by state law, the extent of the IRS interest, including the priority of the lien, are determined by federal law.
>
> Federal law governs issues of federal tax lien priority. *E.g.*, *Progressive Consumers Federal Credit Union v. United States*, 79 F.3d 1228, 1234-35 (1st Cir. 1996) (listing authorities); *Gardner v. United States*, 34 F.3d 985, 987 (10th Cir. 1994); *In re Adler*, 869 F. Supp. 1021, 1026-27 (E.D.N.Y. 1994). However, "it is equally well-settled that in the application of a federal revenue act, state law controls in determining the nature of the legal interest . . . in the property to be reached by the statute." *Progressive Consumers Federal Credit Union*, 79 F.3d at 1235 (*quoting Aquilino v. United States*, 363 U.S. 509, 513, 80 S. Ct. 1277, 1280, 4 L. Ed. 2d 1365 (1960)); *accord Avco Delta Corp., Canada Ltd. v. United States*, 459 F.2d 436, 440 (7th Cir. 1972) ("federal court must look to state law to determine the nature of the legal interest which the taxpayer had in the property sought to be reached.") (*citing Aquilino*, 363 U.S. at 512-13, 80 S. Ct. at 1280). This is because "state law created legal interests and rights in property [while] federal law determined whether and to what extent those interests will be taxed." *United States v. Irvine*, 511 U.S. 242, —, 114 S. Ct. 1473, 1481, 128 L. Ed. 2d 168 (1994); *accord United States v. Bess*, 357 U.S. 51, 55, 78 S. Ct. 1054, 1057, 2 L. Ed. 2d 1135 (1958) (federal tax laws "creat[e] no property rights but merely atta[ch] consequences, federally defined, to rights created under state law"). Finally, in the federal tax lien context, it makes no difference whether the state law principles used to determine the relevant property interest arise under statute or common law, *e.g.*, *Gardner v. United States*, 814 F. Supp. 982, 984-85 (D. Kan. 1993), or arise through equitable doctrines of estoppel, *e.g.*, *Avco Delta Corp. Canada, Ltd.*, 459 F.2d at 440-41.[66]

Another excellent synopsis of the relevant case law and authorities for the proposition that state law controls in determining the nature of the legal interest that is transferred for estate tax purposes and, in particular, a partnership interest is found in a brief filed by the government in a

---

[65] 929 F. Supp. 526 (D. N.H. 1996).

[66] *Id*. at 547-48.

Fifth Circuit Court of Appeals Case.[67] The case concerned the estate taxation of a Louisiana partnership interest. The Justice Department, in one of its briefs in that case, provided that synopsis, which the Court quoted in its opinion:

> It is now well established that state law is determinative of the rights and interests in property subject to federal estate taxation. In *Morgan v. Commissioner*, 309 U.S. 78 [626], 60 S. Ct. 424, 84 L. Ed. 585 (1940), the Supreme Court said (p. 80): 'State law creates legal interests and rights. The federal revenue acts designate what interests or rights, so created, shall be taxed.' *Estate of Rogers v. Commissioner*, 320 U.S. 410, 414, 64 S. Ct. 172, 88 L. Ed. 134 (1943); *United States v. Dallas Nat. Bank*, 152 F.2d 582 (C.A. 5th 1945); *Smith's Estate v. Commissioner*, 140 F.2d 759 (C.A. 3d 1944). *See Aquilino v. United States*, 363 U.S. 509, 513, 80 S. Ct. 1277, 4 L. Ed. 2d 1365 (1960); *Commissioner v. Chase Manhattan Bank*, *supra* [259 F.2d 231 (5th Cir. 1958)], p. 249; *United States v. Hils* (C.A. 5th 1963) [318 F.2d 56]. * * *
>
> The courts must determine the substance of the state property law provisions and apply the estate tax provisions to the property interests so determined.[68]

In a 1999 tax court case, *Estate of Ethel S. Nowell v. Commissioner*[69], then Chief Tax Court Judge Cohen held that, as a matter of law, in granting the taxpayer's motion for summary judgment, a hypothetical willing buyer would only assume that he could purchase an assignee interest and not a FLP (because of the limitations of state property law):

> In determining the value of an asset for Federal estate tax purposes, State law first determines precisely what property is transferred. Morgan v. Commissioner, 309 U.S. 78, 80, 60 S.Ct. 424, 84 L.Ed. 585 (1940); Estate of Bright v. United States, 658 F.2d 999, 1001 (5th Cir. 1981). After that determination is made, the Federal tax law takes over to determine how such rights and interests will be taxed. United States v. Bess, 357 U.S. 51, 55, 78 S.Ct. 1054, 2 L.Ed.2d 1135 (1958). Thus, State law must be consulted to determine what property interests were transferred at a decedent's death.

State law determines the nature of the interest being transferred. Federal law determines how the transferred interest is taxed. However, in applying this principle, it is not the label used by state law that is determinative, but rather the substantive rights and obligations conferred by state law. Thus, state law could label an entity a "charity", but whether the entity is exempt from federal taxation depends on whether it is organized and operated, as permitted by state law, in a manner that meets the requirements of IRC Sec. 501(c)(3).

---

[67] *Aldrich v. United States*, 346 F.2d. 37 (5th Cir. 1965).

[68] *Id.* at 38, 39.

[69] TC Memo 1999-15 (Jan. 26, 1999).

Similarly, state law may label an entity a "partnership", but its federal tax treatment turns whether the rights and obligations of the parties, as determined by state law, fit within the Internal Revenue Code's definition of "partnership". Here, however, the Code is more liberal than state law. Congress clearly intends that partnerships in which the family partners follow the agreement and conduct a financial operation should be regarded as partnerships for federal tax purposes and the partners should be treated as owning partnership interests and not treated as owning undivided interests in the partnership assets.[70]

Stated differently, federal tax law has a more liberal standard than state law in recognizing a partnership apart from its owners. Under federal tax law (including federal transfer tax law), a partnership is considered to be created and recognized independent of its owners if that group of owners agree to divide profits and carries on *any* financial operation (i.e., it does not have to be a trade or business operation). IRC Sec. 7701(a)(2) provides that for estate, gift and generation-skipping tax purposes, where not otherwise *distinctly expressed or manifestly incompatible* with the intent of the collective provisions of the Internal Revenue Code:

> *The term partnership includes a* syndicate, *group*, pool, joint venture, or other unincorporated organization, *through or by means of which any* business, *financial operation*, or joint venture *is carried on*, and which is not within the meaning of this title, a trust, estate or corporation.[71] *(Emphasis added.)*

Clearly, Congress has provided for a very liberal definition for determining when a partnership (including a family partnership) will be recognized for transfer tax purposes apart from its family owners. It is not necessary for a family group to conduct an operating business to have a recognized partnership. By the explicit terms of IRC § 7701(a)(2), any financial operation (*e.g.*, a passive investment in stocks and bonds) by a family group which is not conducting its affairs as a trust, an estate, or a corporation will be a tax recognized partnership under all provisions of Chapters 1, 11, 12, 13 and 14 of the IRC.[72] Congress clearly intended that an individual would always be treated as a partner of a partnership for purposes of Chapters 1, 11, 12, 13, and 14 of the Code, if that individual is a member of a group that conducts any financial operation, including investing in stocks and bonds, unless that group is a trust, an estate, or a corporation.

A key question which is addressed by the "check the box" regulations under IRC § 7701(a)(2) is whether an arrangement or undertaking constitutes a separate entity (*e.g.*, a partnership or a corporation) recognized apart from the owners. Treas. Reg. § 301.7701-1(a) (effective January 1, 1997) retains the existing concept that undertakings, arrangements, or entities that do not have a joint profit motive would not be treated as separate entities for federal

---

[70] In *Mirowski v. Commissioner*, T.C. Memo 2008-74 (2008), Judge Chiechi specifically found that financial activities are sufficient (i.e., lack of business activities is not important) to demonstrate substantive non-tax reasons for the recognition of a family limited partnership. See pages 50-51, and 54-55 of that Opinion.

[71] IRC § 7701(a)(2) (emphasis added).

[72] *Id*.

income tax purposes.[73] The regulations retain the examples found in the old regulations. *However, it is clear that if a joint profit motive does exist, the family entity will be recognized for federal estate tax purposes apart from its owners.*

The regulations define "business entity" as an entity recognized for federal tax purposes that is not a trust under Treas. Reg. § 301.7701-4 or otherwise subject to special treatment under the IRC A business entity with two or more owners is classified as either a corporation or a partnership for all federal tax purposes (including federal estate, gift or generation-skipping tax purposes). Any business entity having two or more members that is not a *per se* corporation, as defined in the Regulations, is defined to be a partnership.[74]

Congress and the Treasury have long recognized that it is common and proper (and should be recognized for tax purposes) for groups to use the partnership form of organization to hold only passive securities:

a. The IRS, because of IRC § 7701(a)(2), has always recognized that "passive investment clubs," through which investors engage in passive investment activities, may be conducted in the partnership form of ownership for *all* federal tax purposes.[75]

b. In addition to IRC § 7701(a)(2), the IRC liberally defines the term "partnership" in sections 761(a) and 6231(a).

c. Specific rules that apply only to partnerships holding passive investment assets appear in the IRC and the Treasury Regulations:

(1) Under IRC § 721, taxpayers contributing assets to a partnership that is deemed an "investment company" (generally, one made up of over 80% *marketable*[76] stocks or securities, or interests in regulated investment companies or real estate investment trusts) will recognize gain or loss on contribution unless each partner's contributed stock portfolio is substantially diversified (see the regulations under section 368 and the discussion in this paper concerning the avoidance of income tax problems).

---

[73] Treas. Reg. § 301.7701-1(a).

[74] Treas. Reg. § 301.7701-2(c)(1).

[75] *See* Rev. Rul. 75-523, 1975-1 C.B. 257 (because of IRC § 7701(a)(2), a partnership was recognized for tax purposes even though the only purpose of the partnership was to invest in certificates of deposit) and Rev. Rul. 75-525, 1975-1 C.B. 350 (because of IRC § 7701(a)(2), a partnership form of ownership was recognized for tax purposes even though the only purpose of the partnership was to invest in marketable stocks and bonds).

[76] It should be noted that "marketable" is broadly defined.

(2) IRC § 731(c)(3)(A)(iii) addresses the favorable tax treatment of distributions of marketable securities made to partners of "investment" partnerships (which is defined under IRC § 731(c)(3)(C)(i) as a partnership which has never engaged in a trade or business and substantially all of whose assets are passive securities).

(3) Treas. Reg. § 1.704-3(e)(3) contains a special aggregation rule for "securities" partnerships (at least 90% of the partnership's non-cash assets consist of stocks, securities and similar instruments tradable on an established securities market).

(4) Treas. Reg. § 1.761-2(a) expressly confirms that investment partnerships are to be treated as partnerships under subchapter K (unless a contrary election is made).

(5) The final anti-abuse regulation acknowledges that the "business" activity of a partnership may be investing assets: "Subchapter K is intended to permit taxpayers to conduct joint business (*including investment*) activities through a flexible economic arrangement without incurring an entity-level tax."[77]

The Service has not only provided in its regulations for a liberal definition of when a partnership is created and recognized, but has also taken that position in its revenue rulings. For instance, as noted above, the Service, because of IRC § 7701(a)(2), has always recognized that "passive investment clubs," through which investors engage in passive investment activities, may be conducted in the partnership form of ownership for all federal tax purposes.[78]

Case law, interpreting IRC Sec. 7701(a)(2), has also taken a very liberal view of when a partnership is created and recognized for federal tax purposes apart from its owners.[79]

The *Winkler*[80] case is very instructive as to how liberal the courts have been in applying IRC Sec. 7701(a)(2) to family partnerships and upholding the creation and recognition of family partnerships for estate and gift tax purposes. The Tax Court upheld the recognition of a partnership (and denied the Service gift tax and estate tax deficiencies), even though: (i) the only

---

[77] Treas. Reg. § 1.701-2(a) (emphasis added). The parenthetical language referring to investment as a business activity was added after the release of the proposed regulation. *Compare* Prop. Reg. § 1.701-2(a).

[78] *See*, Rev. Rul. 75-523, 1975-2 C.B. 257 and Rev. Rul. 75-525, 1975-2 C.B. 350, summarized at ftn. 66 above.

[79] *See Commissioner v. Culbertson*, 337 U.S. 733 (1949); *Lusthaus v. Commissioner*, 327 U.S. 293 (1946); *Commissioner v. Tower*, 327 U.S. 280 (1945); *Evans v. Commissioner*, 447 F.2d 547, 550 (7th Cir. 1971); *Winkler v. Commissioner*, 73 T.C.M. (CCH) 1657 (1997); *70 Acre Recognition Equip. Partnership v. Commissioner*, 72 T.C.M. (CCH) 1508 (1996); *Frazell v. Commissioner*, 88 T.C. 1405, 1412 (1987); *Wheeler v. Commissioner*, 37 T.C.M. (CCH) 883 (1978).

[80] *Winkler*, 73 T.C.M. (CCH) 1657 (1997).

assets of the partnership were lottery tickets; (ii) the partnership was initially an oral partnership where many of the provisions were undefined; (iii) the accountants for the Winkler's initially reported the cash consideration involved in the lottery tickets as a gift; (iv) the patriarch was in poor health and died shortly after the creation of the partnership; (v) the division of the profits did not follow state law; (vi) all of the consideration for the winning Lotto ticket was provided by the matriarch; and (vii) the descendants of the patriarch and matriarch were 50% owners of the partnership.[81]

The Tax Court found that the Winklers engaged in an activity that constitutes permissible partnership activity under IRC Sec. 7701(a)(2) for federal gift, and estate tax purposes: the activity of pooling their money to purchase family Lotto tickets. Thus, the Court found that the Winklers, in good faith and acting with that financial purpose, intended to join together in the present conduct of a partnership enterprise.[82] As a consequence, the Court found that there were no gift tax or estate tax deficiencies.

The *70 Acre Recognition Equipment Partnership*[83] case is another case that is instructive as to the liberal standard the courts are applying in determining whether a partnership is created and recognized for federal tax purposes. The Court found in this case that a partnership was created and recognized for federal tax purposes independent of the two owners (Booth Creek Investment, Inc. and State Savings & Loan Association of Lubbock) even though: (i) the owner's accounting firm had admitted the nonexistence of a valid partnership in a letter to the Service; (ii) there was no written partnership agreement; (iii) State Savings did not contribute capital services except for a promise to extend credit; (iv) State Savings had no right to jointly manage the subject real estate; and (v) State Savings did not agree to share in the losses.[84]

V. OTHER NON-TRANSFER TAX REASONS WHY FAMILIES FORM FLPS OR FLLCS

A. A Taxpayer, By Using the Partnership Vehicle, Has the Ability to Transfer Capital Without Killing the Transferee's Productivity and Initiative, Because the Taxpayer May Have Some Indirect Control Over Distributions, Which May Not Be Possible With the Trust Vehicle.

Many successful clients fear that substantial gifts to descendants may hinder their productivity and initiative. In particular, clients with a substantial portfolio of stocks and bonds believe that giving a child or grandchild a readily marketable asset would not be doing him or her any developmental favors. Most clients believe that no one understands their children better than they do. By creating a FLP and transferring only a FLP interest to a descendant, a donor controls the marketability of the wealth transferred because the interest effectively cannot be sold, and

---

[81] Id.

[82] *Id*. at 1663.

[83] 70 Acre Recognition Equip. Partnership, 72 T.C.M. (CCH) 1508 (1996).

because the donor can reinvest the partnership's cash flow rather than making distributions to the partners (assuming there is a standard on that discretion that a court could enforce). As we will see from the discussion above (see Section III of this paper), this retained, indirect power to affect the marketability of the transferred partnership interests, if properly structured, does not subject the transferred interest to estate taxes on the donor's death.[85] By contrast, a retained power as trustee to determine the amount of distributions to trust beneficiaries may subject the trust assets to estate tax on the donor's death.

B. The Partnership Vehicle Simplifies Annual Giving For Private Equity Investments.

Many assets are extremely difficult to value and are not prone to gifts of undivided fractional interests. Good examples of such assets are private equity, hedge funds, rural land and closely held unincorporated businesses. Contributing those assets to a FLP not only allows for proper asset allocation, but also allows a donor to assign partnership interests to a descendant with the use of a simple form. A fractional interest is given away, yet there is no immediate risk of partition, and management of the asset remains consolidated. If a client wishes to transfer part of his interest in his FLP to his issue, the partnership could be designed where the gift of the interests will qualify for the annual exclusion.[86] The difficulties associated with the *Hackl* and *Price* cases may be avoided if the donor gives the done in the assignment document the right to "put" the partnership units back to the donor for cash equal to the fair market value of the units (with fair market value of the units determined as if the "put" right does not exist) for a period of time.

C. Partnership Vehicle Facilitates Assets That Are Important to Be Kept in the Family.

Family partnership agreements often are drafted with certain buy-sell provisions to ensure that the partnership's assets will stay in the family. Under such provisions, if any partner attempts to assign his or her interest in the partnership to a person outside of the family, the other partners or the partnership itself may acquire that interest on the same terms, or, in the case of a gratuitous

---

[85] *See United States v. Byrum*, 408 U.S. 125 (1972). Earlier rulings, relying on *Byrum*, indicated that in a typical family limited partnership, the managing partner will not be considered as having retained an IRC § 2036(a)(2) or IRC § 2038 power over the transferred limited partnership interest. Tech. Adv. Mem. 91-31-006 (Apr. 30, 1991), citing *Byrum*. *See also* Rev. Rul. 81-15, 1981-1 C.B. 457; P.L.R. 94-15-007 (Jan. 12, 1994); P.L.R. 93-32-006 (Aug. 20, 1992); P.L.R. 93-10-039 (Dec. 16, 1992), and P.L.R. 90-26-021 (Mar. 26, 1990); G.C.M. 38,984 (May 6, 1983); G.C.M. 38,375 (May 12, 1980). The cases discussed above have cast doubt on these rulings for purposes of IRC Sec. 2036(a)(2) and IRC Sec. 2038, but the application of those sections to FLPs has yet to be fully articulated by the cases, which have focused mainly on IRC Sec. 2036(a)(1). In any case, the application of IRC Sec. 2036(a)(2) and IRC Sec. 2038(a) is negated if the contribution to the partnership qualifies under the exception for a bona fide sale for adequate and full consideration in IRC Sec. 2036(a) and IRC Sec. 2038(a)(1), discussed above in Section III of this paper.

[86] *See* Tech. Adv. Mem. 91-31-006 (Apr. 30, 1991). *See Estate of Wimmer v. Commissioner*, TC Memo 2012-157 (June 4, 2012), in which the annual exclusion was allowed. *But see* Tech. Adv. Mem. 97-51-003 (August 28, 1997); *Hackl v. Comm'r*, 118 T.C. 279 (2002), aff'd, 335 F.3d 664 (7th Cir. 2003); *Price v. Comm'r.*, T.C. Memo 2010-2.

transfer, at its fair market value. Secondly, even without buy-sell provisions, no outsider can have any rights as a partner unless all of the partners admit that outsider as a partner (and can only be an assignee with limited distribution rights).

D. Partnership Vehicle Provides Some Protection Against a Taxpayer's Future Unforeseeable Creditors, Which Cannot Be Provided to That Taxpayer Under Most States Law By Using Trusts.

A family partnership can be a flexible vehicle to provide some protection of an individual's assets from future creditors. This is very important to wealthy clients since studies indicate one out of four Americans (which tend to be the wealthiest Americans) will be sued. Under the trust laws of most states, creditor protection cannot be achieved for the grantor of self-settled trusts. The principal remedy of a partner's "outside" creditors, as distinguished from the partnerships "inside" creditors, is to receive a "charging order" against the partner's interest in the partnership. Under many states' FLP laws, unless a partner has made a fraudulent conveyance to the partnership or a conveyance deemed to be fraudulent, his or her creditors cannot reach the partnership's assets. Instead, a creditor may obtain a charging order against the partner's interest in the partnership, which does not give the creditor any management rights but entitles the creditor only to the partner's share of partnership distributions (*i.e.,* an assignee's interest). In addition, the partnership agreement can be drafted so that an involuntary transfer of a partnership interest to a creditor or any other third party triggers buy-sell provisions that allow the other partners or the partnership itself to purchase that interest at its fair market value. Since the fair market value of a FLP interest is usually much less than the underlying asset value, the creditor effectively is paid with less money, and the family assets are more likely to survive the creditor's claims. Furthermore, partnership agreements can be drafted to prohibit the pledging of partnership interests for the debts of a partner.

E. The Partnership Vehicle Provides Greater Protection of Gifted Assets Against Failed Marriages.

The risk of a gift to a descendant being awarded to his or her spouse upon divorce can affect an estate plan, and prenuptial or postnuptial agreements may be distasteful or impractical in many situations. In particular, stocks and bonds are very prone to being commingled with assets of the marriage and in community property states effectively might become community property. Since some studies indicate that one out of two future marriages may end in failure, this consideration is very important to many wealthy clients. FLP agreements, however, can be drafted so that gifts of FLP interests are protected from the risk of divorce. Many jurisdictions will not award separate property to a divorced spouse or will limit that award. A partnership provides a convenient means of segregating a descendant's separate property so that commingling is avoided. In addition, a partnership agreement can provide that an involuntary transfer of a partnership interest required by a divorce court will trigger buy-sell provisions under which the other partners or the divorced partner can buy that interest at its fair market value. Because the fair market value of the FLP interest is usually less than the underlying asset values, a divorced partner is protected even if a court awards his or her interest to a former spouse.

F. Unlike Irrevocable, Non-Amendable Trust Agreements, Partnership Agreements Are Comparatively Flexible.

In comparison to an irrevocable, unamendable trust, a FLP is a very flexible arrangement. If all of the partners agree, the partnership agreement may be amended or the partnership may be terminated. If all of the partners are family members, in some family situations, the change of the agreement is fairly straightforward to obtain. By contrast, an irrevocable trust generally may not be amended or terminated without court participation and participation by a guardian or an attorney ad litem for certain beneficiaries. As compared to corporations, a partnership requires fewer formalities and may be terminated without the potential adverse tax consequences associated with the termination of a corporation.

G. Business Judgment Rule of Partnership Law Offers Greater Flexibility in Investment Management Than Trust Law.

The "prudent man" or "prudent investor" rule applicable to trustees is a stricter standard than the business judgment rule applicable to the managing partners of a partnership. Many financial investments, such as options and commodities, and many business decisions, such as wildcat oil drilling, may be reasonable in terms of normal business judgment, but could be considered imprudent under trust law. Most families want to protect the family member who is charged with the responsibility of making investment decisions. In particular, families often want that family member who is managing the assets to be protected from the "20/20 hindsight" of a court or jury.

H. Partnership Agreements Could Be Drafted to Mandate Arbitration of Family Disputes and Circumvent Court Litigation, Which is Generally Not Possible Under Most State Laws With Respect to Trusts.

Recent history is replete with examples of highly publicized intrafamily litigation involving the management of family assets. It is extremely difficult to replace a trust beneficiary's right to sue his trustee with a commitment to binding arbitration. Stated differently, the state law right of a beneficiary to sue his or her trustee in many jurisdictions may not be removed by a trust agreement. Because a partnership agreement is a mere contract, however, it can be written so that all of the partners agree to settle disputes by arbitration. When compared to a jury trial, arbitration is usually preferable, especially in the family context. The publicity associated with family disputes can provide an unfair advantage to the person bringing a lawsuit against the family's decision maker. With a well-drafted partnership agreement, such publicity can be avoided through the arbitration process and enforced by a confidentiality provision. In addition, an experienced business person or financial advisor may serve as arbitrator and fact finder. Thus, where the client determines there is an advantage to arbitration, the partnership vehicle is clearly superior to the use of a trust in many jurisdictions.

I. Partnership Agreements Could Be Drafted to Mandate the "English" Rule For Disputes (Loser Pays); That is Generally Not Possible Under Most State Laws With Respect Too Trusts.

Under trust law, frivolous actions can be difficult to prevent and may be brought by beneficiaries just to provoke a resignation or distribution by the trustee. It is difficult to charge a trust beneficiary with the costs associated with legal action. Furthermore, even though a trustee may be reimbursed for legal costs out of the trust's properties, the other beneficiaries of the trust suffer because of that reimbursement. By contrast, a partnership agreement can require a partner who brings an unsuccessful arbitration action against the management of the partnership to pay all of the costs associated with the arbitration. Thus, a FLP more easily avoids frivolous claims and harassment actions.

J. Partnership Arrangements Facilitate and Institutionalize Family Communication and Education on Financial Matters.

One of the more enjoyable aspects of a FLP is that it can serve to institutionalize the education of younger family members on the family's wealth management philosophies. Many people see nothing wrong with wealth *per se*, but fear that it can be abused and therefore want to oversee the financial experiences of younger family members. In addition, prudent investment can generate employment and serve other altruistic purposes. The collectivism provided by a partnership agreement institutionalizes this education process.

K. Partnerships Eliminate or Lower Out-of-State Probate Costs For Real Estate Investments.

Many people in our mobile society own passive real estate investments, including vacation property, outside of their home state. Contributing that property to a FLP avoids the costs associated with out-of-state probate of those assets. Also, if the home state jurisdiction does not have a basic inheritance tax, the basic inheritance tax of the ancillary jurisdiction may be avoided in certain instances through the use of a FLP.

L. A Partnership is Advantageous Compared to a "C" Corporation Because it Has One Level of Income Tax and is Advantageous Compared to an "S" Corporation Because it Allows a Greater Variety of Ownership Structures.

Partnerships are "pass through" entities that do not pay income tax. Since the repeal of the General Utilities Doctrine, "C" corporations and business trusts have become very inefficient tax entities because there will always be two levels of income tax, even on unrealized gains.

M. A Partnership is Advantageous Compared to a Corporate Structure Because in Many Jurisdictions There is No Franchise Tax or Intangibles Tax to Pay With the Use of Partnerships.

In almost all jurisdictions, corporations and business trusts are subject to franchise taxes and/or intangible taxes. However, in many of those same jurisdictions, partnerships do not pay those taxes.

VI. BEST FLP OR FLLC ESTATE PLANNING IDEA FROM A TRANSFER TAX PERSPECTIVE – SELL IT

A. Introduction.

The "conventional wisdom" this author sometimes hears on this subject is as follows: "do not engage in FLP planning unless it can be demonstrated that the partnership uniquely solves a substantive non-tax problem;" or "discounting a client's assets is a much better estate planning tool than grantor trusts or freezing a client's estate." This "conventional wisdom," under the circumstances discussed below, is incorrect. As noted in the discussion in Section VI F of this paper there are many non-tax advantages for a taxpayer to sell his interest in a FLP or a FLLC to a grantor trust. A distinct transfer tax advantage in making that sale is possibly circumventing the application of IRC Sec. 2036(a).

B. A Perspective of Modern Integrated Estate Planning.

It is useful for the reader to have a healthy perspective of where we are in the estate planning world, at the current time, in developing a context with respect to the problems associated with IRC Secs. 2036(a)(1) and 2036(a)(2). The IRS has lost almost all of its major attacks against using the FLP for estate planning purposes, other than potentially applying those two sections. For instance, its substance over form attack, IRC Sec. 2703(a) attack, and its gift on formation attack all have been spectacularly unsuccessful. The IRS has had some success on the amount of the appropriate discount associated with the FLP interest when it is transferred during lifetime. Transfers of FLP interests during a donor partner's lifetime are entitled to a discount (albeit the amount of the discount may be subject to dispute). Generally (because of operation of IRC Sec. 2036), the only arena in which the IRS is currently successful in denying any discount is with partnership interests that are held by a decedent at his death, when there are not any financial reasons for the creation of the partnership.

Furthermore, not only are valuation discounts being allowed for partnership transfers during a donor partner's lifetime, but the IRS currently concedes, as noted in the discussion in Article IV of this paper, that most of the important aspects of the sale to defective grantor trust technique, including: (i) there is not any capital gains tax with respect to the sale of a FLP interest to a properly capitalized grantor trust and (ii) the donor/selling partner does not owe any gift taxes when that donor is indirectly paying the income taxes on behalf of the beneficiaries of a grantor trust. Thus, the estate planning context, or perspective, of discussing the applicability of IRC Sec. 2036 inclusion may be summarized by the following example.

Example 2: The Sweet Deal

Cal Client is in his office when Dan Deal knocks on his door and tells Cal that he has "a heck of a deal for him." Dan states that he would like to sell most of his assets to Cal for 65¢ on the dollar. Cal tells Dan that he likes the price, but he does not want to buy any of the assets for cash. Cal wonders if Dan would still be willing to sell his assets for 65¢ on the dollar, if it was all for a seller financed note from Cal. Dan tells Cal that because he likes him so much he will be happy to accept a note from Cal. Cal then informs Dan that while he likes the 65¢ on the dollar, *he likes the fact that he can buy all the assets for a seller financed note, he does not like to pay much interest on the note and wonders if Dan will still offer that deal if the interest rates are comparable to US Treasury interest rates. Again, Dan tells Cal that because he likes him so much he will be happy to do that deal. Cal then informs Dan that while he likes the price of 65¢ on the dollar, and he also likes the fact that he can purchase the assets for a seller financed note at US Treasury interest rates, he will only buy the assets if he will have no personal liability on the note (i.e., the note will be non-recourse). Dan, once again agrees to Cal demands. An increasingly impatient Dan asks Cal if there are any other deal points. Cal says there is just one more. Cal tells Dan that he does not like paying income taxes. Cal will only do the deal if Dan will agree to pay all of the income taxes associated with the assets he is purchasing from Dan. Dan agrees.*

This writer suspects that the above "deal" may not be made commercially very often. However, something very similar to that deal can be made by one generation to a grantor trust for the benefit of the next generation and few, if any, gift taxes may be owed, assuming the trust for the next generation is adequately capitalized. If a taxpayer sells a FLP interest to an adequately capitalized grantor trust in exchange for a note, from the perspective of the beneficiaries of the trust, the above "deal" in Example 2 is effectuated. The beneficiaries of the trust are acquiring the assets (at least in the long-run) for a note that is equal to 65% of the eventual liquidation value of the partnership interest that is non-recourse to the beneficiaries, individually, at the low AFR rates and which can be paid back with pretax dollars (since the trust is a grantor trust).

The interesting fact is the IRS generally does not contest (assuming the trust is adequately capitalized) the legal efficacy of this technique, with the exception of the amount of the discount associated with the partnership interest.[87] As will be demonstrated later in this paper, the partnership valuation discount, assuming the taxpayer has a reasonable life expectancy, is the *least* important factor in shifting wealth from one generation to another. Being able to sell an asset with a relatively modest interest rate and indirectly pay the income taxes associated with that asset, are much more important factors from an estate planning perspective than the valuation discount (over the long term). However, being able to take the discount is important over the short term (thus, making it more important for the taxpayer who has a short life expectancy), or if a sale or some other transfer is not effectuated and the taxpayer dies owning the partnership interest. The most important consideration is to structure the transaction where the note is considered a bona fide note for state property law purposes. Otherwise the transaction could be treated as a retained interest in a trust.

[87] *See Pierre v. Comm'r*, T.C. Memo 2010-106 (5/13/10) in which the IRS did not contest the technique, but did contest whether the gift of partnership units to the grantor trust should be separated. The IRS won on that issue, which made a small difference in the discount.

C. The IRC Sec. 2036(a)(1) Problem For Decedents' Who Retain a Significant FLP Interest.

1. Brief Summary.

The IRC Sec. 2036(a)(1) attack involves partnerships where the taxpayer dies still owning the vast majority of the partnership interests (unless, as in a handful of cases, the taxpayer transfers the partnership interests during his lifetime and retains the income associated with the transferred partnerships interests). While the IRS has not enjoyed success with most of its attacks on valuation discounts with respect to retained partnership interests, it has enjoyed some success with its IRC Sec. 2036(a)(1) attack. The good news for the taxpayer is this attack is entirely preventable.

If the taxpayer does not transfer the partnership interests during her lifetime (whether by sale or gift), the courts may ignore the valuation discount at death, assuming the following factors are present:

a. Either the taxpayer fails to demonstrate that there is at least *one* substantial non-tax reason to establish the partnership, or the capital accounts of the partnership do not reflect interests proportionate to the contributed property; and

b. The taxpayer and the partnership have practices that demonstrate an implied or actual agreement to retain possession or enjoyment of the income of the contributed assets to the partnership back to the taxpayer.

It should be noted that the above attack is not available to the IRS on lifetime transfers of partnership interests (which occur at least three years before the taxpayer's death). Stated differently, there is not a gift tax equivalent of IRC Sec. 2036(a)(1).

If prerequisites of IRC Sec. 2036(a)(1) inclusion apply, presumably, the taxpayer will also not be taxed under IRC Sec. 2033 for the fair market value of his retained interest in the partnership since that would result in over a 100% inclusion. That would also seem to be manifestly incompatible with Congressional intent. In fact, as this paper will explore, the presence of IRC Sec. 2033 inclusion may preclude IRC Sec. 2036 inclusion.

2. Analysis of Case Law.

a. Key cases that have not been reviewed by a circuit court.

The IRS was successful in applying IRC Sec. 2036(a)(1) to bring back contributed assets to a partnership in the *Estate of Charles E. Reichardt v. Commissioner*.[88] Judge Colvin agreed with the IRS that the substance of the partnership transaction was that Mr. Reichardt and his

---

[88] 114 T.C. 144 (March 1, 2000).

children had an implied agreement to allow Mr. Reichardt to continue to substantively enjoy the property contributed to the partnership and retain the right to income from the partnership assets during his lifetime in the same manner he had before the creation of the partnership. The Court found that the transfers to the partnership did not affect Mr. Reichardt's enjoyment of the property. Mr. Reichardt also continued to manage the property in the same fashion that he had before. The Court also found that Mr. Reichardt commingled partnership and personal funds, enjoyed the use of the personal residence, which was contributed to the partnership, without paying rent, and that Mr. Reichardt was solely responsible for the partnership's business activities.

The Service was successful in arguing the applicability of IRC Sec. 2036 in the *Estate of Harper v. Commissioner*, T.C. Memo. 2002-121 (May 15, 2002). The decedent, at age 85 and under treatment for advanced cancer, created a partnership shortly before he died. The initial partners were his daughter and son as general partners and the decedent had a 99% FLP interest (which was held in a revocable trust). The decedent transferred almost 94% of his assets to the partnership. He subsequently transferred a 60% FLP interest to his children. The decedent retained the remaining FLP interest and converted it to a preferred FLP interest paying a guaranteed return of 4.25%.

The Service argued that the partnership should be ignored because it lacked economic substance, or alternatively, all of the assets the decedent transferred to the partnership should be included in his estate under IRC Sec. 2036. The Estate argued that the partnership assets should not be included under IRC Sec. 2036 either because there was full consideration for the transfers, or the decedent did not have the legal right to retain the income of the property that was transferred to the partnership or did not retain the legal right to affect the income that was distributed from the partnership.

The full Tax Court disagreed with the Estate's position with respect to the IRC Sec. 2036 issue based on the following facts: (i) there was a significant delay in transferring the assets to the partnership; (ii) the decedent's assets and the partnership's assets were commingled; (iii) the general partners seemed indifferent to formalities of the operation of the partnership; (iv) there were disproportionate distributions to the decedent and his Estate; (v) partnership assets were sold to generate funds to pay estate taxes; (vi) distributions were not based on considerations relating to the partnership, but were instead based on the decedent's contemporaneous debts and needs, which "buttresses the inference that the decedent and his Estate had ready access to the partnership cash when needed"; (vii) distributions were made before the partnership had hired an accountant to maintain appropriate accounting records; (viii) guaranteed payments were not made according to a fixed schedule; (ix) the Court observed "the objective record belies any significant predeath change, particularly from the standpoint of economic benefit..."; (x) the unilateral nature of the formation of the partnership by only the decedent; and (xi) almost all of the decedent's assets were transferred to the partnership.

The Tax Court and other courts in several other cases have found that there is a "transfer" for IRC Sec. 2036(a)(1) purposes when there is no business purpose to the partnership other than saving taxes, because the meaning of the term "bona fide" as it is used in IRC Sec. 2036(a)(1) is not satisfied in that situation.[89] It should be noted that the term "bona fide," as used in the gift tax regulations (Treas. Reg. Section 25.2512-8), according to many of these same courts, is satisfied for gift tax purposes, if the transaction is not a sham (a much easier test to satisfy).[90]

Usually, under these cases, some combination of the following facts is also present: (1) personal use assets are contributed (with no rental arrangement); (2) personal expenses are directly paid out of the partnership; (3) the donor partner has no other source of income, other than the partnership assets and the partnership could distribute under the agreement an amount that is lower than those needs; and (4) there is no change in management rights. Obviously, each of those factors needs to be eliminated if there is any danger that the original contribution to the partnership will not be treated as a bona fide "transfer" for IRC Sec. 2036(a)(1) purposes.

In the Estate of *Bongard v. Comm'r*,[91] the full Tax Court reviewed two different near-simultaneous transfers involving the same family's wealth and found that one of the transfers involved an IRC Sec. 2036 transaction, but the other transfer did not.

Empak, Inc., a successful manufacturer of electronics materials packaging, was established by Mr. Bongard in 1980. In 1996, Empak's shareholders, Mr. Bongard and trusts for Mr. Bongard's children, transferred all of their stock to a family-owned FLLC ("WCB Holdings"). Almost immediately thereafter, a significant portion of WCB Holdings' nonvoting equity interests were transferred to a FLP ("BFLP"). Certain partnership interests in BFLP were then given to Mr. Bongard's wife as part of a post-nuptial agreement.

Mr. Bongard, a healthy individual, died unexpectedly on November 16, 1998. In 1999, shortly after the decedent's death, Empak merged with a competitor and the surviving entity shortly thereafter went public.

A majority of the Tax Court found that there was a "transfer" for IRC Sec. 2036 purposes to both WCB Holdings and to BFLP. The Court reasoned that the meaning of the word "transfer" as used in IRC Sec. 2036 has a different meaning than it does for gift tax purposes (and has a much broader application).

---

[89] *See Estate of Schauerhamer v. Commissioner*, T.C. Memo 1997-242; *Estate of Thompson v. Commissioner*, T.C. Memo 2002-246; *Kimbell v. United States*, 2003-1 USTC ¶ 60,455 (N.D. Tex. 2002) (discussed below); *Estate of Strangi v. Commissioner*, T.C. Memo 2003-145 (discussed below); *Estate of Ida Abraham*, T.C. Memo 2004-39; and *Estate of Lea k. Hillgren*, T.C. Memo 2004-46; *Estate of Rosen*, T.C. Memo 2006-115; *Estate of Erickson*, T.C. Memo 2007-107; *Estate of Rector*, T.C. Memo 2007-367; *Estate of Hurford*, T.C. Memo 2008-278; and *Estate of Jorgensen v. Comm'r*, T.C. Memo 2009-66.

[90] Another reason these courts may be reluctant to find a gift on formation is that according to Treas. Reg. § 2511-1(h)(1) the only possible gift is to the partners of the partnership, and if the taxpayer is essentially the only partner, one cannot metaphysically make a gift to one's self. *See also, Estate of Strangi*, 115 T.C. 478 (2000) and *Estate of Jones v. Comm'r*, 116 T.C. 121 (2001) in which the IRS theory of gift on formation was rejected by the full Tax Court. *See also, Holman v. Comm'r*, 130 T.C. 170 (May 27, 2008); and *Gross v. Comm'r*, 96 TCM (CCH) 187 (Sept. 29, 2008) in which gifts were made shortly after the formation of the partnership and the Tax Court allowed valuation discounts.

[91] *See Bongard v. Comm'r*, 124 T.C. 95 (March 15, 2005).

The Court found, in determining whether a transfer meets a "bona fide sale for full and adequate consideration" exception, the phrase needs to be analyzed in two different sections. That is, the "bona fide" section and the "full and adequate consideration" section need to be analyzed separately.

The "full and adequate consideration" section is a test that is applied by the Tax Court in virtually the same objective way it was applied by the Fifth Circuit in *Kimbell*:

> Generally, so long as the interest received by contributors of the partners to a partnership or LLC corresponds to the percentage value of the property contributed, this test will be met.

However, with respect to the "bona fide" section, the majority of the Tax Court applied an arguably subjective standard:

> In the context of family limited partnerships, [this section] is met where the record establishes the existence of a legitimate and significant non-tax reason for creating the family limited partnership…

The Tax Court found the existence of legitimate and significant non-tax reasons for creating WCB Holdings, but did not find that those reasons existed with respect to the creation of BFLP. The court found that many of the protections that the partnership (BFLP) purported to provide were already provided by WCB Holdings. The Court found that positioning the family company to facilitate a liquidity event, protection from creditors and lowering management fees was already adequately addressed by the formation of WCB Holdings. The Court found that other potential purposes of the partnership such as teaching family members how to manage assets, making gifts of FLP interests and business management reasons did not exist because of the conduct of the decedent.

The majority of the Tax Court also points to a list of factors that would support the finding that the transaction of creating a partnership or FLLC was *not* motivated by a legitimate and significant non-tax purpose: (i) the taxpayer standing on both sides of the transaction; (ii) the decedent's dependence on distributions from the partnership; (iii) the decedent's commingling of personal and partnership funds; and (iv) the decedent's actual failure to transfer property to the partnership.

The final prerequisite for applying IRC Sec. 2036(a)(1) was whether Mr. Bongard had the right to possess assets or income of the partnership. The Court found that the decedent, in effect, possessed the enjoyment of the partnership assets because of an implied agreement with respect to that enjoyment. Even though Mr. Bongard had not used any of the income of the partnership, nor had he contributed personal use assets to the partnership, the Court found an "implied" agreement existed. The evidence for that implied agreement was Mr. Bongard's indirect "practical" control through his partial control of Empak and WCB Holdings. There is a vigorous dissent filed by Judge Chiechi pointing out that this part of the opinion flew in the face of the

Supreme Court case *United States v. Byrum*[92]. As the dissent points out, Mr. Byrum retained many more controls than Mr. Bongard retained. It is interesting to note that the majority opinion of the Tax Court did not cite or distinguish *Byrum*.

Stated differently, the Supreme Court in *Byrum* required in order for possession or enjoyment of property to exist within the meaning of IRC Sec. 2036(a)(1) that the decedent must retain a "substantial economic benefit" from the property as opposed to a "speculative contingent benefit which may or may not be realized". It would seem that the Tax Court did not comply with this standard. That is certainly the standard that is now being applied in the Fifth Circuit, as noted below in the discussion with respect to the *Strangi* case.

Furthermore, it would seem that even if "practical" control had existed, that is not enough under IRC Sec. 2036(a)(1), unless it is unilateral control. The important phrase "or in conjunction with someone else" does not exist for purposes of IRC Sec. 2036(a)(1) as it does for IRC Sec. 2036(a)(2) or IRC Sec. 2038. It appears from the facts of *Bongard* that Mr. Bongard would have to persuade certain other individuals, who controlled the managing member interest of the underlying FLLC, before there could be a "cash out". Under the facts, Mr. Bongard's so-called "practical" control was not unilateral; therefore, IRC Sec. 2036(a)(1) should not have been applied.

It should also be noted that the Tax Court and other courts have found that IRC Sec. 2036(a)(1) does not apply because there has not been a transfer for purposes of Section 2036(a)(1) because the meaning of the term "bona fide" has been satisfied under the facts of the case.[93] Under the facts of these cases, it was found that substantive non-tax reasons existed for the formation of the family partnerships and that it did not matter for the bona fide test that the fair market values of the partnership interests that the decedents received for their contribution to the partnerships were less than the value of their contributions.

b. Tax Court and Fifth Circuit analysis in the *Estate of Strangi* of whether IRC Sec. 2036(a)(1) could include assets contributed to a partnership by a decedent, if the decedent never makes a taxable gift.

Judge Cohen amplified the Court's holdings in *Harper* in *Estate of Strangi v. Commissioner*, T.C. Memo 2003-145 (May 20, 2003). The Tax Court considered the applicability of IRC Sec. 2036 to the Strangi family partnership on remand from the Fifth Circuit.

---

[92] 408 U.S. 125 (1972).

[93] *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 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.

See Gulig on behalf of Estate of Strangi v. Commissioner, 293 F.3d. 279 (5th Cir. 2002). The Fifth Circuit affirmed the full Tax Court's opinion in *Estate of Strangi v. Commissioner*, 115 T.C. 478 (2000), that Chapter 14 arguments, gift on formation arguments and lack of economic substance arguments did not apply to the *Strangi* facts, but nevertheless reversed the decision because the Tax Court had not considered the applicability of IRC Sec. 2036, saying the Tax Court was wrong in finding that the IRS did not raise the IRC Sec. 2036 issue in a timely fashion.

Under the facts of *Strangi*, the general partner (Stranco, a corporation) of the subject FLP had the power to distribute the assets of the partnership "in the sole and absolute discretion of the managing general partner." The decedent owned all of the FLP interests of the partnership, representing 99% of the partners' initial contributions. The decedent also owned 47% of the stock of Stranco, the 1% general partner. The decedent's issue owned the remaining 53% of Stranco. In the original *Strangi* case, the full Tax Court made the following fact-findings:

(i) The partnership was valid under state law and would be recognized for estate tax purposes.

(ii) The decedent's transfers of assets to the FLP and to the corporate general partner were not taxable gifts.

(iii) The decedent's interest in the FLP and the corporate general partner should be valued using the discounts applied by the IRS' expert.

(iv) The Tax Court found that the IRS would have the burden of proof of any fact issues relating to the application of IRC Sec. 2036.

Judge Cohen held that IRC Sec. 2036(a) applies to the decedent's contribution of assets to the partnership and to Stranco, and operates to include in the decedent's estate the underlying property of the partnership and the corporate general partner, even though the decedent under Texas law did not retain an interest in that property (for state law property purposes the partnership and/or the general partner were considered the owner of those contributed properties at the time of the decedent's death). The exception in IRC Sec. 2036(a) for transfers for full consideration did not apply, because "no bona fide sale, in the sense of an arm's length transaction, occurred in connection with the decedent's transfer of property to [the FLP and the corporate general partner]." Additionally, according to Judge Cohen, full and adequate consideration as that term is used in IRC Sec. 2036 "does not exist where, as here, there has been 'recycling' of value through partnership or corporation solution." Judge Cohen found that both IRC Sec. 2036(a)(1) (retention of income) and IRC Sec. 2036(a)(2) (retention of control over income) applied. The latter holding is particularly significant because it could be extended to partnership interests gifted by the decedent before death, though *Strangi* did not involve gifted interests.

Judge Cohen found that the facts and circumstances of this case indicated the probability of an implicit agreement to retain the income (or possession and enjoyment) of property transferred to the partnership in addition to the decedent's explicit rights as limited partner under the partnership agreement and applicable law. (Judge Cohen also suggested that the decedent's explicit rights under the arrangement might constitute a retention of income under IRC Sec.

2036(a)(1), but this was *dictum* and was not the basis for the holding.)[94] Facts indicating an implied agreement sufficient to invoke IRC Sec. 2036(a)(1) included the following: the transfer of most of the decedent's assets to the partnership, continued occupation of transferred property (notably, the decedent's residence), use of entity funds for personal expenses and testamentary characteristics of the arrangement. The Court found that "[f]undamentally, the preponderance of the evidence shows that decedent as a practical matter retained the same relationship to his assets that he had before formation of [the FLP and the corporate general partner]... Furthermore, the record suggests that the impetus underlying a number of significant [partnership] disbursements was needs of decedent or his estate, rather than exigencies pertaining to [the corporate general partner] or the partnership itself."

The damage done by applying IRC Sec. 2036 is that the partnership assets, because they are included directly in the gross estate, will be valued without the discounts applicable to a valuation of the partnership interests.

The Fifth Circuit affirmed Judge Cohen's holding on IRC Sec. 2036(a)(1), by holding that clear error was not made by her in applying the facts to the law. *Strangi v. Commissioner,* 417 F.3d 468 (5th Cir. 2005). The Fifth Circuit declined to comment on Judge Cohen's analysis of IRC Sec. 2036(a)(2). However, the Fifth Circuit, while not reversing the Tax Court on IRC Sec. 2036(a)(1), differed with Judge Cohen in its analysis as to the standards or prerequisites as to when IRC Sec. 2036(a)(1) should apply.

The Fifth Circuit, as it did in *Kimbell* (which is discussed below) delineate the prerequisites that must be demonstrated before IRC Sec. 2036(a)(1) applies. One of the prerequisites is that the transferor must retain *substantial present* "possession or enjoyment" of property within the meaning of IRC Sec. 2036(a)(1):

> . . . if he retains a 'substantial present economic benefit' from the property, as opposed to 'a speculative contingent benefit which may or may not be realized.' United States v. Byrum, 408 U.S. 125, 145, 150 (1972). IRS regulations further require that there be an 'express or implied' agreement 'at the time of the transfer'

---

[94] More specifically Judge Cohen found as follows:

> As a threshold matter, we observe that our analysis above of the express documents suggests inclusion of the contributed property under section 2036(a)(1) based on the "right to the income" criterion, without need further to probe for an implied agreement regarding other benefits such as possession or enjoyment. The governing documents contain no restrictions that would preclude decedent himself, acting through Mr. Gulig, from being designated as a recipient of income from SFLP and Stranco. Such scenario is consistent with the reach of the right to income phrase as we described it in Estate of Pardee v. Commissioner, 49 T.C. 140, 148 (1967): Section 2036(a)(1) refers not only to the possession or enjoyment of property but also to "right to the income" from property. The section does not require that the transferor pull the "string" or even intend to pull the string on the transferred property; it only requires that the string exist. See McNichol's Estate v. Commissioner, 265 F.2d 667, 671 [3 AFTR 2d 1838] (C.A. 3, 1959), affirming 29 T.C. 1179 (1958). *** .

> that the transferor will retain possession or enjoyment of the property. 26 C.F.R. § 20.2036-1(a).

Arguably, this differs from the more lenient standard the Tax Court seems to be adopting (see the discussion of *Bongard* above) that a speculative benefit (e.g., the transferor partner has the practical control to possibly turn partnership assets into cash (when in fact that has not occurred)) is enough. The Fifth Circuit found that the payments made prior to Mr. Strangi's death, the continued use of his transferred home and the post death payment of various taxes, debts and expenses were clearly "substantial and present" as opposed to speculative and contingent.

Particularly noteworthy, is the fact that the partnership seemed to determine its payments based on the need of Mr. Strangi or his estate. For instance, when it was necessary to pay the estate taxes, instead of the Estate selling its partnership interest to family members, or selling it through redemption, or borrowing money from a third party, the partnership made a significant proportionate distribution. Also, prior to Mr. Strangi's death, the partnership made monthly distributions from the partnership of $7,000 each month to supplement Mr. Strangi's social security and pension benefits and the Fifth Circuit found that if that $7,000 had not been paid, the $187,000 in retained liquid assets was not potentially enough to maintain Mr. Strangi in his lifestyle for his remaining life expectancy. This finding is somewhat difficult to understand, given that the Tax Court also found Mr. Strangi was suffering from a terminal illness. Based on those facts, the Fifth Circuit found that it was not clear error that an implied agreement existed to pay Mr. Strangi or his estate a substantial present economic benefit.

Another prerequisite before IRC Sec. 2036(a)(1) can apply to the underlying assets of the partnership is that there does not exist a bona fide sale for adequate and full consideration in money or money's worth upon the creation of the partnership. The Fifth Circuit, as it did in *Kimbell,* noted the exception contains two discrete requirements: (1) a bona fide sale and (2) adequate and full consideration. The Fifth Circuit noted the "adequate and full consideration" requirement was clearly satisfied because the capital accounts were properly and proportionately accounted for upon creation of the partnership. 417 F.3d at 478-479.

The Fifth Circuit, as it did in *Kimbell* (see the discussion below) noted that the inquiry as to whether a transfer of assets is "bona fide" is a purely objective inquiry. However, the Court noted that in *Kimbell* it had not stated precisely what this objective inquiry entails. The Court rejected the estate's contention that the only objective inquiry is whether the transferor actually parted with the transferred property and the transferee (e.g., the partnership) actually parted with partnership interests. The Court noted that the purported transfer in *Strangi* arguably deprives the transferor of literally nothing. As the Court noted:

> As such, the Estate's interpretation of the exception would render the term 'bona fide' superfluous, and must therefore be rejected. 417 F.3d at 479.

The Court said the proper approach is that a sale will be considered "bona fide" if, as an objective matter, it serves a "'substantial business [or] other non-tax' purpose." 417 F.3d at 479, quoting *Kimbell,* 371 F.3d at 267.

The Estate offered five non-tax rationales for Mr. Strangi's transfer of the assets to the partnership: (1) deterring potential tort litigation by a former housekeeper; (2) deterring a potential will contest; (3) encouraging a potential corporate executor to decline to serve; (4) joint investment reasons for the partners; and (5) permitting centralized, active management for certain working interests. The Court found that there was not clear error by the Tax Court in rejecting these rationales. As the Court noted:

> In reviewing for clear error, we ask only whether the Tax Court's findings are supported by evidence in the record as a whole, not whether we would necessarily reach the same conclusions. 417 F.3d at 480.

The most interesting discussion is the analysis with respect to the fourth rationale offered with respect to the joint investment vehicle. The Tax Court rejected this rationale because of the *de minimis* nature of the contribution by the other partners. The Fifth Circuit found that the Tax Court had not made clear error for the following reason:

> It is certainly true that the de minimis contribution of a minority partner is not, in itself, sufficient grounds for finding that a transfer of assets to a partnership is not bona fide. However, where a partnership has made no actual investments, the existence of minimal minority contributions may well be insufficient to overcome an inference by the finder of fact that joint investment was objectively unlikely. Such appears to have been the case here. Thus, it was not clear error for the Tax Court to reject the Estate's 'joint investment' rationale. 417 F.3d at 481.
>
> . . .
>
> In short, although Strangi may have transferred a substantial percentage of assets that might have been actively managed under SFLP, the Tax Court concluded, based on substantial evidence, that no such management ever took place. From this, the Tax Court fairly inferred that active management was objectively unlikely as of the date of SFLP's creation. As such, we cannot say that the Tax Court clearly erred in rejecting the Estate's 'active management' rationale. 417 F.3d at 481-482.

c. District Court and Fifth Circuit analysis in the *Estate of Kimbell* of whether IRC Sec. 2036(a) could include assets contributed to a partnership by a decedent, if the decedent never makes a taxable gift.

The Fifth Circuit, under the facts of the estate of Ruth Kimbell, had the opportunity to provide an analysis of what factors would need to be present for IRC Sec. 2036 to apply to include assets contributed to a partnership.[95] Ruth Kimbell created a revocable trust in 1991 naming herself and her son, David, as co-trustees. On January 7, 1998, the trust, along with David and his wife, formed a FLLC. The FLLC had $40,000 in capital. Of the capital, $20,000 came from the trust for a 50% interest and David and his wife each contributed $10,000 for a 25% interest each. On January 28, 1998, the revocable trust and the FLLC formed a Texas FLP. The FLP had $2.5 million in capital. Around $2.5 million was contributed by the revocable trust for a FLP interest and $25,000 was contributed from the FLLC for a 1% general partnership interest. The revocable trust had a 99% FLP interest. Thus, Ruth Kimbell owned 99.5% of the partnership (99% through her FLP interest and .5% through her half interest in the FLLC). On March 25, 1998, Ruth Kimbell died at the age of 96 (around two months after the partnership was created).

The partnership was to have a 40 year term. The partnership negated some of the fiduciary duties that are normally owed by a general partner. The owner of a 70% or more FLP interest (Ruth had a 99% FLP interest) could remove the general partner at any time.

At the time of Ruth Kimbell's death, the partnership assets were worth about $2.4 million. Approximately 15% of the partnership assets were oil and gas interests (with a vast majority being working interests) and approximately 85% of the assets were cash or marketable securities. The executor of Ruth Kimbell's estate filed an estate tax return reporting a 49% discount for lack of control and marketability. The IRS took the position that the estate should include the assets that Ruth Kimbell originally contributed to the partnership and, thus, denied any discount. The executors paid the additional estate taxes and sued for a refund in the district court.

On January 14, 2003, the District Court held for the IRS on a motion for summary judgment.[96] The District Court agreed with the IRS that the assets contributed to the partnership should be included in Ruth Kimbell's estate because of the operation of IRC Sec. 2036. The Court held that the prerequisites of IRC Sec. 2036 were met because the transaction was not a bona fide sale for adequate and full consideration. The Court reasoned that it was not an arm's-length transaction because she was on both sides of the transaction. The Court was of the opinion that she did not receive adequate and full consideration because the transaction was a "paper transaction" and nothing changed in terms of the property's management. Relying on the *Harper* decision, the District Court also referred to the transaction as a mere "recycling of value" and, thus, not a transfer for consideration. The court found that Ruth Kimbell had retained the enjoyment of the property because her FLP interest gave her the right at any time to remove the general partner and appoint herself or someone else as general partner. Since the general partner

---

[95] *Estate of Kimbell v. United States*, 371 F.3d 257 (5th Cir. 2004).

[96] *Kimbell v. United States*, 244 F. Supp. 2d 700 (2003).

had unlimited control and discretion as to making income distributions, Ruth Kimbell "retained the power to either personally benefit from the income of the partnership or to designate who could benefit from the income of the partnership." 244 F. Supp. 2d at 705.

On May 20, 2004, the Fifth Circuit reversed the District Court opinion and remanded the case back to the District Court for valuation considerations relating to whether the interest owned by Ruth Kimbell at the moment of death was a FLP interest or an assignee interest. It is this writer's understanding that this case was settled on those valuation considerations. The Fifth Circuit held that the contribution of assets for a FLP interest was not a transfer for purposes of the statutory prerequisite to IRC Sec. 2036. It was not a transfer because it was a bona fide sale and it was for adequate and full consideration.

In general, with respect to the bona fide sale prerequisites the Fifth Circuit stated that the transferor must actually part with his or her interest and the transferee must actually part with the requisite adequate and full consideration. The requirement receives heightened scrutiny in intrafamily transfers. However, the absence of negotiation is not a compelling factor, particularly when the exchange value is set by objective factors.

The Fifth Circuit followed its prior opinion in *Wheeler* in determining whether the transaction is a bona fide sale. It is not a bona fide transaction if the transaction is a disguised gift or a sham transaction. The Court noted that under the regulations, a bona fide sale requirement is complied with if it is made in good faith. The presence of tax planning motives do not prevent a sale from being bona fide if is otherwise real, actual or genuine for tax planning purposes.

The Court took the view that objective facts need to be considered in determining whether a bona fide sale took place. The Court noted several objective facts that supported the proposition that a bona fide sale occurred: (i) there was no commingling of personal assets; (ii) the decedent retained sufficient assets for support even if no distributions were made from the partnership; (iii) all partnership formalities were satisfied; (iv) assets were actually assigned to the partnership; (v) some of the assets contributed to the partnership required active management; (vi) certain business and financial strategies were satisfied that could not be satisfied by holding the assets in a revocable trust; (vii) certain administrative costs were lowered; (viii) certain recording costs were lowered by having the oil and gas properties in the partnership; (ix) certain marital property advantages could accrue from preserving the property as separate property for descendant owners; (x) an efficient vehicle for determining current and future management of the properties; (xi) alternative dispute resolutions were in place which may not have been possible using the trust alternative; and (xii) in general, the objective facts confirmed the purposes that were stated in the partnership agreement.

The Court concluded that the bona fide sale transaction was still present even though there were still *de minimis* contributions. In general, there is no *de minimis* test for determining whether the transaction is a sham.

The Court also determined that the transfer met the full consideration exception. The Court noted that the hypothetical willing buyer, willing seller test is not appropriate for determining whether or not adequate and full consideration has been received. That is a test that is used in measuring a gift when in fact a gift has occurred. It does not necessarily determine if a gift has occurred:

> We would only add to the Tax Court's rejection of the government's inconsistency argument that it is a classic mixing of apples and oranges: The government is attempting to equate the venerable "willing buyer-willing seller" test of fair market value (which applies when calculating gift or estate tax) with the proper test for adequate and full consideration under § 2036(a). This conflation misses the mark: The business decision to exchange cash or other assets for a transfer-restricted, non-managerial interest in a limited partnership involves financial considerations other than the purchaser's ability to turn right around and sell the newly acquired limited partnership interest for 100 cents on the dollar. Investors who acquire such interests do so with the expectation of realizing benefits such as management expertise, security and preservation of assets, capital appreciation and avoidance of personal liability. Thus there is nothing inconsistent in acknowledging, on the one hand, that the investor's dollars have acquired a limited partnership interest at arm's length for adequate and full consideration and, on the other hand, that the asset thus acquired has a present fair market value, i.e., immediate sale potential, of substantially less than the dollars just paid – a classic informed trade-off. 371 F.3d at 266.

Thus, in the context of transfers to a partnership, the Fifth Circuit took the view that in determining whether adequate and full consideration was present, the following is an appropriate test:

> The proper focus therefore on whether a transfer to a partnership is for adequate and full consideration is: (1) whether the interests credited to each of the partners was proportionate to the fair market value of the assets each partner contributed to the partnership, (2) whether the assets contributed by each partner to the partnership were properly credited to the respective capital accounts of the partners, and (3) whether on termination or dissolution of the partnership the partners were entitled to distributions from the partnership in amounts equal to their respective capital accounts. . . .The answer to each of those questions in this case is yes. Mrs. Kimbell received a partnership interest that was proportionate to the assets she contributed to the Partnership. There is no question raised as to whether her partnership account was properly credited with the assets she contributed. Also, on termination and liquidation of the Partnership, the Partnership Agreement requires distribution to the Partners according to their capital account balances. 371 F.3d at 266.

The Fifth Circuit also rejected the "recycling of value" position of the Tax Court and the District Court in the IRC Sec. 2036 cases. The Court was of the view that that issue is better addressed by the bona fide sale prerequisite of the statute.

The Court did not analyze whether the prerequisites of the statute were met with respect to the transfer to the FLLC. Perhaps they were. On the other hand, perhaps those prerequisites were not satisfied by Mrs. Kimbell because the Court analyzed whether or not she retained an IRC Sec. 2036(a)(2) power. Perhaps, although not stated, the fact that Mrs. Kimbell did not retain management rights while David Kimbell, in contributing assets to the FLLC, did acquire management rights made the Court uncomfortable as to whether Mrs. Kimbell had received full and adequate consideration in comparison to the contribution that David had made. At any rate, the Court took the view that IRC Sec. 2036(a)(2) did not apply because David Kimbell had the management rights to determine what the distributions would be to the partners of the partnership.

d. Tax Court and Third Circuit analysis in *Turner* (the so-called *Thompson* case) of whether IRC Sec. 2036(a)(1) could include assets contributed to a partnership by a decedent, if the decedent never makes a taxable gift.

On September 1, 2004, the Third Circuit issued its opinion in *Turner*, executrix of the *Estate of Thompson v. Commissioner* ("the *Thompson* case").[97] The underlying facts in *Thompson*, most commentators agree, are extreme in establishing a pattern that supports an implied agreement that the partnership assets would be made available as desired by the decedent. The Third Circuit's analysis of whether a transfer has occurred for purposes of IRC Sec. 2036 is quite different than the Tax Court's analysis in prior IRC Sec. 2036 cases. While the analysis is similar to the Fifth Circuit's analysis in *Kimbell*, there are important differences.

Unlike the implication of certain of the Tax Court opinions, the Third Circuit determines that the "bona fide" requirement does not require an arms-length transaction. However, the *Thompson* court seems to emphasis "legitimate business interests" more than the *Kimbell* opinion. The full consideration analysis of determining whether a transfer was made on contribution of assets to the partnership is also different than the Tax Court analysis. However this portion of the opinion clearly has a different analysis than the Firth Circuit's analysis in *Kimbell*. The Third Circuit adopts what certain cases have characterized as "equilibrium rule" (i.e. there was a dissipation of value in the estate when cash and near cash was transferred in return for discounted FLP interests). There are, of course, many transactions in which transfers will result in immediate discount, however, hopefully over the long haul value is added by the creation of an entity. The Third Circuit recognized that concern and said that the automatic transfer of marketable assets to an entity, the acquisition of closely-held enterprises, or the acquisition of undivided interests in real estate would not automatically constitute inadequate consideration for purposes of IRC Sec. 2036(a). The Third Circuit took the view that it would not be applied in "routine commercial circumstances" or ordinary commercial transactions, even within families. However, their analysis would be applied to transactions that "obviously were used as tax dodges in circumstances that IRC Sec. 2036(a) was intended for".

---

[97] 382 F.3d 367 (3rd Cir. 2004).

The *Kimbell* case, obviously, takes a more objective approach than the subjective approach of the Third Circuit. The Third Circuit's subjective approach can be satisfied if adequate non-tax business reasons for the partnership are demonstrated.

e. Tax Court and First Circuit analysis in *Abraham*.

In *Estate of Ida Abraham*, 87 TCM 975 (2004), the Tax Court held that FLP property was included in the decedent's estate under IRC Sec. 2036(a)(1) because she retained rights in the income from such property. Unlike some of the prior cases discussed above, in this case, based on the documented evidence, including the stipulated decree of the probate court and the understanding of the decedent's children and legal representatives, the Tax Court found there was an *actual* agreement (as opposed to an implied agreement) for the decedent to have all partnership funds for her support first. The Tax Court also found the transfer of the decedent's assets into the partnership was for less than full and adequate consideration. The decedent's daughters had purchased partnership interests for $160,000. The IRS offset this amount against the value of the FLP property included in the gross estate.

The estate appealed the Tax Court determination to the First Circuit. The appeals court affirmed the lower court decision. *Estate of Abraham v. Commissioner*, 408 F.3d 26 (1st Cir. 2005). The First Circuit noted the following:

> The Estate next argues that the Tax Court erred in holding that Mrs. Abraham "retained the right to the income that the FLPs generated to the extent necessary to meet her needs." Estate of Abraham, 87 TCM (CCH) at 981. The Estate makes two intertwined arguments: (1) Mrs. Abraham did not retain a legally enforceable "right" within the meaning of §2036, and (2) there was no agreement that Mrs. Abraham would retain a first-access interest in all the income from the FLPs to the extent necessary for her support.
>
> In order for §2036 to apply, it is not necessary that the decedent-transferor retain a *legally enforceable interest* in the property. See Estate of Maxwell v. Comm'r, 3 F.3d 591, 593-94 (2d Cir. 1993); Guynn v. United States, 437 F.2d 1148, 1150 (4th Cir. 1971). "An interest retained pursuant to an understanding or arrangement comes within §2036." Guynn, 437 F.2d at 1150. "The existence or nonexistence of such an understanding is determined from all of the facts and circumstances surrounding both the transfer itself and the subsequent use of the property." Estate of Harper v. Comm'r, 83 TCM (CCH) 1641, 1648 (2002). The finding by the Tax Court that such an understanding existed is reviewed for clear error. See Estate of Maxwell, 3 F.3d at 594. As with other issues, the Estate "bears the burden (which is especially onerous for transactions involving family member) of proving that an implied agreement or understanding between [Mrs. Abraham] and [her] children did not exist." Estate of Reichardt v. Comm'r, 114 T.C. 144, 151-52 (2000).

> We may dispose of the first part of the Estate's argument quickly. The Tax Court did not find that Mrs. Abraham retained a legally enforceable "right" to all the income from the FLPs. Therefore the arguments that the Tax Court decision is in conflict with vested property interests of the children is irrelevant.
>
> What the Tax Court did find was that "t[he] documentary evidence, including the stipulated decree of the probate court, and the understanding of decedent's children and legal representatives demonstrate that decedent was entitled to any and all funds generated from the partnership for her support *first*." Estate of Abraham, 87 TCM (CCH) at 981 (emphasis in original). This finding is not clearly erroneous.

f. Tax Court and Eighth Circuit analysis in *Korby*

In the *Estate of Korby v. Commissioner*, 471 F.3d 848 (8^{th} Cir. 2006), *aff'g* 89 T.C.M. CCH 1150 (2005), the 8^{th} Circuit affirmed the Tax Court and applied IRC Sec. 2036(a)(1) to include the assets of a partnership in the *Korbys'* gross estates. The Tax Court found that Mr. and Mrs. Korby had an implied agreement to retain the income of the assets of the partnership and that the creation of the partnership was not a bona fide sale for adequate and full consideration. The Tax Court found that Mr. and Mrs. Korby had an implied agreement because the partnership was formed while they were in poor health, they transferred almost all of their assets to the partnership and even though they gave away 98% of the FLP interest, all distributions made during the term of the partnership were made to Mr. and Mrs. Korby to provide for their nursing home care, medical expenses and other living expenses. The trust to which they made their gifts (even though it owned 98% of the interest) never received distributions from the partnership.

The Tax Court determined that the bona fide sale exception did not apply because the Korbys were financially dependent upon the distributions from the partnership and that Mr. and Mrs. Korby created the partnership with no input from the other partners.

The 8^{th} Circuit found no clear error in the Tax Court's findings. The 8^{th} Circuit rejected the arguments that the payments to Mr. and Mrs. Korby were fees for managing the partnership because of the manner in which the payments were made and Mr. and Mrs. Korby's failure to report the payments as self-employment income.

The 8^{th} Circuit also found that there was no clear error in the Tax Court's finding that the bona fide sale exception did not apply. The 8^{th} Circuit cited with approval the 3^{rd} Circuit's decision in the *Estate of Thompson* (discussed above). The Court noted that "the transaction must be made in good faith which requires an examination as to whether there was some potential for benefit other than the potential estate tax advantages that might result from holding assets in the partnership form." 471 F.3d at 853.

g. Tax Court and Ninth Circuit analysis in *Bigelow*.

In *Estate of Bigelow v. Comm'r*, 503 F.3d 955 (9th Cir. 2007), *aff'g* 89 T.C.M. (CCH) 954 (2005), Virginia Bigelow created a revocable trust in 1991. In December of 1994, the trust contributed investment property to a FLP. At that time Mrs. Bigelow was 85 years old and was living in an assisted living facility. A $450,000 liability secured by the property remained a liability of the trust and was not transferred to the partnership. The trust was the sole general partner and received most of the FLP units. After the transfer, Mrs. Bigelow was left with an insufficient amount to meet her living expenses or to satisfy her liability for the indebtedness.

Despite the fact that the loan was not an obligation of the partnership, the partnership made the principal and interest payments and paid some of Mrs. Bigelow's living expenses. Mrs. Bigelow's son, acting as agent for Mrs. Bigelow, made 40 transfers between the partnership and the trust during a period of approximately two years.

During 1994 and 1995, the son, as agent for Mrs. Bigelow, made gifts of some of the partnership units (after the units were transferred from the trust to Mrs. Bigelow) to himself, his sisters and to Mrs. Bigelow's grandchildren. Gift tax returns were not filed until Mrs. Bigelow died in 1997.

The Tax Court judge agreed that Section 2036(a)(1) applied to the assets contributed by the trust to the partnership, finding an implied agreement that Mrs. Bigelow would retain the income from enjoyment of the rental property that was contributed.

The Tax Court further held that the bona fide sale exception to Section 2036 did not apply because the transfers to the partnership were not in good faith and were not made for legitimate non-tax purposes. The Tax Court further noted that the parties failed to respect partnership formalities, including (1) a failure to maintain partnership capital accounts, (2) the balance sheets improperly reflected the $350,000 liabilities or liability to the partnership, (3) K-1's did not properly reflect capital accounts, (4) the trust's capital account was not adjusted to reflect payments on a $350,000 loan made by the partnership as required by the partnership agreement, and (5) Mrs. Bigelow's capital account never reflected the value of the trust contribution of the rental property. At bottom, the Tax Court found that the Bigelows did not comply with the terms of the partnership agreement.

The Tax Court also held that the transfer did not provide and there was no potential to provide non-tax benefits to Mrs. Bigelow as a result of the creation of the entity "because management of the assets did not change as a result of the transfer and there was no pooling of assets." The non-tax purposes for creating the Partnership relied upon by the estate included (1) creditor protection, (2) continuity of management, and (3) gifting efficiency. The Tax Court distinguished each of these. First, the Tax Court opined that no additional creditor protection was provided because Mrs. Bigelow's Trust was the sole general partner and the general partner was not protected from liability associated with the rental property. Second, the Tax Court noted that there was no change in continuity of management because the Partnership would terminate when the Trust terminated as the Trust was the general partner. Third, the Tax Court opined that gifting efficiency was not a sufficient non-tax reason because "a transfer made solely to reduce taxes and to facilitate gift giving is not considered in this context to be made in good faith or for a bona fide purpose."

On September 14, 2007, the Ninth Circuit upheld the Tax Court's decision. The Ninth Circuit noted that "In reviewing for clear error, we ask only whether the Tax Court's findings are supported by evidence in the record as a whole, not whether we would necessarily reach the same conclusions." 503 F.3d at 964. The Court also noted that Section 2036(a)(1) "is designed to recapture the value of certain assets transferred by the decedent during his or her lifetime where the decedent has retained economic benefits from the transferred asset." 503 F.3d at 963.

With respect to the bona fide sale exception, the Court noted that the term "adequate and full consideration in money or money's worth" did not preclude discounts "due to lack of control and marketability." The Ninth Circuit noted that "the validity of the adequate and full consideration prong cannot be gauged independently of the non-tax related business purposes involved in making the bona fide transfer inquiry." 503 F3d. at 969.

The Court, however, rejected the estate's non-tax purposes for creating the partnership, which included limited personal liability, efficient management and ease of gifting. The Ninth Circuit noted that there was no evidence that any of the partners "reasonably faced any genuine exposure to liability that might have validated the partnership formation for a non-tax purpose." 503 F.3d at 971. Regarding efficient management, the Court noted that without some active management, this is not a credible non-tax reason for creating the partnership. Finally, the Court noted, as have other courts, that "gift giving is considered a testamentary purpose and cannot be justified as a legitimate, non-tax business justification." 503 F.3d at 972. Accordingly, the Ninth Circuit found that the Tax Court did not commit clear error in determining that the transfer to the partnership was not a bona fide sale for an adequate and full consideration under Section 2036.

D. The IRC Sec. 2036(a)(1) Problem Does Not Exist if There is a Substantive Non-Tax Reason For the Creation of the FLP.

If substantial partnership interests are to be held by the taxpayer at death, it is important to document and demonstrate at least one substantial non-tax reason to establish a partnership and capital accounts should reflect interests proportionate to the contributed property.

In order to demonstrate that the original creation of the partnership is "bona fide" for estate tax purposes (and a transfer for estate tax purposes has not occurred) one substantive non-tax reason for its creation should be demonstrated. That demonstration should be documented in correspondence with the taxpayer and in the partnership agreement recitals. That non-tax reason should specifically relate to the taxpayer's concerns and goals. There are many financial advantages of a partnership that are unrelated to potential transfer tax savings as discussed in Sections IV and V of this paper.

E. If a Sale of a Partnership Interest Occurs During a Client's Lifetime, the Gift Tax Equivalent of IRC Sec. 2036 Does Not Exist (i.e., There Is No IRC Sec. 2536 Under Chapter 12 of the Code).

There is not an equivalent gift tax statute equivalent to IRC Sec. 2036(a)(1). For gift tax purposes, a substantive non-tax reason for the contribution to the partnership does not need to exist. As noted above, for gift tax purposes, the taxpayer needs to demonstrate that the partnership is a partnership for state law purposes and is a group that conducts financial operations.[98] Stated differently "the bona fide" requirement for gift tax purposes appears to only require only that a sham transfer has not occurred and that it is a partnership for state law property purposes. Secondly, there needs to exist a proper crediting of capital accounts. Thus, if the donor transfers all of his interest in the partnership and lives three years (*see* IRC Sec. 2035) IRC Sec. 2036(a)(1) will not apply. See the example below.

Example 3: Lacy Lucky Sells Her
Partnership Interest During Her Lifetime

Lacy Lucky lives in the great state of Nirvana. In the state of Nirvana, plaintiff's lawyers have been banned. In this enlightened state, wealthier spouses always receive all of the marital assets, if there is a failed marriage. Because this state is so enlightened, the SEC is very impressed and has waived its qualified purchaser and accredited investor rules with respect to trusts created under this state's laws. Because of all of these reasons (and because all children in this state are born with above average intelligence), Lacy Lucky is worried that a substantive non-tax reason may not exist for the creation of her FLP. After the creation of the partnership, Lacy will own a 1% general partnership interest and a 98% FLP interest. Lacy asks her attorney, Tom Taxadvisor, what she could do to circumvent the application of IRC Sec. 2036(a)(1) other than steering clear of behavior that might constitute an implied agreement to use the partnership asset income?

Tom may advise Lacy to sell all of her FLP interest for adequate and full consideration. Even if the sale is not for adequate and full consideration (e.g. part sale, part gift or all a gift), if Lacy lives longer than three years after the transfer, then IRC Sec. 2036(a)(1) should not apply to the resulting note (assuming the note is a note for state law property purposes) and/or cash she receives from that sale. (However, IRC Sec. 2036(a)(2) may apply to the retained general partnership interest and the transferred FLP interest, if the sale is not for adequate and full consideration.)

---

[98] *See* IRC Sec. 7701(a)(2) in which an entity will be recognized as a partnership for gift tax purposes if it is a group conducting any financial operation and it is not a trust, estate or corporation. *Also see Knight* 115 TC 506 (2000); *Estate of Strangi* 115 TC 478 (2000) aff'd on Chapter 14 issues 293 F.3d 279 (5th Cir. 2002).

F. There Are Many Other Reasons, Other Than Avoiding IRC Sec. 2036(a)(1) Inclusion, for Transferring the Partnership Interest During the Taxpayer's Lifetime For a Note.

1. The Valuation Principles of Revenue Ruling 93-12 Apply to Lifetime Transfers, But They Do Not Apply to Transfers at Death.

Under Revenue Ruling 93-12, the Internal Revenue Service, after losing several court cases, including one court case where attorney's fees were ordered to be paid to the taxpayer, acquiesced to the view that family attribution does not exist for gift tax valuation purposes. For instance, if a taxpayer who owns 100% of a business transfers by gift a 20% interest in that business to each of his five children, the measure of the gift is what a hypothetical willing buyer would pay a hypothetical willing seller for 20% of the interest in the enterprise (times five). On the other hand, if that same taxpayer transferred 100% of his interest in the business enterprise to those same five children at the time of his death by a will, the valuation of the transfer for estate tax purposes is what a hypothetical willing buyer would pay a hypothetical willing seller for 100% of the enterprise. The differences between those two valuation methodologies may be profound.

For instance, assume a taxpayer wishes to make a transfer to a charity, marital deduction trust and a trust for his family. There may be problems of achieving full deductibility for estate tax purposes for the charitable bequest at death and the marital deduction bequest at death, if the estate largely consists of an entity in which a valuation discount is not allowed for estate tax purposes. There may not be the same concerns for an inter vivos gift because for gift tax valuation purposes one focuses on what is transferred, not what is retained before the transfer.

2. Growth of the Underlying Assets of the Partnership, if a Transfer Occurs During the Lifetime of a Taxpayer, Will Not Be Subject to Estate Tax.

If a taxpayer transfers his or her partnership interest either by gift or sale, assuming the underlying assets of the partnership grow in value (and in the case of a sale grow faster than the interest carry on the note) part of that growth (in the case of a sale) or all of that growth (in the case of a gift) will not be subject to estate taxes. If the taxpayer does not transfer the partnership interest during his or her lifetime, while the partnership discount may be available at death, the discount will only apply to the then value of the assets of the partnership, which may have grown at a much greater rate than the said valuation discount.

3. There is a Significant Transfer Tax Advantage for the Taxpayer Who Transfers His Partnership Interests During His Lifetime to a Grantor Trust in Exchange for a Note.

The IRS ruled in Revenue Ruling 2004-64[99] that a taxpayer does not owe gift taxes with respect to a grantor trust in which the taxpayer is liable for the income taxes. Over time, this may be a significant transfer tax benefit for a donor. Normalized growth on the part of the partnership

---

[99] 2004-2 C.B. 7.

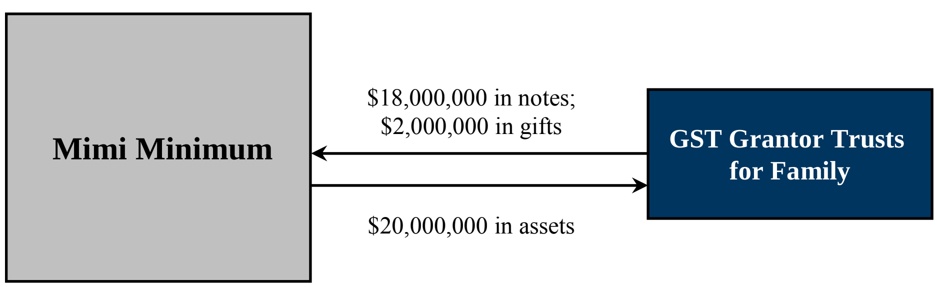
assets, coupled with the sale to a grantor trust, generates synergistic transfer tax benefits. These benefits may substantially, over time, exceed the benefits from any valuation discount associated with the partnership interest. Consider the following example:

Example 4: Mimi Minimum Wonders What Additional Transfer Tax Benefit Accrues From a Partnership Valuation Discount Over Her Life Expectancy

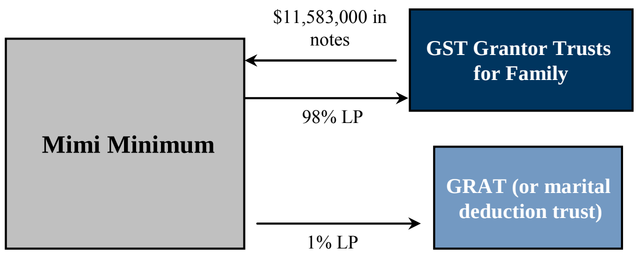
Mimi Minimum is a very healthy 50 year old female. Both of her parents are still alive and she has only recently buried her grandparents. Her doctor assures her that she easily has a 30 year life expectancy. Mimi likes the relative simplicity of making a $2,000,000 gift of some of her highly appreciated stock to fund a grantor trust and then selling her highly appreciated stock worth $18,000,000 to that grantor trust for a low interest note. After the sale for the note is completed, the grantor trust would then sell all $20,000,000 of its stock ("Alternative One" below). Mimi asks her estate planner, Les Rates, what is gained by transferring a FLP (which holds $18,000,000 of her stock) to a grantor trust from a transfer tax standpoint, assuming she does live a 30 year period ("Alternative Two" below). Mimi is concerned about the costs of creating a FLP (legal costs, accounting costs, administrative costs and valuation expert costs). Mimi tells Les Rates to assume that she will earn 8% pretax return with respect to the proceeds of the sale of the appreciated stock (with 2% being taxed at ordinary income rates and 6% being taxed at capital gains rates with a 30% turnover) and that her consumption needs will be $350,000 a year before inflation. What does Les Rates' analysis demonstrate?

Please see the illustrations below:

Alternative One
Mimi Minimum Gifts and Sells Her Assets to GST Grantor Trusts



Alternative Two
Mimi Minimum Forms a FLP and Then Makes a Defined Value Formula Transfer of Her FLP Interests to GST Grantor Trusts and to a GRAT (or Marital Deduction Trust)



Owner	Ownership (%)
Mimi Minimum	1% GP; $11.6M note receivable
GST Grantor Trusts for Family	98% LP; $11.6M note payable
GRAT (or marital deduction trust)	1% LP

Please see Schedule 1 attached to this paper. A summary of the schedule is below:

Table 1

Summary of Results For $20 Million of Assets Growing at 8% Per Year (Pre-Tax) – No Further Planning vs. Two Hypothetical Integrated Income and Estate Tax Plans; 30 Year Future Values; Post-Death Scenarios (assuming Mimi Minimum dies in 30 years)

Technique	Minimum Family	Consumption – Direct Cost	Consumption – Investment Opportunity Cost	IRS – Income Tax	IRS – Investment Opportunity Cost	IRS – Estate Tax (at 45%)	Total
No Further Planning; Bequeaths Estate To Family (Without Discount)	$38,798,412	$16,651,395	$36,796,365	$19,551,445	$57,711,366	$31,744,155	$201,253,138
No Further Planning; Bequeaths Estate To Family (With Discount)	$49,908,866	$16,651,395	$36,796,365	$19,551,445	$57,711,366	$20,633,701	$201,253,138
Technique #1: Hypothetical Integrated Income and Estate Tax Plan With a Gift/Sale to a GST; Bequeaths Estate To Family	$68,330,271	$16,651,395	$36,796,365	$21,277,059	$57,711,366	$486,681	$201,253,138
Technique #2: Hypothetical Integrated Income and Estate Tax Plan With a Partnership and With a Gift/Sale to a GST; Bequeaths Estate To Family	$68,598,127	$16,651,395	$36,796,365	$21,397,537	$57,711,366	$98,347	$201,253,138

As the above chart clearly demonstrates, over a 30 year period, given Mimi's consumption needs, there is not an inherent transfer tax advantage associated with coupling the sale to a defective grantor trust technique with a partnership vehicle. The advantage of using the partnership vehicle, from a transfer tax viewpoint, does occur if Mimi has a relatively early death. For instance, if Mimi's death should occur in year 10 as opposed to year 30, the results would be as follows, please see attached Schedule 2 to this paper:

Table 2

Summary of Results For $20 Million of Assets Growing at 8% Per Year (Pre-Tax) – No Further Planning vs. Two Hypothetical Integrated Income and Estate Tax Plans; 10 Year Future Values; Post-Death Scenarios (assuming Mimi Minimum dies in 10 years)

Technique	Minimum Family	Consumption – Direct Cost	Consumption – Investment Opportunity Cost	IRS – Income Tax	IRS – Investment Opportunity Cost	IRS – Estate Tax (at 45%)	Total
No Further Planning; Bequeaths Estate To Family (Without Discount)	$14,857,342	$4,012,358	$1,692,703	$6,076,989	$4,383,101	$12,156,007	$43,178,500
No Further Planning; Bequeaths Estate To Family (With Discount)	$19,111,945	$4,012,358	$1,692,703	$6,076,989	$4,383,101	$7,901,405	$43,178,500
Technique #1: Hypothetical Integrated Income and Estate Tax Plan With a Gift/Sale to a GST; Bequeaths Estate To Family	$21,421,417	$4,012,358	$1,692,703	$6,781,228	$4,383,101	$4,887,694	$43,178,500
Technique #2: Hypothetical Integrated Income and Estate Tax Plan With a Partnership and With a Gift/Sale to a GST; Bequeaths Estate To Family	$23,986,573	$4,012,358	$1,692,703	$6,627,131	$4,383,101	$2,476,635	$43,178,500

In addition to hedging against an early death, Mimi should, of course, consider the non-tax benefits of using the partnership vehicle. Mimi, in evaluating whether or not to do the partnership vehicle should consider the costs of the partnership vehicle versus the transfer tax benefit of an early death with the other non-tax benefits noted in this paper.

What is clear, from a transfer tax benefit perspective, is that over time the most important estate planning benefits accrue from freezing (e.g., a sale for a low interest note) and the value shifting that is associated with the grantor paying the income taxes of that trust. The least important benefit is the discount inherent in using FLPs.

4. A Future Congress Could Change the Current Law With Respect to Valuation Discounts Associated With FLPs.

If a taxpayer currently sells a FLP interest it locks in the current law with respect to valuation discounts for transfers of FLP interest. Under the last three budgets under President Clinton's administration, it was proposed by President Clinton that valuation discounts associated with certain FLPs be eliminated. Recently, one of the potential revenue raisers that have been discussed by the Joint Committee staff has been the elimination of discounts for FLP agreements. The IRS has a regulation project under authorization of IRC Sec. 2704(b)(4). More recently, President Obama's "Green Book" proposals include changes to IRC Sec. 2704(b) that would tend to reduce discounts for FLP interests.

It is not enough to "grandfather" current law, with respect to valuation discounts for FLPs, to currently create the partnership and not make a transfer. The FLP interests that accrue from such planning, also need to be transferred before the law changes. Stated differently, it is hard to imagine that the law with respect to valuation discounts for FLP interests will be better in the future. On the other hand, it is reasonable to believe that the law with respect to valuation discounts with respect to FLP interests may be worse in the future.

As the charts above demonstrate, the difference between selling units before the valuation discount is legislated away could be profound if Congress changes the law.

5. The Taxpayer May Have the Ability to Indirectly Access All of the Partnership Distributable Cash Flow for Consumption Needs.

One factor that may deter certain taxpayers from doing significant estate planning, other than the mere creation of a FLP, is the fear that the taxpayer may need most of the distributable cash flow of the partnership. There is no question that any estate planning technique should only go forward after considering the consumption needs of the client. Many of the successful IRC Sec. 2036 cases brought by the IRS have been facilitated by taxpayers disproportionately utilizing, for their own personal consumption needs, the cash that should have been distributed to other partners.

A possible attraction of selling a FLP interest to a grantor trust, in exchange for a note, is that a significant amount of the distributable cash flow to the trustee partner could be utilized to service interest and principal payments on the subject note. It has been this writer's experience (assuming there is a companion sale to a grantor trust associated with that technique) that when spreadsheets have been formulated demonstrating that the prospective capacity of the servicing of the note may more than satisfy the consumption needs of the taxpayer, that the taxpayer is much more enthusiastic about utilizing the partnership technique.

6. Generally, the Sale of a FLP Interest to a Trust, is a Flexible Arrangement That Can Be Modified in Response to Changed Circumstances.

Another factor that could deter a taxpayer from doing all of the estate planning that he or she should do, is the understandable desire to have exit strategies, if circumstances change with respect to the objects of their bounty or their own personal financial circumstances. A sale of a FLP interest (particularly to a grantor trust) is much more flexible and has many more exit strategies than an outright gift of a FLP interest.

For instance, if a beneficiary of a trust disappoints the seller of a FLP interest to that trust, perhaps a call feature could be triggered in the note which pays off the note "in kind" with partnership units. That mechanism could substantially limit the amount that child will have available in the trust in the future. The same mechanism could be utilized if the taxpayer, at a future time, becomes uncomfortable with his financial circumstances. That mechanism (i.e., calling the note and having it paid "in-kind") would obviously increase the net worth of that taxpayer under those circumstances. Another exit strategy that could limit the amount that a trust receives and/or increase the net worth of a grantor is to convert the trust from a grantor trust to a complex trust. Assuming there are separate trusts for each of the client's children, another point of flexibility is that each of the trusts could pay down the principal of the note that is owed on different timetables. In that manner, each child's different consumption needs could be met.

7. The Sale of a FLP Interest for a Note Facilitates Testamentary Charitable Planning, Because the Note is a More Attractive Asset for a Charity to Receive Than FLP Interests.

Many taxpayers are interested in testamentary charitable planning, especially if in their lifetime transfer tax planning has been successful. Almost all charities would rather receive a note than a FLP interest. In addition to avoiding unrelated taxable income problems, it may be a much more favorable asset for the liquidity investment purposes of the charity.

Additionally, if a note is left to a charitable lead annuity trust, it is possible under IRC Sec. 4941, during probate administration, to refinance the note (assuming the requirements of the regulations under IRC Sec. 4941 with respect to fair market value and liquidity constraints are met) whereby the note could be converted into a longer term note with a balloon payment at the end of the term. Alternatively, the note could be refinanced before the death of the taxpayer to be a long term note suitable for charitable lead trust purposes. One of the few exceptions to the self-dealing rules under IRC Sec. 4941 is for court approved transactions that occur during estate administration. This may work very well for the testamentary charitable desires of the client and for the family.

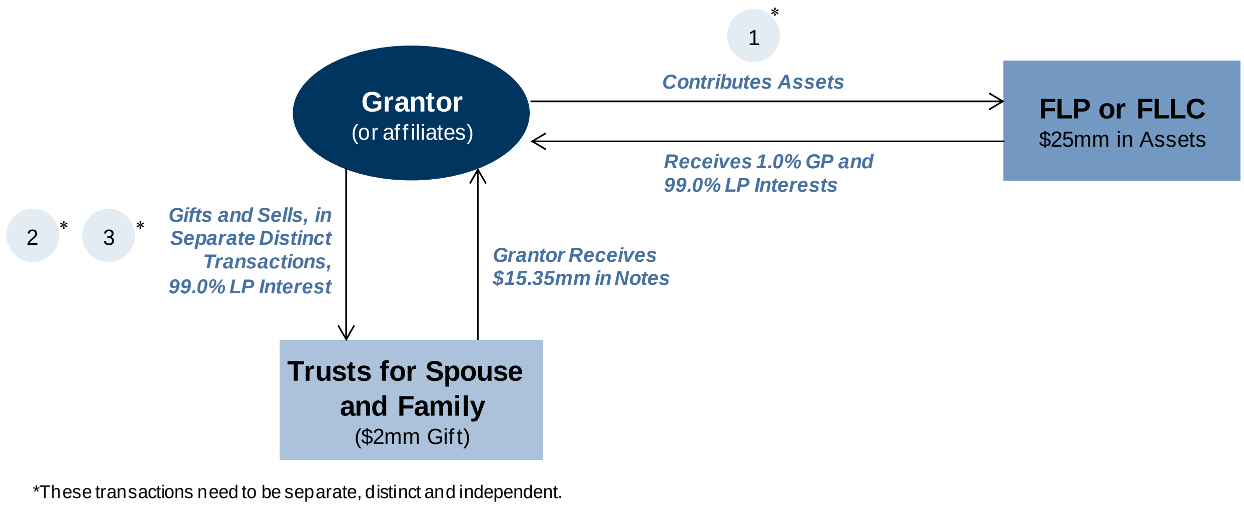
VII. FIRST "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR SELLING FLP INTERESTS (OR NON-MANAGING MEMBER INTERESTS IN A FLLC) TO A TRUST IN WHICH THE TRANSFEROR IS THE INCOME TAX OWNER ("GRANTOR TRUST"), THAT NAMES THE TRANSFEROR'S SPOUSE AS BENEFICIARY AND GIVES THE SPOUSE A SPECIAL POWER OF APPOINTMENT

A. What is the Technique?

Subject to a spouse predeceasing the client, the flexibility of having exit strategies for the client's consumption needs and stewardship goals is increased, if the client creates a grantor trust that names his or her spouse as the discretionary beneficiary and gives the spouse a limited power of appointment over the assets of that trust. For many happily married clients, a sale to a grantor trust that names the client's spouse as a beneficiary and grants the spouse a limited power of appointment, would solve the client's flexibility and future exit strategy goals.

Example 5: Cam Compatible Creates a Grantor Trust for the Benefit of His Spouse and Family and Makes Certain Sales to That Trust

Cam Compatible owns $30,000,000 in financial assets. Cam and affiliates contribute $25,000,000 to a FLP or a FLLC ("FLLC") ("1"). In a separate and distinct transaction ("2") Cam contributes, pursuant to a defined value allocation formula, $2,000,000 of partnership or member interests 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 his remaining FLP interests to that trust. Assuming a 30% valuation discount, the technique is illustrated below.*



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. Advantages of the Technique.

1. Tax Advantages of Creating a Grantor Trust and a Sale to a Grantor Trust.

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.[100] 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.[101]

[100] Treas. Reg. Section 1.671-2(c).

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

Under Rev. Rul. 85-13,[102] a grantor is treated as the owner of trust assets for federal income tax purposes to the extent the grantor is treated as the owner of any portion of the trust under IRC Sec. 671-77. In that ruling, it was held that a transfer of trust assets to the grantor in exchange for the grantor's unsecured promissory note is not recognized as a sale for federal income tax purposes.[103]

Similarly, if the grantor is treated as the owner of the trust property and transfers property into the trust in exchange for property previously held by the trust, such transfer will not be recognized as a sale, exchange or disposition for federal income tax purposes.[104] Thus, no gain or loss is realized by the grantor or the trust. The basis of the property transferred into the trust is unaffected by the transfer, and neither the grantor or the trust acquires a cost basis in the assets transferred from or to the trust.

It is possible to design a grantor trust that is defective for 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 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.

2. The Near Term Death of the Grantor of a Grantor Trust Generally Does Affect the Technique Like the Death of a Grantor of a GRAT.

A popular estate planning device that will be discussed in greater detail in this paper is the grantor retained annuity trust or GRAT. *See* Section III C of this paper. The requirements of a successful GRAT are delineated in IRC Sec. 2702. If a grantor of a GRAT dies before the end of the term of the GRAT, part or all of the trust assets will be taxable in the grantor's estate under IRC Sec. 2036. The amount that will be included is equal to the annual annuity amount divided by the interest rate determined under IRC Sec. 7520. *See* Treas. Reg. Secs. 20.2036-1(c)(2)(i) and 20.2036-1(c)(2)(iii), Example 2. In many instances, unless the annuity amount is relatively small in comparison to the value of the assets of the trust, all of the assets of the trust will be included in the grantor's estate.

If the grantor dies shortly after the sale to the grantor trust, all that should be included in the grantor's estate is the remaining principal value of the note, assuming the sale is recognized as a valid sale and the note is recognized as a valid note. The grantor/seller could bequeath that note to his spouse. Over the surviving spouse's lifetime, that surviving spouse could live off of the proceeds of the interest and principal payments of the note, before drawing down on any beneficial interest that surviving spouse would be entitled to under the trust. Thus, there are two

---

[102] Rev. Rul. 85-13, 1985-1 C.B. 184.

[103] *See also*, P.L.R. 9146025 (Aug. 14, 1991) (finding that transfer of stock to grantor by trustees of grantor trust in satisfaction of payments due grantor under the terms of the trust does not constitute a sale or exchange of the stock).

[104] *See* P.L.R. 9010065 (Dec.13, 1989).

lifetimes to utilize to assure the efficacy of the technique: the original grantor's lifetime and his spouse's lifetime.

3. 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.

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 in which 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, mentioned above, for saving transfer taxes 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).

4. Flexibility Advantages of Selling to a Grantor Trust.

a. 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 of the Internal Revenue Code 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 of the Internal Revenue Code.

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.

b. Flexibility could also be achieved by converting 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 nor 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.[105]

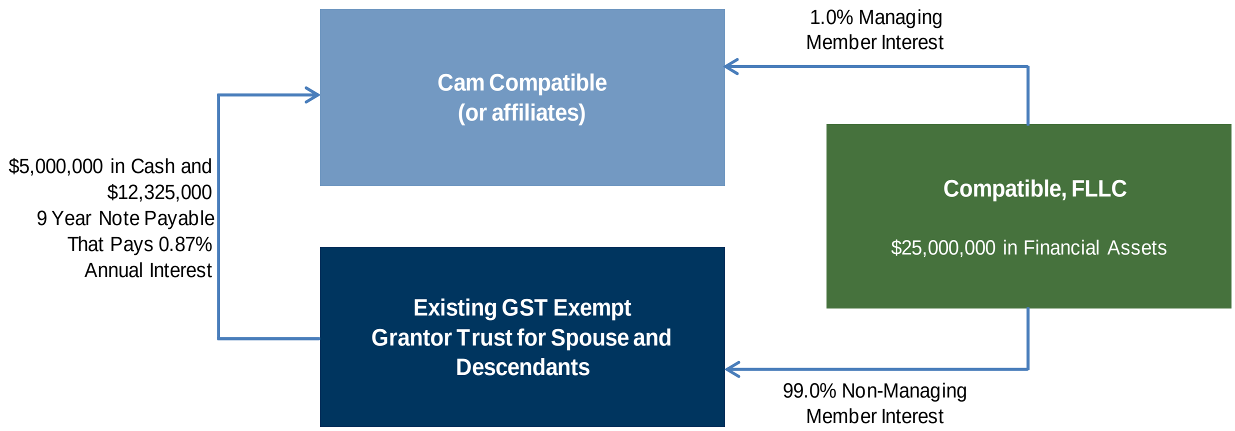
Consider the following examples.

Example 6: Conversion of an Existing Note Receivable From a Grantor Trust to a Private Annuity

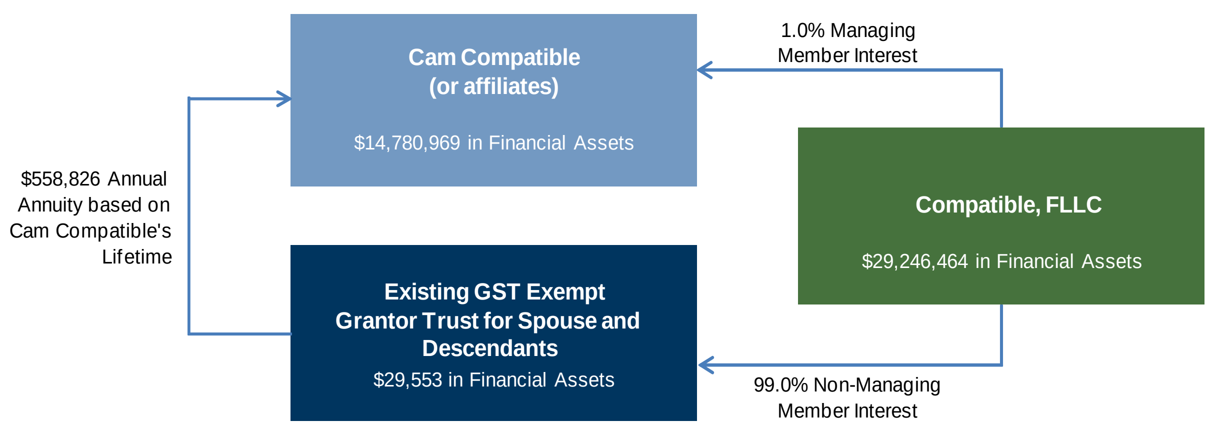
Cam Compatible made a gift of $5,000,000 in financial assets to a generation-skipping trust that was also a grantor trust. In the following year, in an independent transaction, Cam formed a FLLC that had managing and non-managing interests. Cam contributed $25,000,000 in financial assets to that FLLC. Cam then sold the non-managing interests in that FLLC in consideration for $5,000,000 in cash and a $12,325,000 nine year note that paid 0.87% interest (the then AFR rate). Cam's annual consumption needs are equal to $250,000. It is assumed those consumption needs and the estate tax exemption will increase 3.0% a year, which is the assumed inflation rate.

The transaction that Cam entered into is illustrated below (Hypothetical Technique #1a):

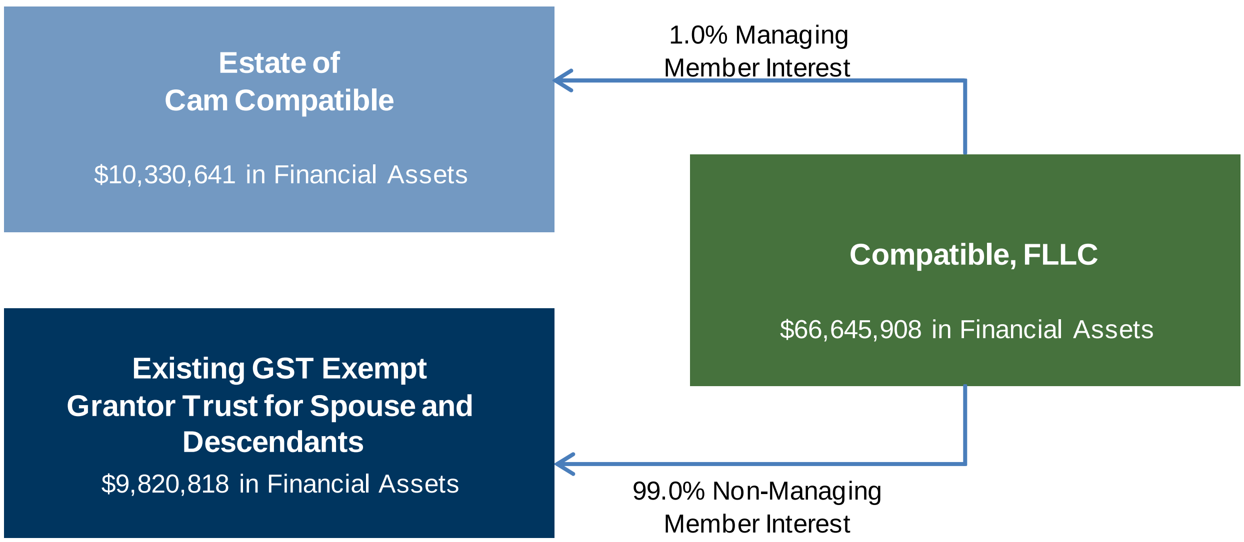
[105] *See* Treas. Reg. Section 1.1001-2(e), Ex. 5; *Madorin v. Commissioner*, 84 T.C. 667 (1985); Rev. Rul. 77-402, 1977-2 C.B. 722.



At the end of four years, Cam Compatible, who at that time is 64 years of age, could convert the balance of the note that is projected to be owed to him, $9,207,212, to a lifetime annuity that is equal to the value of the note. Assuming the IRC Sec. 7520 rate is 1.0%, that annual annuity will be equal to $558,826. Assuming the assets of Compatible, FLLC have been earning 7% pre-tax there should be $29,246,464 in financial assets in Compatible, FLLC to support that annuity. See Schedule 3 attached to this paper. The note conversion to a lifetime annuity ("Hypothetical Technique #2a") is illustrated below:

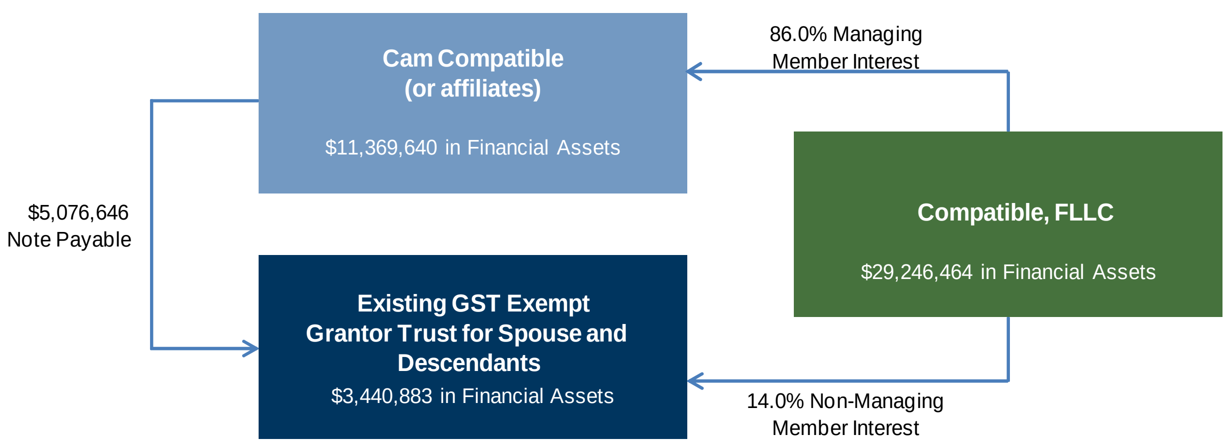


Assume Cam dies 24 years after the trust was formed. One year after Cam's death, after income taxes (assuming all appreciated assets are then sold), and assuming the FLLC's assets had an original basis equal to $2,500,000, Cam's estate, under the above assumptions, should have the balances illustrated below:

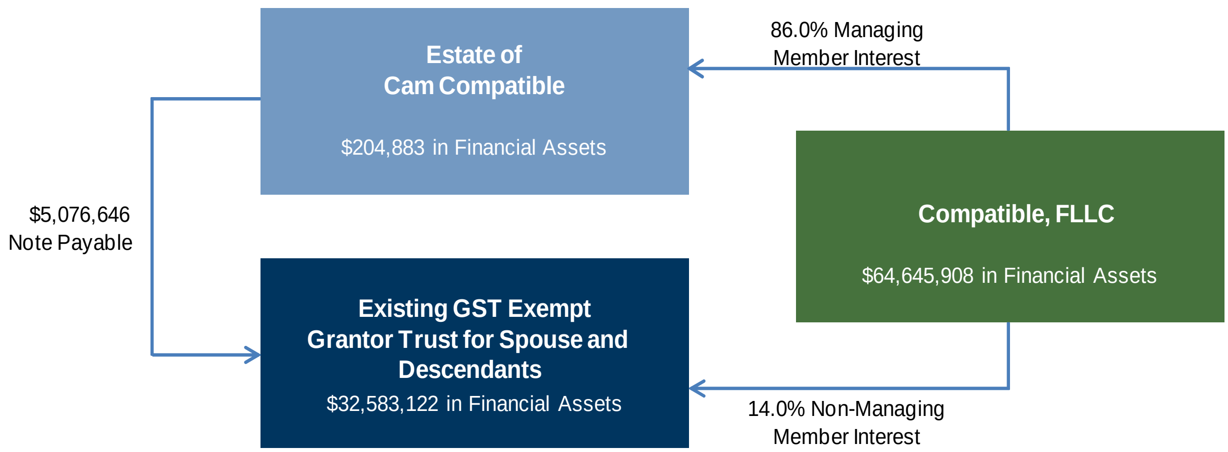


Example 7: Grantor Purchases 85% of the Grantor Trust Assets Four Years After the Trust is Formed With a Note That Pays a Fair Market Value Interest Rate

Assume the same facts as Example 6, except after four years Cam purchases 85% of the non-managing member interests in Compatible, FLLC. The consideration for the purchase is forgiveness of Cam's existing note of $12,325,000 and the creation of a new note that Cam owes to the existing GST grantor trust of $5,076,646. Assume the fair market value interest rate on the note Cam owes to the existing GST grantor trust is 7.0%. The transaction ("Hypothetical Technique 3a") is illustrated below:

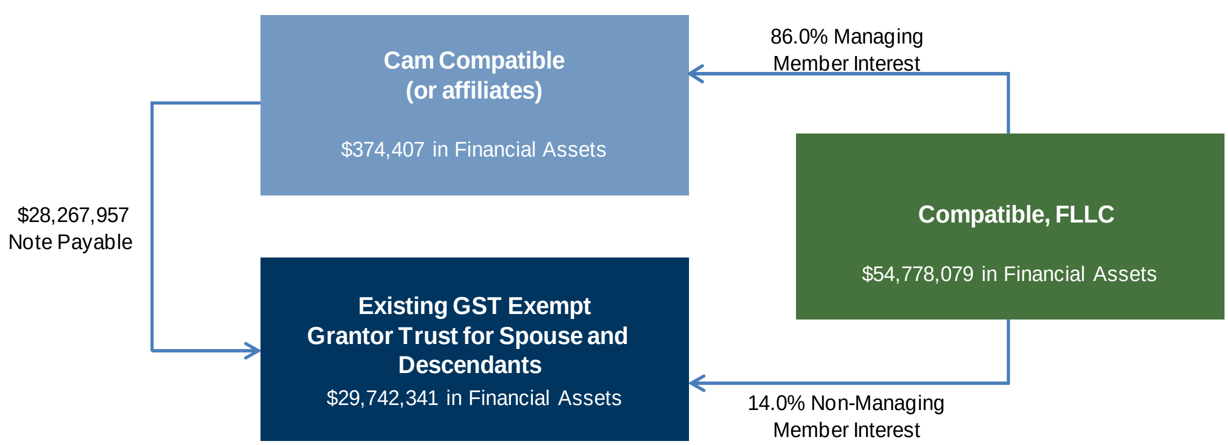


Again, assume Cam dies 24 years after the grantor trust was created. One year later, after income taxes (assuming all appreciated assets are then sold), but before estate taxes, assuming the FLLC's assets had an original basis of $2,500,000, Cam's estate, under the above assumptions, should have the following balances illustrated below:

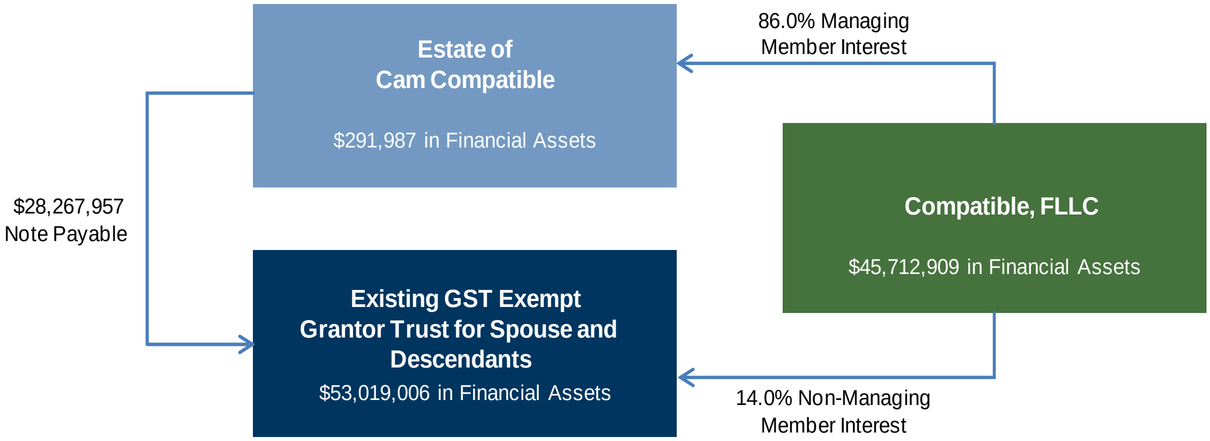


Example 8: Grantor Purchases 85% of the Grantor Trust Assets Twenty-Five Years After the Trust is Formed With a Note That Pays a Fair Market Value Interest Rate

Assume the same facts as Example 6 above, except 20 years after the existing GST grantor trust was formed, Cam purchases 85% of the non-managing member interests back from the existing GST grantor trust for a 7.0% note (the assumed fair market value interest rate) that has a principal balance of $28,267,957. The transaction ("Hypothetical Technique 4a") is illustrated below:



Again, assume that Cam dies 24 years after the trust was formed. Assuming the original basis of the assets in Compatible, FLLC are equal to $2,500,000, Cam's estate, after income taxes (assuming all appreciated assets are then sold), but before estate taxes, should have the following balances illustrated below:



Assuming the assets in the FLLC had an original basis of $2,500,000, the results of the four techniques explored above, after consideration of the new estate tax rate, the new estate tax exemption (which increases with inflation), and capital gains taxes, are presented in the table below (see Schedule 3 for the calculations):

Table 3a

	Compatible Children	Compatible Children and Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	Estate Taxes (@ 40.00%)	Total
	Total to All Descendants							
25-Year Future Values								
No Further Planning: Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$42,888,402	$33,129,497	$9,114,816	$11,720,526	$34,998,199	$40,371,299	$28,592,268	$200,815,008
	$76,017,899							
Hypothetical Technique #1a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$4,642,641	$79,296,783	$9,114,816	$11,720,526	$52,707,141	$40,371,299	$2,961,802	$200,815,008
	$83,939,424							
Hypothetical Technique #2a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$3,082,835	$81,792,602	$9,114,816	$11,720,526	$52,810,999	$40,371,299	$1,921,931	$200,815,008
	$84,875,436							
Hypothetical Technique #3a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$33,510,288	$52,702,530	$9,114,816	$11,720,526	$42,174,453	$40,371,299	$11,221,096	$200,815,008
	$86,212,818							
Hypothetical Technique #4a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$3,206,879	$93,679,104	$9,114,816	$11,720,526	$40,584,465	$40,371,299	$2,137,919	$200,815,008
	$96,885,982							

Assuming the original basis of the assets in the FLLC had a basis of $25,000,000, the results of the four techniques explored above, after consideration of the new estate tax rate, the new estate tax exemption (which increases with inflation), and capital gains taxes, are presented in the table below:

Table 3b

25-Year Future Values	Compatible Children	Compatible Children and Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	Estate Taxes (@ 40.00%)	Total
	Total to All Descendants							
No Further Planning: Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$42,888,402	$33,129,497	$9,114,816	$11,720,526	$34,998,199	$40,371,299	$28,592,268	$200,815,008
	$76,017,899							
Hypothetical Technique #1b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$4,652,766	$84,865,533	$9,114,816	$11,720,526	$47,121,516	$40,371,299	$2,968,552	$200,815,008
	$89,518,299							
Hypothetical Technique #2b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$3,092,960	$87,361,352	$9,114,816	$11,720,526	$47,225,374	$40,371,299	$1,928,681	$200,815,008
	$90,454,311							
Hypothetical Technique #3b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$34,381,038	$53,490,030	$9,114,816	$11,720,526	$39,935,703	$40,371,299	$11,801,596	$200,815,008
	$87,871,068							
Hypothetical Technique #4b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)	$4,038,929	$94,431,604	$9,114,816	$11,720,526	$38,445,215	$40,371,299	$2,692,619	$200,815,008
	$98,470,532							

The best result is if Cam Compatible has the patience to wait 20 years before the non-managing member interests are purchased back. The advantage of purchasing the non-managing member interests is the partial step-up in basis obtained for the deemed estate tax value of the non-managing member interests under IRC Sec. 1014, which can be allocated to some of the underlying assets of the FLLC pursuant of IRC Sec. 754. All of these techniques illustrate that Cam can retain investment management of his assets and have access to the cash flow necessary for his consumption needs (which are assumed to be over $9,000,000 over the 24 year period of Cam's life). The disadvantage of waiting 20 years for the "buy-back" is that Cam may die before the planned purchase, in which case the technique would not be as productive because there will not be a step up in basis on the assets of the FLLC, except for the 1.0% managing member interest that Cam owned.[106]

C. Considerations of the Technique.

1. 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.[107] 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."[108] If the assets of the trust are almost equal to the value of the note, the note may not be considered a note, but rather a disguised

[106] *See* generally Clay Stevens, "The Reverse Defective Grantor Trust," Trust & Estates 33 (Oct. 2012).

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

[108] In the corporate context *see 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.

interest in the trust. Presumably, the provisions of the trust and the note will 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 (beneficiaries of the trust) without any offsetting consideration for the value of the note. Based on a private letter ruling in 1995[109] and the statutory make-up of IRC Sec. 2701, many practitioners and commentators seem to be comfortable with leverage that does not exceed 90%.[110]

2. 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.

3. The IRS Could Be Successful in Applying the Step Transaction Doctrine to the Technique.

The common law doctrine known as the step transaction doctrine, which is a form of the substance over form doctrine, under certain circumstances, could be used by the IRS to deny the tax benefit of taking a valuation discount on the sale to the grantor trust.[111] In applying the step transaction doctrine, the IRS or court may not treat the various steps as independent. The steps may be collapsed into a single transaction. Under the circumstances of the sale 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.[112] 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? Stated differently, for state law property purposes would the creation of the FLP or FLLC be recognized independent of the 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 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

---

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

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

[111] *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).

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

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*[113] 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); *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

---

[113] *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.

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.

4. 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 and 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 or GRAT (see Section VIII B 6 of this paper), this may have the disadvantage of wasting a grantor's gift tax exemption equivalent.

5. There May be Capital Gains Consequences With Respect to the Notes Receivables and/or 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 Service 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 Service determined that for income tax purposes the trust was not capable of entering into a sales transaction with the grantor. The trust would not be capable of entering into a sales transaction for income tax purposes until the moment of the grantor's death. For income tax purposes, the trust itself is not created and recognized as a separate taxpayer, for income tax purposes, until the moment of the death of the grantor. If the sales transaction for income tax purposes is not deemed to occur until the moment of death, and if the trust is not created for income tax purposes until the moment of death, what is the trust's basis in any note payable to the trust by the decedent grantor at the moment of death?

If a grantor had provided in his or her will that his or her executor is to contribute certain assets to a trust, and certain assets of that trust were then to be purchased by the executor of the estate, the basis of the assets of the trust and the note would be the fair market value of the trust assets at the grantor's death (see Section 1014 of the Internal Revenue Code.). Likewise, it would seem, based on the logic of Revenue Ruling 85-13, that a purchase by a grantor of grantor trust assets that is not recognized for income tax purposes, until the grantor's death, would be treated in the same fashion. That is, a full basis equal to the principle value of the note should accrue.

However, there is no definitive authority on what the trust's basis in the note 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 assets 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, the grantor (or his executor) could borrow the cash from the trust and pay the third party lender. If the grantor 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.

6. 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.

a. Introduction.

The "conventional wisdom" this author sometimes hears on this subject is as follows: "the IRS will always contest the valuation of "hard to value" assets because the IRS could increase the transfer taxes, if they can demonstrate that the valuation discount is too high;" or "all valuation clauses in an assignment document are against public policy." The above "conventional wisdom," under the circumstances discussed below, is incorrect.

The Internal Revenue Service 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 Service'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.[114] 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

[114] *See* Tech. Adv. Mem. 8611004 (Nov. 15, 1985) discussed below; *see also* L. Paul Hood, "Defined Value Gifts: Does IRS Have It All Wrong?," 28 Estate Planning 12 (Dec. 2001); Byrle M. Abbin, "Is Valuation the Best Planning Game Remaining?," ALI-ABA Course of Study Planning Techniques for Large Estates (Nov. 2001); Carlyn McCaffrey, "Tax Tuning the Estate Plan by Formula," 33rd Phillip E. Heckerling Institute on Estate Planning 4-1 (1999); Malcolm' A. Moore, "Attempting to Achieve Finality in Potentially 'Open' Transactions," 29th Phillip E. Heckerling Institute on Estate Planning 13 (1995); Dave L. Cornfeld, "Formulas, Savings Clauses and Statements of Intent," 29th Phillip E. Heckerling Institute on Estate Planning 14 (1990); Shirley D. Peterson, "Savings Clauses in Wills and Trusts," 13 Tax Mgmt. Est., Gifts & Tr. J. 83 (1988); Moore & Buchanan, "Valuation Readjustment Clauses: What's Possible?," 45th N.Y.U. Tax Inst. (1987); C. S. McCaffrey & M. Kalik, "Using Valuation Clauses to Avoid Gift Taxes," 125 Trusts and Estates 47 (Oct. 1986).

transferred entity interest, will pass either to a grantor retained annuity trust,[115] the transferor's spouse,[116] charity[117] or a trust in which the grantor has retained an interest that makes the gift incomplete.[118]

"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*.[119] 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. [120] If an adjustment occurs in a formula defined value 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 that are discussed below have a penalty in that the transferred assets could pass to an unintended transferee.

---

[115] *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.

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

[117] *E.g.,* the excess could be transferred to a charity.

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

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

[120] *See* Treas. Reg. Section 25.2518-3(c) (allowing defined value formula for disclaimer of pecuniary amount); Treas. Reg. Section 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. Section 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); Rev. Proc. 64-19, 1964-1 C.B. 682 (relating to defined value formula for funding the marital deduction); Treas. Reg. Section 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. Section 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).

Any formula defined value allocation clause needs a mechanism to bring finality to the question of who owns what. Where the transfer involves a gift, finality can be achieved by filing a gift tax return that adequately discloses the formula transfer. When the statute of limitations expires on assessing a gift tax deficiency and none has been asserted, the ownership fractions will have been determined. If there is no gift tax return, however, finality cannot be achieved unless there is another mechanism that does not involve any action by the transferor that can be viewed as donative.

b. Defined value allocation clauses involving a charity.

Assume a client and/or her family has some charitable intent. That intent could be incorporated in a plan in order to help bring finality to an "open" valuation question. Additionally, that charitable intent could preclude the Service from unfairly contesting a good faith appraisal of the interest in the family entity as of that client's death.

Example 9: Disclaimer Formula Gift to a Charity

Sally Saint dies with most of her assets in a FLP interest. The underlying asset value of Sally's interest in the partnership, if the partnership were liquidated, would be $10,000,000. Audrey Appraiser, however, believes a willing buyer would only pay $6,500,000 for Sally's interest in the partnership. Sally's will provides that the residue of her estate passes to her daughter Connie Clever. The will also provides that if Connie disclaims, or partially disclaims, an interest in her estate that asset, or assets, will pass to her donor advised fund in the Greater Metro Community Foundation. Connie partially disclaims that part of Sally's estate that she would otherwise receive that has a "fair market value that exceeds $6,400,000." "Fair market value" is defined in the disclaimer document the same way it is defined in the Treasury regulations. The charity hires independent counsel and an independent expert appraiser. After the charity consults with its advisors, it agrees with Audrey Appraiser's appraisal. The charity, approximately one year after Sally's death, sells its rights under the disclaimer document for $100,000 to Connie. The IRS audits the Saint Estate one year after the sale. The IRS believes the discount is excessive and the charity should have sold its interest for $1,000,000. What happens now?

It would appear that no matter what the size of Sally Saint's estate, the Service should only collect revenues on the first $6,400,000 of her estate. The remainder of Sally Saint's estate (as a matter of state property law) goes to charity. Thus, assuming a good faith appraisal report is made and is persuasive to the independent charity, the Service may accept the estate tax return as filed with the discounts that are shown in that appraisal. The value of the gift to Connie Clever for state law property and estate tax purposes should be the same – $6,400,000.

Definition clauses with respect to transfers pursuant to a will are very common. Almost all modern wills of a married testator contain one, sometimes known as the formula marital deduction clause. It is submitted that it is unlikely that marital deduction and charitable deduction definition clauses would be invalidated for tax purposes by a court. First of all, as noted above, in determining the value for gift and estate tax purposes of any asset that is transferred, the legal rights and interests inherent in that property must first be determined under state law (unless federal law supersedes state law).[121] After that determination is made, the federal tax law then takes over to determine how such rights and interests will be taxed.[122] In its legislative history to various revenue acts, Congress has endorsed these principles that had been developed under case law. For instance, the reports to the 1948 changes in the estate taxation of community property provide that those changes restore the rule by which estate and gift tax liabilities are to depend upon the ownership of property under state law.[123] The taxable value of Sally Saint's estate is defined under state property law to be worth only $6,400,000. The federal estate tax consequences should be consistent with that definition. Secondly, to invalidate definition clauses would be to invalidate almost all "formula" defined value marital deduction gifts and formula defined value allocation disclaimers (which have always been acceptable by the Service in its regulations, the courts, and Congress).[124] Thirdly, if such a definition clause were invalidated, it would be impossible to determine the amount of the gift since the clause defines the amount of the transfer.

Clearly a "downside" in the technique from Connie's point of view is that the charity has every incentive and a fiduciary duty to make sure it is allocated the correct property interest. Obviously, the charity may disagree with the estate's appraisal. Charities are not going to accept unreasonable appraisals (nor would any state attorney general allow them).

Assume that, under the facts of Example 9, the Service believes the discount should be 25%, but both the charity and the probate court believe it should be 35% (Audrey Appraiser is very convincing, except as to the IRS). Assume no collusion by the charity. The IRS discount would produce a value for the estate of $7,500,000, entitling the charity to $1,100,000. Has the charity made a taxable gift of $1,000,000 to Connie by accepting Audrey Appraiser's appraisal and selling all of its right to Connie for $100,000 in a subsequent sale? No gift tax should result if the charity did not enforce its "IRS right" to recover the excess partnership interest allocated to Connie, even if that failure to recover results in a deemed "bargain" transfer to Connie, because

---

[121] Occasionally, federal law does supersede state law in this context. For instance, federal law determines what charity is for purposes of IRC Sec. 2055, not state property law.

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

[123] *See* H.R. REP. NO. 83-2543, at 58-67 (1954); H.R. REP. NO. 80-1274, at 4 (1948-1 C.B. 241, 243); S. REP. NO. 80-1013, at 5 (1948-1 C.B. 285, 288). The reports of the Revenue Act of 1932 define "property" to include "every species of right or interest protected by law and having an exchangeable value." *See* H.R. REP. NO. 72-708, at 27-28 (1932); S. REP. NO. 72-665, at 39 (1932).

[124] *See* Treas. Reg. Section 25.2518-3(c) (allowing defined value formula for disclaimer of pecuniary amount); Treas. Reg. Section 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. Section 25.2702-3(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); Rev. Proc. 64-19, 1964-1 C.B. 682 (relating to defined value formula for funding the marital deduction); Treas. Reg. Section 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 valuation definition clauses in charitable remainder trusts); Treas. Reg. Section 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).

the gift tax is only imposed upon transfers by individuals.[125] Secondly, and perhaps more importantly, the charity did not make a transfer to Connie when it sold its rights, because the charity believed in good faith that it received adequate and full consideration.[126] The charity is not a "transferor" for purposes of IRC § 2512. Even if the charity were potentially a transferor, assuming the parties were not in collusion, Connie is not an insider of the charity, the charity had independent counsel, and the charity used independent appraisers, the charity's sale of its rights should meet the requirements of Treas. Reg. Section 25.2512-8, which provides that "a sale, exchange, or other transfer of property made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth." Those assumptions also mean that the "private inurement" and "excess benefit" rules under IRC Secs. 501(c)(3) and 4958 should not be applicable,[127]

While it is not authority, the IRS in 2001 indicated a willingness to test defined value formulas involving charities. The IRS (according to FSA 200122011) is apparently attacking, through litigation, a defined value clause that it assumes was executed without "[any] evidence of arm's length negotiations" and which the IRS assumes "the transactional documents were accepted by charity as presented."[128] Thus, on that basis, the IRS concludes the possibility of "any additional transfer to charity under the formula clause was illusory." Of course, if those are the facts, the IRS is right.

Clearly, more problematic is the following IRS "alternative" analysis in FSA 200122011 (for which the IRS does not cite any authority, because such authority does not exist and, it is respectfully submitted, may never exist), even if good faith arms length negotiations did take place:

> Though *Procter* involved a savings clause as opposed to a formula clause, the principles of *Procter* are applicable to this case. If formula clauses like the one at issue actually function to require payment of any increased value to the charitable donee, these clauses would be similar in effect to savings clauses in that they recharacterize the transaction in a manner that would render any adjustment nontaxable. A valuation increase resulting from an examination would serve only to increase the charitable deduction, but would not otherwise generate any gift tax deficiency. Moreover, the adjustment would substantiate a claim for an increase in the income tax charitable deduction claimed by the donor. The sole justification for the Commissioner's examination would be to insure that charity received all that it was entitled to under the transfer documents. This would place federal tax administrators in the position of policing charitable transactions, a role more appropriately performed by the states' attorneys general.

---

[125] *See* IRC Sec. 2501(a)(1); Treas. Reg. Section 25.2501-1(a).

[126] *See* Treas. Reg. Section 25.2512-8.

[127] *See* Treas. Reg. Section 53.4958-1.

[128] The Field Service Advice Memorandum was apparently written in connection with *McCord v. Commissioner*, 120 T.C. 358 (2003) (see discussion below), a case in which this writer was a fact witness.

It is respectfully submitted that the IRS analysis misses several key points, including: (i) the IRS does have a "revenue incentive" to examine a charity's actions in agreeing to the amount of a formula gift, because the charity and the "offending" individual will be subject to IRS sanctions (which potentially increases Treasury revenue), if there is any excess benefit to that individual; (ii) state attorneys general *do* have a duty to enforce the formula; (iii) the charity has a fiduciary duty under state property law to enforce the formula (and, as noted above, it is clear law that federal gift tax consequences follow state property law); (iv) assuming the charity does engage in arms length negotiations, it is irrelevant whether the formula clause "works," because under gift tax valuation cases and the IRS's own regulations, it is clear arms length negotiations are the best evidence of value;[129] (v) as noted above, the IRS itself mandates formula clauses for charitable split interest trusts and grantor retained annuity trusts, both of which involve the same public policy considerations; (vi) as noted above, the IRS has long accepted formula marital deduction clauses and formula pecuniary disclaimers, which have no more (or less) public policy considerations than formula gifts to charity; and (vii) there is a key distinction between price adjustment clauses such as the one discussed in *Procter* and defined value formula clauses (*e.g.* marital deduction clauses). One distinction is that the price adjustment clause involves a condition subsequent. In addition, in some defined value formula clauses, the identity of the recipient could change (which is clearly not in the donor's best interest).

Moreover, the objection that no deficiency will result upon an audit can be easily defeated. Suppose that, instead of Connie's disclaiming all interests having a value in excess of $6,400,000 (the defined amount), Connie disclaimed only 99 percent of such excess. In that case, 1 percent of any valuation adjustment would produce a deficiency. Thus, the audit would not be without any consequence, just without much consequence.

Many of these issues were addressed by the full Tax Court in the *Estate of Christiansen v. Commissioner*.[130] This case involves a testamentary bequest of the decedent's estate to the decedent's daughter. The primary asset was an interest in a FLP. The decedent's daughter disclaimed those limited partnership interests to the extent the value exceeded a formula amount:

> determined by reference to a fraction, the numerator of which is the fair market value of the Gift (before payment of debts, expenses and taxes) on [the date of the decedent's death], less…$6,350,000 and the denominator of which is the fair market value of the Gift (before payment of debts, expenses and taxes) on [the date of the decedent's death]…[all] as such value is finally determined for federal estate tax purposes.

The portion that was disclaimed passed by the terms of the decedent's will, three-quarters to a CLAT and 25% to a private foundation. Since the daughter was a beneficiary of the CLAT, if she is living at the end of the lead term, this did not meet the technical requirements for a valid disclaimer as to that portion. However, the portion that passed to the private foundation was

---

[129] *See Morrissey v. Commissioner,* 243 F.3d 1145 (9th Cir. 2001).

[130] *Estate of Christiansen v. Commissioner*, 130 T.C. 1 (2008), *aff'd* 586 F.3d 1061 (8th Cir. 2009).

found by the full Tax Court to be a valid disclaimer. The unanimous court (there was a dissent, but not on this point):

> We do recognize that the incentive to the IRS to audit returns affected by such disclaimer language will marginally decrease if we allow the increased deduction for property passing to the foundation. Lurking behind the Commissioner's argument is the intimation that this will increase the probability that people . . . will lowball the value of an estate to cheat charities. There's no doubt that this is possible.
>
> But . . . executors and administrators of estates are fiduciaries, and owe a duty to settle and distribute an estate according to the terms of the will . . . . Directors of foundations . . . are also fiduciaries . . . [and] . . . the state attorney general has authority to enforce these fiduciary duties. . . .
>
> We therefore hold that allowing an increase in the charitable deduction to reflect the increase in the value of the estate's property going to the Foundation violates no public policy and should be allowed.

Thus, court rejected the IRS' assertion that defined value formula provisions that discourage the government from litigating valuation questions are invalid as against public policy. The full Tax Court refused to extend or apply the authority of *Procter* to defined value clauses.

The Internal Revenue Service appealed *Christiansen* to the Eight Circuit. The Eight Circuit rejected the public policy argument. *Estate of Christiansen v. Comm'r*, 586 F.3d 1061 (8th Cir. 2009). The Court gave three reasons for rejecting the Internal Revenue Service argument that the defined valued disclaimer is against public policy: (1) the Internal Revenue Service role is to enforce tax laws, not to just maximize tax receipts; (2) there is no clear congressional intent for the policy to maximize incentive to audit (and indeed, there is congressional policy favoring gifts to charity); and (3) other mechanisms, including certain fiduciary obligations, exist to ensure values are accurately reported.

Consider the following defined value formula for a lifetime transfer to a public charity and a donor's family.

Example 10: Gift or Sale of Limited Partnership Interest to a Grantor Trust and Gift to a Charity

Steve Supersaver owns a 99% limited partnership interest in Supersavers FLP. The interest is appraised for $3,000,000. Steve creates a grantor trust with an independent trustee and funds that trust with $400,000. Steve transfers his 99% interest in Supersavers as follows: (i) Steve assigns to the trust that fraction of his interest the numerator of which is $2,950,000 and the denominator of which is the fair market value of the interest and (ii) the excess to a public charity. Steve's instrument of assignment provides that the fraction to be allocated to each transferee is to be determined using the value of Steve's interest in Supersavers determined under the principles of Rev. Rul. 59-60. The trust gives Steve a note for $2,950,000. (Alternatively, Steve could gift the interest to the trust.) Subsequently, but prior to any audit of the transaction by the IRS, the *trust and the charity negotiate an agreement determining what fraction each is entitled to own and the trust purchases the charity's interest for $50,000. Steve does not participate in the negotiations. Steve deducts the value of the interest given to charity. The IRS audits the transaction and decides that the value of Steve's transferred interest in Supersavers was $4,000,000 instead of $3,000,000, so that the fraction allocated to the trust by the agreement between the trustee and the public charity is too great (and the amount paid by the trust for the charity's interest is too small). The IRS asserts that Steve made a gift to the trust of $1,000,000, the excess of what the trust has actually received over the face amount of the promissory note.*

Since Steve had no role in determining the arrangements between the trust and the charity, how can it be that Steve has made a gift? If the amount allocated to charity was too small, is Steve entitled to an additional income tax deduction? *See* the discussion of the *McCord* case below.

The full Tax Court and the Fifth Circuit dealt with many of the issues in Example 10. In *McCord v. Comm.,* 120 T.C. 358 (2003), the Tax Court interpreted the meaning of a defined value formula clause where a public charity received a residual gift under a pecuniary defined value formula clause. The Tax Court rejected the IRS argument that the charitable deduction should be limited by the amount that the public charity ultimately received because of either the substance over form doctrine, public policy considerations or the integrated transaction doctrine. However, a majority of the Tax Court found that despite the pecuniary language of the assignment document, under Texas property law, specific undivided interests were intended to be conveyed by the donors, because the assignment agreement contemplated that donee bargaining was to take place. Thus, the possibility existed that the children and grandchildren could "win" that later bargain and the donors should be liable for the gift taxes associated with that later bargaining process (even if the donors did not participate in that bargaining process).

The charities had experienced independent counsel for both key transactions (the agreement as to the percentage interests each donee received under the donor's original assignment document and the redemption by the partnership of those interests). The Tax Court found that the charities could have availed themselves of an independent appraisal and could have participated in an arbitration proceeding described in the partnership agreement. The Tax Court found that on advice of the charities independent counsel, both charities' chose not to hire an independent appraiser (because their internal review showed the appraisal to be reasonable) and also as a consequence chose not to avail themselves of the arbitration procedure described in the partnership agreement. Nonetheless, it felt the charities were not to be considered adverse parties during those negotiations, because "it is against the economic interests of a charitable organization to look a gift horse in the mouth."

It is respectfully submitted by this prejudiced writer (when practicing law, this writer was responsible for the planning of the McCord matter) that this last fact-finding (the charities were not adverse parties), which is crucial to the logic of the majority's opinion, is the most controversial fact-finding. The charitable organizations had to look this "gift horse in the mouth" when they exercised their duties under the formula, and it was very much in their economic interest to make sure they received as large a horse as they were given by the donors (i.e., to acquire all of the transferred partnership interests above the pecuniary amount allocated to the children and grandchildren). Furthermore, the directors of the subject charities were subject to criminal and civil sanctions from both the Texas State Attorney General and the Internal Revenue Service, if they acted in a manner that directly or indirectly privately benefited an individual that was not a ward of the subject charities. In effect the majority concludes that the charities chose not to exercise their right to seek a larger gift in arbitration as a tacit *quid pro quo* for receiving any gift at all. The majority states this without specific findings of fact that would support its conclusion.

A majority of the Court held that under Texas state property law, the donors did not transfer an interest in their partnership interest equal to a specific dollar amount to their children and grandchildren, but rather conveyed to their children and grandchildren an undivided percentage interest in their partnership interest that could only be determined by the Court under Texas state property law, because the term "fair market value" was used. The donees, according to the Court, were not in the position to make a good faith determination of what the term fair market value means under the assignment. The Court also held that the donees had underestimated the fair market value of the donor's interest in the partnership. As a consequence, the percentage interests to be received by each donee, pursuant to the donees' mutual agreement, were incorrect. Thus, even though the donors had nothing to do with those negotiations by the donees, the donors' intentions, conveyances, and promises under the assignment agreement were subject to the results of the later determination by the donees of what the term "fair market value" meant under the assignment document.

Only two of the judges (Judge Laro and Judge Vasquez) would have followed as least some of the IRS tax common law arguments (i.e., *Procter* public policy arguments) and would have allowed a deduction only for the amount actually passing to the charity. What is interesting is that those two judges also found that the majority's Texas state law property contractual argument did not have any merit.

Judge Wiener[131], on behalf of the unanimous Fifth Circuit panel, reversed and rendered against the IRS on appeal of the *McCord* tax court decision. Key parts of Judge Wiener's opinion are as follows:

> With the exception of the ultimate fact question of the taxable and deductible values of the limited partnership interests in MIL that comprise the completed, irrevocable inter vivos donations (the 'gifts') made by the Taxpayers to the exempt and non-exempt donees on January 12, 1996, the discrete facts framing this case are largely stipulated or otherwise undisputed. Having lived in Shreveport, Louisiana, for most of their adult lives, and having accumulated substantial and diversified assets, these octogenarian Taxpayers embarked on a course of comprehensive family wealth preservation and philanthropic support planning, including transfer tax aspects of implementing such a plan. This was done in consultation with Houston-based specialists in that field.
>
> . . . .

---

[131] *McCord v. Commissioner*, 461 F.3d 614 (5th Cir. 2006).

All gifts were complete on execution of the Assignment Agreement on January 12, 1996. No other agreements – written or oral, express or implied – were found to have existed… Rather, because the interests donated by the Taxpayers to the GST trusts, the Sons, the Symphony were expressed in dollars, 'fair market value' is defined in the Assignment Agreement in terms of the applicable 'willing-buyer, willing-seller' test specified in the applicable Treasury Regulation.

. . . .

Neither the Majority Opinion nor any of the four other opinions filed in the Tax Court found evidence of any agreement – not so much as an implicit, 'wink-wink' understanding – between the Taxpayers and any of the donees to the effect that any exempt donee was expected to, or in fact would, accept a percentage interest in MIL with a value less than the full dollar amount that the Taxpayers had given to such a donee two months earlier.

. . . .

At the outset, we reiterate that, although the Commissioner relied on several theories before the Tax Court, including doctrines of form-over-substance, violation-of-public policy, and, possibly, reasonable-probability-of-receipt, he has not advanced any of those theories on appeal. Accordingly, Commissioner has waived them, and has instead – not surprisingly – devoted his efforts on appeal solely to supporting the methodology and holdings of the Majority. . . [Emphasis added.]

. . . .

. . . the Commissioner specifically opposed a discount grounded in Mr. Frazier's contention that the Taxpayers had transferred less than full limited partners interests. The Commissioner does not, however, advance such a contention on appeal; so it too is waived, and we do not address that issue. Our failure to address it should not, however, be viewed as either agreeing or disagreeing with the Majority's determination on this point. Rather, as shall be shown, we have no need to reach it. [Emphasis added.]

. . . .

Contributing to the framework of our review in this section is the sometimes overlooked fact that this family-partnership case is not an estate tax case, but a gift tax case. Thus, the aggressive and sophisticated estate planning embodied here is not typical of the estate plans that have produced the vast majority of post-mortem estate tax valuation cases. Also helping to frame our review is the fact that this is not a run-of-the-mill fair market value gift tax case. Rather, as recognized by the Majority and by Judges Chiechi and Foley in dissent, the feature that most fractionated the Tax Court here is the Taxpayers' use of the dollar-formula, or ‘defined value,’ clause specified in the Assignment Agreement (the gift instrument, not either the original or the amended partnership agreement nor the Confirmation Agreement) to quantify the gifts to the various donees in dollars rather than in percentages, the latter being more commonly encountered in gifts and bequests that parcel out interests in such assets as corporate stock, partnerships, large tracts of land, and the like.

. . . .

The Majority’s key legal error was its confecting sua sponte its own methodology for determining the taxable or deductible values of each donee’s gift valuing for tax purposes here. This core flaw in the Majority’s inventive methodology was its violation of the long-prohibited practice of relying on post-gift events. Specifically, the Majority used the after-the-fact Confirmation Agreement to mutate the Assignment Agreement’s dollar-value gifts into percentage interests in MIL. It is clear beyond cavil that the Majority should have stopped with the Assignment Agreement’s plain wording. By not doing so, however, and instead continuing on to the post-gift Confirmation Agreement’s intra-donee concurrence on the equivalency of dollars to percentage of interests in MIL, the Majority violated the firmly-established maxim that a gift is valued as of the date that it is complete; the flip side of that maxim is that subsequent occurrences are off limits. [Emphasis added.]

In this respect, we cannot improve on the opening sentence of Judge Foley’s dissent:

> Undaunted by the facts, well-established legal precedent, and respondent’s failure to present sufficient evidence to establish his determinations, the majority allow their olfaction to displace sound legal reasoning and adherence to the rule of law. [Footnote omitted.]

. . . .

We obviously agree with Judge Foley’s unchallenged baselines that the gift was complete on January 12, 1996, and that the courts and the parties alike are governed by § 2512(a). We thus agree as well that the Majority reversibly erred when, ‘in determining the charitable deduction, the majority rely on the [C]onfirmation [A]greement without regard to the fact that [the Taxpayers] were not parties to this agreement, and that this agreement was executed by the donees more than 2 months after the transfer.’ In taking issue with the Majority on this point, Judge Foley cogently points out that ‘[t]he Majority appear to assert, without any authority, that [the Taxpayers’] charitable deduction cannot be determined unless the gifted interest is expressed in terms of a percentage or a fractional share.’ As implied, the Majority created a valuation methodology out of the whole cloth. We too are convinced that ‘[r]egardless of how the transferred interest was described, it had an ascertainable value’ on the date of the gift. That

> value cannot, of course, be varied by the subsequent acts of the donees in executing the Confirmation Agreement. Consequently, the values ascribed by the Majority, being derived from its use of its own imaginative but flawed methodology, may not be used in any way in the calculation of the Taxpayers' gift tax liability.
>
> . . . .
>
> In the end, whether the controlling values of the donated interests in MIL on the date of the gifts are those set forth in the Assignment Agreement based on Mr. Frazier's appraisal of $89,505 per one per cent or those reached by the Majority before it invoked the Confirmation Agreement (or even those reached by the Commissioner in the deficiency notices or those reached by the Commissioner's expert witness for that matter), <u>have no practical effect on the amount of gift taxes owed here</u>. . . In sum, we hold that the Majority erred as a matter of law. [Emphasis added.]
>
> [Footnotes omitted.]

* * *

The facts of Example 10 are also very similar to the recent *Petter* case.[132] In mid 2001, Mrs. Petter transferred her UPS stock to an FLLC. In March 2002, Mrs. Petter made gifts of sales to a trust that she had established in late 2001. The gifts reflected about 10% of the trust assets. The gift and sale transactions were implemented by formula transfers with any amounts above certain dollar amount as finally determined for federal gift tax purposes to be allocated to certain donor advised funds. The appraisal indicated that the valuation discount should be 53.2%. The Internal Revenue Service audited. The Internal Revenue Service and the taxpayer finally agreed on using a 35% discount. The Internal Revenue Service did not allow any gift tax charitable deduction for the additional interests that were passed to charities based on this valuation. The Court found that the formula allocation provisions are not "void as contrary to public policy, and there was no severe and immediate frustration of public policy as a result, and no over arching public policy gets these types of arrangements in the first place." The Court allowed a gift tax charitable deduction for the year of the original transfer. The Court held that public policy is not violated for four principal reasons: (1) general public policy encourages charitable gifts; (2) the gifts were not susceptible to abuse as the IRS maintained because there were other potential sources of enforcement; primarily from the fiduciary duties that were owed and the enforcers of those fiduciary duties through the State Attorney General and/or the IRS Commissioner through revoking the foundations' exempt status; (3) this case does not invoke a moot issue because the judgment regarding the gift tax value would trigger a reallocation, therefore, it is not just a declaratory judgment; and (4) the existence of other sanctioned formula clauses suggest no general public policy against formula clauses.

---

[132] *See Estate of Petter v. Commissioner*, T.C. Memo. 2009-280, 98 T.C.M. (CCH) 534.

Another very similar case to the facts of Example 10 is the recent *Hendrix* case.[133] For full disclosure purposes, like *McCord*, this writer was very involved in the planning associated with this case. Mr. and Mrs. Hendrix made a defined formula assignment to certain trusts for the benefit of their family and for the benefit of a donor advised fund of a community foundation (which is a public charity). They assigned nonvoting stock in the closely held Subchapter S corporation. The assignment formula provided for a pecuniary amount of the shares going to trusts for the benefit of their daughters with any remaining portion of the assigned shares being assigned to the donor advised fund. The trusts paid with certain promissory (demand) notes in exchange for the shares. The assignment was subject to certain shareholder agreement provisions that provided for resolution of any disputes about the fair market value of the shares. Before the assignments were made, the donor advised fund engaged independent counsel to negotiate with the donors as to the terms of the assignment. Among the changes made by the donor advised fund's counsel were changes in the assignment form that provided that minimum distributions would be made in order that the charity could pay any income taxes associated with the gifts. After the assignments were made, the donor advised fund also hired its own independent appraiser to determine the reasonableness of the suggested allocation of the shares between the charity and the trust for the donor's family. Also, after the assignments were made, the donors had no further contact with the donor advised fund.

The formula was predicated on the willing buyer, willing seller standard; however, the formula did not depend upon the values that were to be finally determined for federal gift tax purposes. As a result of the independent negotiations between the two recipients of the gift (the trust for the donor's family and the donor advised fund) it was determined that the per share value of the gifted shares was $36.66. The IRS and the taxpayer stipulated, for purposes of the Tax Court proceeding, that if the defined value formula did not control, that the price per share should be $48.60 per share.

The IRS took the position that the formula assignment clause is invalid because it was not bargained for at arm's length and was contrary to public policy. Judge Paris, citing the *Christiansen* case, held that the formula clause was not contrary to public policy. The court also determined that the assignment was arm's length because there was no evidence of collusion between the charity, the donors and the other donees. The court also found a considerable incentive existed for the charity to take an arm's length position because of the possibility of losing its tax exemption and certain penalties that could accrue under state law.

What conclusions, at this time, can be drawn from the *Hendrix* case, the *Petter* case, the *Christiansen* case and the *McCord* case with respect to defined value formula clauses that involve a gift to charity?

---

[133] *See Hendrix v. Commissioner*, T.C. Memo. 2011-133, 101 T.C.M. (CCH) 1642.

1. If the assignment document provides that the donee is an assignee, and other surrounding facts are consistent with the assignment document, the Tax Court will recognize that what a hypothetical willing buyer will pay for the transferred interest is only based on assignee rights. That recognition by the Court may have a profound effect on the amount of the marketability discount that is allowed.

2. It appears that the current Tax Court, Fifth Circuit and Eight Circuit will find a formula defined value allocation clause is not against public policy when it involves a charity and will even allow a charitable deduction that may be substantially above what the charity actually receives (if the charity later sells its interest). In *McCord*, a majority of the Tax Court allowed the donors a charitable deduction that was approximately 28% above what the charities ultimately received. In *McCord*, Judges Foley and Chiechi also allowed a charitable deduction that was much greater than what the majority would have allowed. Stated differently, in *McCord* the current Tax Court seemed reluctant to allow common law doctrines to negate the state law property result of a formula defined value allocation clause. (There was, obviously, vigorous disagreement as to what the assignment document mandated under Texas state property law.) It would also appear that the Fifth Circuit would not be sympathetic to the "common law" doctrines being applied to deny the taxpayer the ability to use dollar denominated defined value clauses, as Judge Weiner found that it was not "surprising" that the IRS did not wish to appeal based on that argument. In *Christiansen*, the full Tax Court rejected the IRS's public policy arguments. In *Hendrix*, Judge Paris rejected the IRS's public policy arguments.

3. These cases strongly suggests that the Tax Court would be prepared to allow formula defined value allocation clauses, with a gift over to entities or trusts other than charities, which incorporates the phrase "as finally determined for federal gift tax purposes" and under which a fiduciary duty exists to enforce the clause. This seems especially so where the value as finally determined will be divided among the donees and be retained by them in the proportions provided by the formula, with no "buyout" by one donee of another prior to final valuation. For instance, formula defined value allocation clauses incorporating that phrase in which the excess value over a stated dollar amount goes to a grantor retained annuity trust, or to a marital deduction trust, which also has independent trustees, appear likely to have the support of the Tax Court.

4. The addition of the phrase "as finally determined for federal gift tax purposes" was obviously found to be an unnecessary addition by the Fifth Circuit and the Tax Court under the facts of H*endrix*. There may be key reasons why a donor, in his assignment document, would not wish to add that phrase. One reason is a practical one: over ten years is too long to wait to find out who owns what after an assignment of a closely held enterprise (the facts of *McCord*). Another reason may be a tactical one: an arms-length transaction is the best evidence of value. Thus, by the time the IRS audited the *McCord* matter, the taxpayers had three arguments: (i) the evidence supported the discounts; (ii) as a matter of state

property law, which determines the nature of the property transferred for gift tax purposes, the taxable portion of the gift assignment was defined to be $6.9 million; and (iii) a subsequent arms-length transaction indicated that the taxable gift was $6.9 million. The donors (Mr. and Mrs. McCord) may have wanted the sons and the independent charity to bargain (in a binding fashion) as to what they received pursuant to the assignment document. The donors may have wanted them to engage in that bargaining and not to passively wait for a final determination by third parties as to what the assignment document meant. There may have been other reasons.

5. It may be important, when a charity is not in the defined value allocation assignment, to make sure an independent trustee is involved to enforce the rights under the formula that the "excess" recipient trust may have. See Examples 11 and 12 below.

6. It should be noted that in *King v. United States*, 545 F.2d 700 (10th Cir. 1976), the Tenth Circuit also found that *Procter* did not apply in a price adjustment clause where the transaction did not contain "contingencies which, upon fruition, alter, change or destroy the nature of the transaction."

c. Defined value allocation clauses involving a residual gift to a marital deduction trust.

Assume a client does not have charitable intent and wishes to transfer a "hard to value" asset. Consider the following example:

Example 11: Formula Marital Deduction Clause

Marvin and Mary Madeinheaven are very happily married. Marvin is considering making a significant transfer of his partnership interests to trusts for the benefit of his children and grandchildren. Marvin is worried that reasonable people (and unreasonable people) could differ as to the value of the proposed transfer of partnership interests. Assume that Marvin owns a limited partnership interest that according to an independent appraisal has a fair market value of $5,000,000. The assignment document could provide the following formula: "that undivided part of my limited partnership interest, as finally determined for federal gift tax purposes, that is equal to $4.9 million passes to the ABC Trust for the benefit of my children with the remaining undivided part of my partnership interest passing to the Qualifying Marital Deduction Trust for the benefit of Mary." ABC Trust is adequately funded and issues a $4,900,000 note to Marvin. There is an independent trustee of the Marital Deduction Trust. The independent trustee obtains an appraisal that verifies the marital trust is only entitled to a $100,000 gift. Will the IRS find the assignment clause is against public policy?

If upon examination, it is determined that the discount associated with the independent appraisal was excessive, that undivided interest that would otherwise have passed to the ABC Trust will instead pass to the marital deduction trust for the benefit of Mary. The IRS has approved the applicability of formula marital clauses since 1964.[134] Thus, the stated goal of Marvin circumventing a gift tax surprise should be achieved using a formula marital deduction clause.

d. Defined value allocation clauses involving gifts to a grantor trust and a grantor retained annuity trust ("GRAT").

There has been a debate from time to time between academics and commentators as to which form of making transfers is superior, a transfer to a grantor retained annuity trust or a transfer to an intentionally defective grantor trust pursuant to an installment sale. While much of the debate sometimes sounds like a beer commercial as to whether the commentator's favorite method of transfer is less filling or tastes great, there are some advantages to each technique. Among the advantages of a GRAT is the built-in revaluation clause required by the Treasury Regulations under Sec. 2702 (also see the discussion in Section VIII of this paper that immediately follows). The disadvantage of the GRAT in comparison to a sale for a note to an intentionally defective grantor trust is that the GRAT will not work, if the client dies before the end of the term of the GRAT. If cascading GRATs are used to ameliorate against that surprise, interest rates may increase in the future which makes the return on future GRATs problematic. Is there a way to combine the best features of both the GRAT and the sale to the intentionally defective trust? Consider the following example:

Example 12: Formula Defined Value Allocation Gift to Trusts and a GRAT

Sam Single, who is the cousin of Marvin Madeinheaven, owns a limited partnership interest that according to an independent appraisal has a fair market value of $5,000,000. Sam transfers his partnership interest to a trust for the benefit of his children and a grantor retained annuity trust ("GRAT"), which is nearly "zeroed out," pursuant to a formula defined value allocation assignment. The assignment document provides the following formula: "that undivided part of my limited partnership, as finally determined for federal gift tax purposes, that is equal to $4,900,000 passes to the ABC Trust for the benefit of my children with the remaining undivided part of my partnership interest passing to the XYZ GRAT." There is an independent trustee of the XYZ GRAT. ABC Trust is adequately funded and issues a $4,900,000 note to Sam. Under the terms of the GRAT, Sam retains an annuity that is defined as a percentage of the initial value transferred to the GRAT and that annuity will be worth $99,000, if the IRS finally accepts Sam's expert valuation of the partnership interest. Assume the IRS contends that the partnership interest has a value of $7,000,000. If Sam agrees to accept the IRS valuation, what is the size of the additional gift that has Sam made?

According to the Regulations under Sec. 2702, the grantor's retained annuity rights may be defined in the trust instrument as a percentage "of the initial fair market value of the property contributed by the grantor to the trust, *as finally determined for federal tax purposes*." For example, the trust agreement might provide for annual payments of 55% per year for 2 years, where the 55% annual payment amount is derived from the initial value. This type of language operates as a built-in revaluation clause, mitigating the risk of a surprise gift on revaluation of the

[134] Rev. Proc. 64-19, 1964-1 C.B. 682.

transferred property by the Service. This feature can be especially beneficial with hard to value assets such as Sam's partnership interest.

Under Example 12, on audit the Service claims the value of the limited partnership interest is $7,000,000. As a result, under the formula defined value allocation, the value given to the GRAT becomes $2,100,000 instead of $100,000. If Sam accepts the results of the audit, the terms of the GRAT provide for an increase in the amount payable to Sam in the form of the annuity without much increase in taxable gift. The GRAT trustee simply pays the grantor an additional annuity amount (for a total of $2,079,000 in present value terms), and the taxable gift is increased by only $20,000. Therefore, by using GRATs in conjunction with formula defined value allocation clauses, owners of hard to value assets may be able to make gifts with little risk of a gift tax surprise. Of course, an audit by the Service could result in a greater retained annuity (which would later be taxed in the grantor's estate). Because under the facts of Example 12, the GRAT will in fact receive the additional partnership interest comprising the $2,000,000 of additional value assessed by the Service, the facts are distinguishable from those of the *McCord* case. It should be noted that if there is an adjustment of the GRAT there are some concerns.[135]

Explored below in this paper is a slightly different technique, which should circumvent concerns with respect to prohibited additional contributions to a GRAT. This technique involves a sale to a disregarded income tax entity (a single member FLLC instead of a grantor trust) followed by a gift of an interest in the disregarded entity to a GRAT. See the discussion in Section IX of this paper.

e. Defined value allocation clauses involving a defined dollar transfer by the donor.

Technical Advice Memorandum 86-11-004[136] 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 Service 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

---

[135] For concerns that the valuation adjustment could be treated as a prohibited additional contribution to the GRAT, and that use of a GRAT may run afoul of the *Procter* doctrine, see Richard B. Covey & Dan T. Hastings, "No More, No Less: Savings Clauses, Formulas and Defined Values, Part II," Practical Drafting, at 8688-89 (Oct. 2006).

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

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.

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.

On January 1, 2004, Joanne and Dean Wandry executed separate assignments and memorandums of gifts ("gift documents"). Each gift document provided:

> I hereby assign and transfer as gifts, effective as of January 1, 2004, a sufficient number of my Units as a Member of Norseman Capital, LLC, a Colorado limited liability company, so that the fair market value of such Units for federal gift tax purposes shall be as follows:
>
> | **Name** | **Gift Amount** |
> |---|---|
> | Kenneth D. Wandry | $261,000 |
> | Cynthia A. Wandry | $261,000 |
> | Jason K. Wandry | $261,000 |
> | Jared S. Wandry | $261,000 |
> | Grandchild A | $11,000 |
> | Grandchild B | $11,000 |
> | Grandchild C | $11,000 |
> | Grandchild D | $11,000 |
> | Grandchild E | $11,000 |
> | **Total Gifts** | $**1,099,000** |
>
> Although the number of Units gifted is fixed on the date of the gift, that number is based on the fair market value of the gifted Units, which cannot be known on the date of the gift but must be determined after such date based on all relevant information as of that date. Furthermore, the value determined is subject to challenge by the Internal Revenue Service ("IRS"). I intend to have a good-faith determination of such value made by an independent third-party professional experienced in such matters and appropriately qualified to make such a determination. Nevertheless, if, after the number of gifted Units is determined based on such valuation, the IRS challenges such valuation and a final determination of a different value is made by the IRS or a court of law, the number of gifted Units shall be adjusted accordingly so that the value of the number of

Units gifted to each person equals the amount set forth above, in the same manner as a federal estate tax formula marital deduction amount would be adjusted for a valuation redetermination by the IRS and/or a court of law.

The Tax Court opinion was written by Judge Haines. Judge Haines addressed the IRS argument that the capital account adjustments, rather than the gift documents, determine the percentage interests transferred by the gifts:

> Respondent's reliance on Thomas is misplaced. Thomas is a case about whether and when a gift of corporate stock is complete, and it has no bearing on the nature of petitioners' gifts. We do not find respondent's argument to be persuasive. The facts and circumstances determine [the LLC's] capital accounts, not the other way around. Book entries standing alone will not suffice to prove the existence of the facts recorded when other more persuasive evidence points to the contrary.
>
> …
>
> In fact, the Commissioner routinely challenges the accuracy of partnership capital accounts, resulting in reallocations that affect previous years. If the Commissioner is permitted to do so, it can be said that a capital account is always "tentative" until final adjudication or the passing of the appropriate period of limitations. Accordingly, [the LLC's] capital accounts do not control the nature of petitioners' gifts to the donees.
>
> Even if we agreed with respondent's capital accounts argument, respondent has failed to provide any credible evidence that the [LLC] capital accounts were adjusted to reflect the gift descriptions. The only evidence in the record of any adjustments to [the LLC's] capital accounts in 2004 is the capital account ledger and the [LLC's] members' Schedules K-1, neither of which provides credible support to respondent's argument. The capital account ledger is undated and handwritten. There is no indication that it represents [the LLC's] official capital account records, and it does not reconcile with any of petitioners' or respondent's determinations. The capital account ledger is unofficial and unreliable.
>
> Judge Haines 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."

f. Defined value allocation clauses involving both a defined dollar transfer by the donor and a parallel formula qualified disclaimer by the donee.

What if donor made a defined dollar gift and the donee also engaged in a parallel formula disclaimer? Consider the following example:

Example 13: Defined Dollar Formula by a Donor and a Parallel Qualified Formula Disclaimer by the Donee Trust

Grant Gratuitous makes a defined dollar formula gift of that amount of partnership interests that are equal to $5,000,000 patterned on the Wandry case. The gift assignment is made to a trust. At the same time the assignment is made, the trustee executes a qualified formula disclaimer using the same parallel language in the dollar defined assignment. The trust document provides that the trustee has the power to disclaim any contributed property, and if any property is disclaimed, it will revert to the grantor of the property. The trust document provides that the trustee does not have to accept any additional property (and presumably any interest in property in excess of the original "Wandry" assignment is additional property). The trust document also provides that any disclaimed property that is inadvertently held by the trustee is only held in an agency capacity for the benefit of the grantor and that the property held in that agency capacity may be comingled with the trust property until it is returned to the grantor.

The argument for using the formula disclaimer by the trustee, which parallels the formula of the *Wandry* assignment, is that the public policy concerns of the *Wandry* technique and the concerns that the IRS has nonacquiesced in the *Wandry* case result could be ameliorated with a companion formula disclaimer. The IRS has blessed formula disclaimers, if the disclaimed gift has not been accepted. See Treasury Regulation Section 25.2518-3(b), examples 15 and 20. A defined value disclaimer was approved in *Estate of Christiansen v. Comm'r*, 586 F.3d 1061 (8th Cir. 2009). The advocates for the technique also note that the *Wandry* formula assignment by the grantor (plus any exculpatory language in the trust document) should counter any concern that the trustee has breached a fiduciary duty by executing a formula disclaimer. The *Wandry* formula assignment is evidence that the grantor did not desire for a trust relationship to exist for any property that is not assigned as per the formula in the original *Wandry* formula assignment.

If, at a later time, it is finally determined that the original assumptions as to the percentage interest of the FLP that was assigned to the trust is excessive, the trustee could assign those extra interests (that are held under the document in an agency relationship) back to the grantor. Under state property law, and the trust document, it would seem that the disclaimed property has not been accepted as trust property and was only accepted in an agency capacity. If the disclaimed property is never accepted as trust property under the above Treasury regulations, the disclaimer would appear to be a valid disclaimer and any unanticipated gift tax consequences of the assignment is avoided.

The combination of formula gift and formula disclaimer affords "belt-and-suspenders" protection for the transfer. If the "belt" of the formula gift proves ineffective, the "suspenders" of the trustee's disclaimer should by itself be adequate to prevent revaluation of the FLP from resulting in a gift that exceeds the original stated dollar value. As discussed above, it seems very difficult for the IRS to argue that the disclaimer is invalid because the trustee has violated its fiduciary duty. It would still be open to the IRS to argue that the trustee has no rational reason to make the disclaimer and is acting in concert with Grant Gratuitous to deprive the IRS of the incentive and ability to enforce the gift tax law, in violation of public policy, a central *Procter* concern. If the transfer took the form of net gift, the trustee would have a rational personal motive for the disclaimer, to manage and limit the trust's own gift tax liability.

VIII. SECOND "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR CONTRIBUTING FLP INTERESTS OR FLLC MEMBER INTERESTS TO A GRAT IN WHICH THE REMAINDER TRUST IS FOR THE BENEFIT OF THE TRANSFEROR'S SPOUSE AND FAMILY THAT ALSO GIVES THE SPOUSE A LIMITED POWER OF APPOINTMENT.

A. What is a GRAT?

The first inquiry is what is a GRAT? A GRAT (a grantor retained annuity trust) is an irrevocable trust to which the grantor transfers an asset in exchange for the right to receive a fixed number of fiscal years (the "Annuity Period").[137] When the trust term expires, any GRAT balance remaining is transferred tax-free to a designated remainder beneficiary (*e.g.*, a "defective grantor trust" for the benefit of the grantor's spouse and issue).[138] If a grantor makes a gift of property in trust to a member of the grantor's family while retaining an interest in such property, the taxable gift generally equals the fair market value of the gifted property without reduction for the fair

---

[137] The GRAT may also be structured to terminate on the earlier of a period of years or the grantor's death, with a reversion of the entire corpus to the grantor's estate on premature death, but doing so will reduce the value of the retained interest.

[138] IRC Sec. 2702 provides the statutory authority for such transfers after October 8, 1990. IRC Sec. 2702(a) uses the "subtraction-out" method to value retained interests of split-interests transfers. Under IRC Sec. 2702(b), a qualified interest includes any interest that consists of a right to receive fixed amounts. The value of a remainder interest in a GRAT that meets the requirements of IRC Sec. 2702 is computed by subtracting the present value of the grantor's annual annuity payments from the contributed properties' current fair market value. The grantor must recognize a taxable gift to the extent of any computed remainder interest. The present value of the grantor's annual annuity payment is computed by discount rates set by the Service under IRC Sec. 7520. The IRS Tables change monthly to reflect an interest rate assumption of 120% of the mid-term adjusted Federal Rate for that month under IRC Sec. 1274(d)(1).

market value of the retained interest.[139] However, IRC Sec. 2702 provides that for a gift of the remainder of a GRAT in which the grantor retains a "qualified interest", defined to include a guaranteed annuity, the taxable gift will be reduced by the present value of the qualified interest, as determined pursuant to a statutory rate determined under IRC Sec. 7520(a)(2) (the "Statutory Rate"). In general, the Statutory Rate requires an actuarial valuation under prescribed tables using an interest rate equal to 120 percent of the Federal midterm rate in effect for the month of the valuation.[140]

A grantor's ability to determine the size of the guaranteed annuity and the annuity period at the outset allows the GRAT to be constructed so that the present value of the grantor's retained interest approximately equals the value of the property placed in the GRAT, resulting in a "zeroed out" GRAT.[141] Thus, a GRAT could be structured, where there is no, or a relatively modest,

---

[139] *See* IRC Sec. 2702(a)(2)(A). Absent Sec. 2702, the amount of the gift would be reduced by the value of the retained interest. *See* Treas. Reg. Section 25.2511-1(e).

[140] *See*, IRC Sec. 7520(a)(2). Certain exceptions set forth in Treas. Reg. Section 25.7520-3(b) do not appear to be applicable to the facts discussed in this paper.

[141] The possibility of completely "zeroing out" a GRAT was negated by Example 9 of Regulations section 25.2702-3(e). Example 9 was invalidated by *Walton v. Commissioner*, 115 T.C. 589 (2000), acq., Notice 2003-72, 2003-44 I.R.B. 964. Final regulations reflecting *Walton* and containing a revised Example 9, have been issued. T.D. 9181 (February 25, 2005), 70 F.R. 9,222-24 (February 25, 2005). Prior to its acquiescence, the Service, in Revenue Procedure 2002-3, 2002-1 C.B. 117, Section 4.01(51), announced that it will not issue a favorable private letter ruling in circumstances where the amount of the guaranteed annuity payable annually is more than 50 percent of the initial net fair market value of the property transferred to the GRAT or if the present value of the remainder interest is less than 10 percent of the transferred property's initial net fair market value. The regulations do not include any such 50/10 limitation, nor would such a limitation be consistent with the *Walton* case itself, which involved a zeroed-out GRAT. The 50/10 limitation is not mentioned in the Obama administration's reform proposals with respect to GRATs, which would require only that the remainder have a value greater than zero. The ability to "zero out" the GRAT under current law is in effect conceded in the proposals. *See* Treasury Department "General Explanation of the Administration's Fiscal Year 2012 Revenue Proposals" (Greenbook, May, 2011.) In particular, the Greenbook notes:

> **Reasons for Change**
> GRATs have proven to be a popular and efficient technique for transferring wealth while minimizing the gift tax cost of transfers, providing that the grantor survives the GRAT term and the trust assets do not depreciate in value. The greater the appreciation, the greater the transfer tax benefit achieved. Taxpayers have become more adept at maximizing the benefit of this technique, often by minimizing the term of the GRAT (thus reducing the risk of the grantor's death during the term), in many cases to 2 years, and by retaining annuity interests significant enough to reduce the gift tax value of the remainder interest to zero or to a number small enough to generate only a minimal gift tax liability.
>
> **Proposal**
> This proposal would require, in effect, some downside risk in the use of this technique by imposing the requirement that a GRAT have a minimum term of 10 years. The proposal would also include a requirement that the remainder interest have a value greater than zero and would prohibit any decrease in the annuity during the GRAT term. Although a minimum term would not prevent "zeroing-out" the gift tax value of the remainder interest, it would increase the risk of the grantor's death during the GRAT term and the resulting loss of any anticipated transfer tax benefit.
>
> This proposal would apply to trusts created after the date of enactment.

taxable gift. If the GRAT does not earn a yield or otherwise appreciate at a rate equal to the Statutory Rate, all the trust property will be returned to the grantor in payment of the retained annuity, and no transfer of property to the GRAT's beneficiaries will occur. If the grantor dies during the GRAT term, depending upon the amount of the annuity payment in comparison to the then IRS Sec. 7520 rate, all or most of the GRAT property should be included in the grantor's gross estate and be subject to estate tax, with a reduction for any gift tax paid upon creation of the GRAT. If, however, the grantor survives the GRAT term and the GRAT earns a yield or otherwise appreciates at a rate that exceeds the Statutory Rate, the amount of such excess value should pass to the GRAT's designated beneficiaries free of transfer tax.

A taxpayer may wish to create a single member FLLC by contributing partnership interests in a FLP that holds financial assets and alternative investments (private equity) assets to that FLLC. If the taxpayer is the only owner of the FLLC there should not be any income taxes or gift taxes associated with the creation of the FLLC. Assuming the taxpayer wishes to engage in gift planning, the taxpayer could then contribute some or all of the FLLC member interests to a GRAT. After the term of the GRAT, the remainder beneficiary could be a grantor trust that names the grantor's spouse as a beneficiary and gives that spouse a special power of appointment.

Example 14: Contribution of a FLLC Member Interest to a GRAT

Neal Navigator approaches another attorney, Donna Discount, and tells her that he would like to transfer, through the use of a GRAT, the maximum amount that he can transfer using a two year GRAT that will terminate in favor of a grantor trust for his wife, Nancy, and children. Neal wishes for Nancy to have a limited power of appointment over the assets of the remainderman trust. Neal tells Donna that he has around $32,000,000 in financial assets and alternative investments (private equity). Neal is willing to have around $25,000,000 of his assets subject to a two-year GRAT.

Donna likes many of the aspects of a GRAT, including its built-in revaluation clause. Donna also likes using FLPs, or FLLCs, because of the substantive nontax investment and transfer tax advantages that are sometimes associated with these entities (e.g., they may effectively deal with qualified purchasers and accredited investor requirements for alternative investments and because of the possibility of valuation discounts with FLLCs).

Despite the advantages of GRATs and the possibility of valuation discounts of FLPs and FLLC's, Donna feels that there are certain disadvantages with contributing FLP interests and FLLC member interests to a GRAT in comparison to a sale of partnership interests to a grantor trust, including the disadvantage of the higher Statutory Rate and the potential difficulties in paying the retained annuity amounts in a GRAT with hard to value limited partnership or FLLC interests.

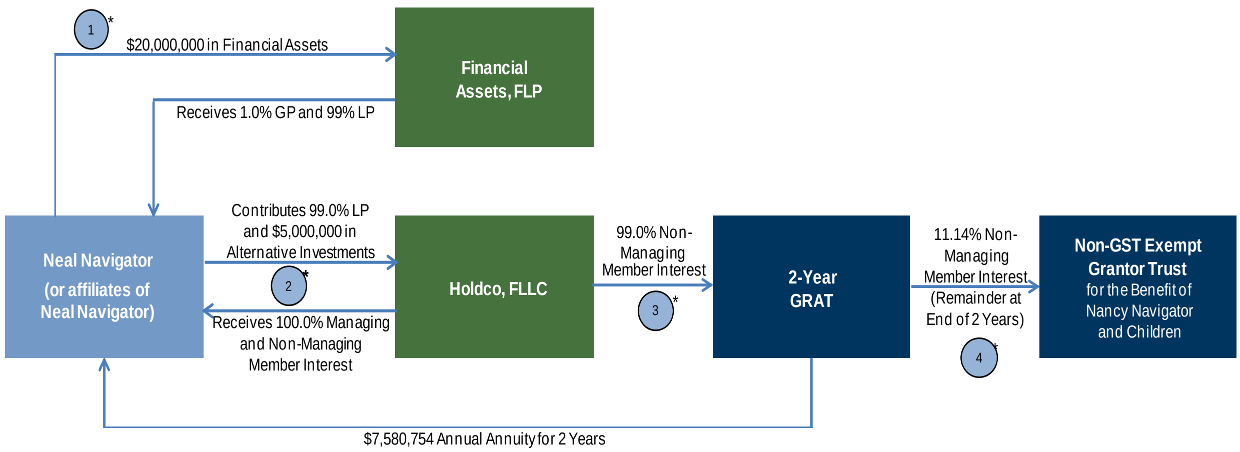
Donna suggests that $20,000,000 of Neal's financial assets be first contributed to a FLP ("1" below). Donna suggests that Neal could then consider structuring the transaction by contributing the value of the partnership interests and private equity assets to a single member

---

However, the no-ruling policy is still in effect. Rev. Proc. 2011-3, 2011-1 I.R.B. 111, Section 4.01(54).

FLLC created by Neal ("2" below). At a later time, Neal may wish to contribute non-managing member interests of the FLLC to a GRAT ("3" below). Upon termination of the GRAT ("4" below), the assets would pass to a grantor trust benefiting his wife and children. It is assumed for purposes of this example that there is a 30% valuation discount in valuing the transfer of the limited partnership interests and a separate 20% discount in valuing the transfer of the non-managing member interests of the FLLC. It is assumed that the distributions from the FLLC will be around 2% a year of the assets that it owns directly or indirectly. The assumed annual growth rate and the IRC Sec. 7520 rate are the same as Example 14.

Donna's proposed technique ("Hypothetical Technique 5") is illustrated below:



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

B. Advantages of the Technique.

1. Valuation Advantage of a GRAT.

Under the regulations, the grantor's retained annuity rights may be defined in the trust instrument as a percentage of the fair market value of the property contributed by the grantor to the trust, *as such value is finally determined for federal tax purposes*. For example, the trust agreement might provide for payments of 53% per year for two years, where the 53% annual payment amount is derived from the initial value. This type of language operates as a built-in revaluation clause, mitigating the risk of a surprise gift on revaluation of the transferred property by the Service. This feature can be especially beneficial with contributed alternative investments of which reasonable people (and unreasonable people) could differ as to the initial value (e.g., a private derivative, closely held limited partnership interest, or closely held subchapter S corporation stock). Without the complications of a defined formula allocation clause in an assignment (see the discussion in Section VII C 5) the grantor is in a position to steer clear of a gift tax surprise if it is finally determined that the value of the contributed asset is different than what the grantor reported on his gift tax return.

2. Ability of Grantor to Pay For Income Taxes Associated With GRAT Gift Tax-free and Substitute Assets of the GRAT Income Tax-free.

A GRAT can be designed to be an effective trust for estate and gift tax purposes and income tax purposes (i.e., a so-called grantor trust). That is, the trust will not pay its own income taxes, rather the grantor of the trust will pay the income taxes associated with any taxable income earned by the trust.

Thus, if the assets of the GRAT, any time during the term of the GRAT, have significant appreciation, the grantor is in a position to substitute other assets to lock in the profit of the GRAT. As a practical matter, the ability to substitute assets may be used by the grantor of a GRAT to "lock in" appreciation in the investment of a GRAT prior to the end of the Annuity Period by substituting other assets of equal value that are less likely to fluctuate, if at the time of such substitution the yield or appreciation of the investments of a GRAT surpasses the Statutory Rate. In this connection, Treasury Regulation Section 25.2702-3(b)(5) requires the governing instrument of a GRAT to prohibit additional contributions to the GRAT after its inception. It might be argued that the power to swap assets of equal value constitutes a power to make an additional contribution. However, to date the Service has not made this connection. In addition, numerous private letter rulings have approved GRATs containing a power of substitution without raising or reserving as to this issue.[142]

3. Synergy With Other Techniques.

A GRAT may be a means to transfer enough wealth to a trust for the benefit of the next generation in order to provide leverage for other future estate planning techniques. If the GRAT, or GRATs, that a grantor and a grantor's spouse create are successful (e.g. 10% of the family's wealth is transferred downstream to the grantor's family or to trusts for the grantor's family), further leveraging with respect to other transfer tax planning techniques could occur. For instance, assume that a GRAT (or GRATs) created by a grantor transfers approximately 10% of the family's net worth to a grantor trust for the benefit of his or her family. The grantor could transfer his or her remaining assets to a trust in exchange for a note that is equal to the fair market value of what has been transferred. In that fashion, the grantor has achieved a freeze of his or her estate (except for the interest carry on the note) while paying no (or very little) gift tax. That trust could also purchase life insurance to equal approximately 50% of the projected principal amount of the note due on the death of the surviving spouse.

4. Comparatively Low Hurdle Rate.

Currently, the Statutory Rate has been ranging between 1.4% and 3.6%. In today's relatively low interest rate environment for US Treasury obligations, it is certainly possible, and for certain investments probable, that the investments of a GRAT will exceed that hurdle rate. In

---

[142] *See*, e.g., P.L.R. 200220014 (Feb. 13, 2002); P.L.R. 200030010 (Apr. 26, 2000); P.L.R. 200001013 (idem, 200001015 (Sept. 30, 1999)); P.L.R. 9519029 (Feb. 10, 1995); P.L.R. 9451056 (Sept. 26, 1994); P.L.R. 9352007 (Sept. 28, 1993); P.L.R. 9352004 (Sept. 24, 1993); P.L.R. 9239015 (June 25, 1992).

a leveraged FLLC contribution to a GRAT it is even more probable because of the effect of the discount of the contributed FLLC interests.

5. High Leverage.

A GRAT can be created where the grantor retains an annuity amount that is almost equal to the value of the assets there were originally placed in the GRAT. Stated differently, significant leverage can be created by creating an annuity that is almost equal to the value of the assets placed into the GRAT. As noted above, if there is appreciation above the Statutory Rate, the appreciation above the Statutory Rate will accrue to the remainderman. In comparison, most practitioners believe that other leveraged gifting techniques, including a sale to a grantor trust, should have more equity associated with the transaction (e.g., for example, some practitioners advocate at least 10% equity with a sale to a grantor trust, which usually results in a taxable gift).

6. Non-recourse Risk to Remaindermen.

Another financial advantage of the GRAT technique is that if the asset goes down in value, the remaindermen have no personal exposure. Furthermore, there is no added cost of wasting significant gift tax exemptions of the grantor. For instance, assume for the sake of comparison, that at the time of the sale to the grantor trust, the grantor trust had 10% - 15% equity. If the asset goes down in value, that equity of the trust could be eliminated and the exemptions that were originally used to create that equity could also be lost.

7. Consumption and Flexibility Advantage of a Remainder Trust for the Benefit of a Spouse Who Has a Limited Power of Appointment.

See the discussion in Section VII B 4 a of this paper.

C. Considerations of the Technique.

1. Part or all of the Assets Could be Taxable in the Grantor's Estate if the Grantor Does Not Survive the Term of the GRAT.

If the grantor does not survive the term of the GRAT, the IRS takes the position that IRC Sec. 2036 will include the assets of a GRAT in the grantor's estate to the extent that the value of the dollar amount of the retained annuity divided by the then IRC Sec. 7520 rate.[143] Under the facts of this example, if the IRC Sec. 7520 rate increases to 5% before the GRAT terminates, and if the grantor dies before the end of the term of the GRAT, only that value of the GRAT above $255,258,300 ($12,762,915 ÷ 5%) will not be included in the estate of the grantor (Neal Navigator).

---

[143] *See* Treas. Reg. Sections. 20.2036-1(c)(2)(i); 20.2036-1(c)(2)(iii), Ex. 2.

2. If a GRAT is Not Administered Properly the Retained Interest By the Grantor May Not Be Deemed to Be a Qualified Interest.

a. The *Atkinson* worry.

The U.S. Court of Appeals for the Eleventh Circuit (*see Atkinson*, 309 F.3rd 1290 (11th Cir. 2002), cert denied, 540 U.S. 945 (2003)),[144] has held that an inter vivos charitable remainder annuity trust's (CRAT's) failure to comply with the required annual payment regulations during the donor's lifetime resulted in complete loss of the charitable deduction. The Court found that the trust in question was not properly operated as a CRAT from its creation. Even though the subject CRAT prohibited the offending acts of administration, the Court held that the CRAT fails.

In a similar fashion, the Internal Revenue Service could take the position that if the regulations under IRC Sec. 2702 are violated by the trustee of the GRAT's administrative practices, then the interest retained by the grantor will not be a qualified interest. Just as in the *Atkinson* case, it may not matter if appropriate savings language is in the document. As explored below, there are many areas in which the administration of a GRAT may fail, including the following: (i) not timely paying the annuity amount due to the grantor; (ii) inadvertently making more than one contribution to the GRAT; (iii) inadvertently engaging in an activity that would constitute an underpayment of the amount owed to the grantor, which would constitute a deemed contribution; and/or (iv) inadvertently engaging in an activity that would constitute an acceleration of the amounts owed to the grantor (a commutation).

b. The annuity amount must be paid annually.

An annuity amount payable based on the anniversary date of the creation of the trust must be paid no later than 105 days after the anniversary date. An annuity amount payable based on the taxable year of the trust may be paid after the close of the taxable year, provided that the payment is made no later than the date on which the trustee is required to file the federal income tax return of the trust for the taxable year (without regard to extensions).[145] Failure to pay the annuity amount within these time limits may jeopardize the retained interest by the grantor of the trust from being a qualified interest. If a retained interest in the GRAT is not a qualified interest, then it will have a value of zero for purposes of determining the gift tax associated with the grantor's contribution of assets to the trust.

---

[144] *See* also C.C.A. 200628028 (July 14, 2006).

[145] *See* Treas. Reg. Sec. 25.2702-3(b)(4).

c. Paying the grantor in satisfaction of his retained annuity interest with hard to value assets (i.e., private equity interests held in the GRAT) may disqualify his retained interest from being a qualified interest, if the assets are valued improperly.

In order to have a successful GRAT, it is obviously desirable to have an asset that has significant potential for appreciation. It is desirable from a volatility and potential growth standpoint to contribute, in many instances, a hard to value asset to the GRAT. Many of the asset classes that have that potential for appreciation (e.g., closely held partnership interests, real estate, hedge funds and other private equity investments) are very difficult to value accurately.

The problem with a GRAT that owns hard to value volatile assets is that when it is time to pay the retained annuity amounts to the grantor, it is often difficult to value the asset that is being used to satisfy the annuity obligation. If the distributed asset is finally determined to have had too low a value when it is used to satisfy the annuity amount owed by the GRAT, it could be deemed to be an additional contribution by the annuitant to the GRAT, which is prohibited. *See* Treas. Reg. Sec. 25.2702-3(b)(5). On the other hand, if it is finally determined that the hard to value asset that is distributed in satisfaction of the annuity payment to the grantor had too high a value, it could be determined by the IRS that such a payment is a commutation, which is also prohibited. *See* Treas. Reg. Sec. 25.2702-3(d)(5). Thus, the trustee of the GRAT, which is frequently also the grantor, must be very careful, like Goldilocks, to make sure that the annuity payments are "just right". Using hard to value assets, to make the "just right" payments, may be highly problematic.

3. GST Planning is Difficult With This Technique.

As noted above, a GRAT can be structured to have almost no value attributable to the remainderman, valued as of the creation of the trust. If the asset that has been contributed to GRAT outperforms the IRC Sec. 7520 interest rate, that outperformance results in a gift tax free gift to the remainderman. Thus, the gift tax exemption can be substantially leveraged using the GRAT technique. It is generally thought that the generation-skipping tax exemption of the grantor may not be leveraged in a similar fashion. This is because of the estate tax inclusion period ("ETIP") rule found in IRC Sec. 2642(f)(3), which provides as follows:

> Any period after the transfer described in paragraph (1) during which the value of the property involved in such transfer would be includible in the gross estate of the transferor under Chapter 11 if he died. The transferor's exemption for generation-skipping tax purposes cannot be allocated until after the ETIP period.

Stated differently, whether a generation-skipping transfer has occurred cannot be determined until after it is determined whether the property will be included in the grantor's estate. If the period passes, and it is clear the property will not be included in the grantor's estate, then and only then, may the grantor's GST exemption be allocated.

4. The Technique Will Be Unsuccessful Unless the GRAT Assets Grow More Than the IRC Sec. 7520 Rate.

The chief reason a traditional GRAT that does not use entities that have an inherent valuation discount may be unsuccessful is a financial one. The GRAT only works if the assets increase in value more than the IRC Sec. 7520 rate. The results of this Example 14 should be contrasted with the results of Examples 14 and 15 of this paper. See Tables 5a, 5b, and 5c in Section IX B of this paper. The reason the use of discounted entities in conjunction with GRATs may work better is the "arbitrage" of a discounted entity being contributed to a GRAT that determines the amount of the retained annuity and that annuity being satisfied, or partially satisfied, with undiscounted cash.

IX. THIRD "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR FIRST CONTRIBUTING FINANCIAL ASSETS TO A FLP AND THEN CONTRIBUTING AND SELLING (IN CONSIDERATION OF A NOTE) THE FLP INTEREST AND THE PRIVATE EQUITY INVESTMENTS TO A SINGLE MEMBER FLLC AND THEN CONTRIBUTING NON-MANAGING MEMBER INTERESTS IN THAT FLLC TO A GRAT.

A. What is the Technique?

A taxpayer could create a single member FLLC by contributing and selling financial and private equity assets to that FLLC. If the taxpayer is the only owner of the FLLC there should not be any income taxes or gift taxes associated with the creation of the FLLC. The taxpayer could then contribute some or all of the FLLC member interests to a GRAT. After the term of the GRAT, the remainder beneficiary could be a grantor trust that names the grantor's spouse as a beneficiary and gives that spouse a special power of appointment.

Example 15: Contribution of a Leveraged FLLC Member Interest to a GRAT

Neal Navigator approaches yet another attorney, Lenny Leverage, and tells him that he would like to transfer, through the use of a GRAT, the maximum amount that he can transfer using a two-year GRAT that will terminate in favor of a grantor trust for his wife and children. Neal tells Lenny that he has around $32,000,000 in financial and private equity assets. Neal is willing to have a significant portion of his assets subject to a two-year GRAT.

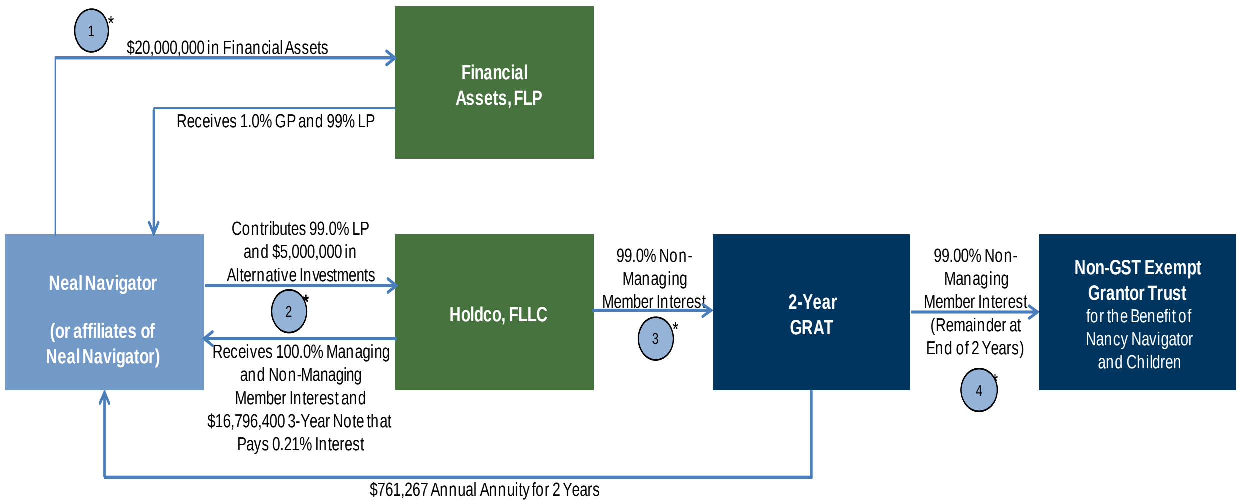
Lenny, like Donna, likes many of the aspects of a GRAT, including its built-in revaluation clause. Lenny also likes using FLPs, or FLLCs, because of the substantive nontax investment and transfer tax advantages that are sometimes associated with these entities (e.g., they may effectively deal with qualified purchasers and accredited investor requirements for alternative investments and because of the possibility of valuation discounts with FLLCs).[146]

[146] *See* the discussion by this author in "Some of the Best Family Limited Partnership Planning Ideas We See Out There," ALI-ABA Planning For Large Estates, at 2-32 (Nov. 15, 2010).

Despite the advantages of GRATs and the possibility of valuation discounts of FLPs and FLLC's, Lenny, also like Donna, feels that there are certain disadvantages with contributing FLP interests and FLLC member interests to a GRAT in comparison to a sale of partnership interests to a grantor trust, including the disadvantage of the higher Statutory Rate and the potential difficulties in paying the retained annuity amounts in a GRAT with hard to value FLP or FLLC interests.

The facts are the same as Example 14, except there is a part sale/part contribution of Neal's assets to a single member FLLC in exchange for a note equal to $16,796,400 (90% of the assumed value of the limited partnership interest and the alternative investments).

Lenny's proposed technique ("Hypothetical Technique 6") is illustrated below:



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

B. Advantages of the Technique.

1. If Leverage is Used in Creating the FLLC that is Contributed to the GRAT, Much More Wealth is Transferred to the Remainderman of the GRAT.

In comparing Hypothetical Technique 6 to a plain GRAT (without the use of any entities) and Hypothetical Technique 5, under the above assumptions, the advantage of leverage is significant. The charts below summarize the advantage. The calculations below are made after two years, ignoring valuation discounts, and are net of the outstanding debt (see Schedule 4 attached to this paper). The calculations below assume different rates of returns, as noted.

Table 4a

Hypothetical Techniques: Financial Assets Earn 1.40% Annually and Alternative Investments Earn 1.40% Annually	Neal Navigator	Navigator Children	% Improvement Over Hypothetical Technique #1a	% Improvement Over Hypothetical Technique #2a
Holdco, FLLC Distributes about 2% of the value of assets it owns directly and indirectly.				
No Further Planning	$32,721,231	$0	N/A	N/A
Contribution of Assets to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust	$32,569,515	$151,716	N/A	N/A
Hypothetical Technique #5a: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust	$32,087,571	$633,660	317.66%	N/A
Hypothetical Technique #6a: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust	$25,876,883	$6,844,348	4411.29%	980.13%

Table 4b

Hypothetical Techniques: Financial Assets Earn 7.50% Annually and Alternative Investments Earn 8.00% Annually	Neal Navigator	Navigator Children	% Improvement Over Hypothetical Technique #1b	% Improvement Over Hypothetical Technique #2b
Holdco, FLLC Distributes about 2% of the value of assets it owns directly and indirectly.				
No Further Planning	$35,664,191	$0	N/A	N/A
Contribution of Assets to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust	$33,048,580	$2,615,612	N/A	N/A
Hypothetical Technique #5b: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust	$32,582,731	$3,081,460	17.81%	N/A
Hypothetical Technique #6b: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust	$25,688,170	$9,976,021	281.40%	223.74%

Table 4c

Hypothetical Techniques: Financial Assets Earn 10.00% Annually and Alternative Investments Earn 10.00% Annually	Neal Navigator	Navigator Children	% Improvement Over Hypothetical Technique #1c	% Improvement Over Hypothetical Technique #2c
Holdco, FLLC Distributes about 2% of the value of assets it owns directly and indirectly.				
No Further Planning	$36,917,288	$0	N/A	N/A
Contribution of Assets to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust	$33,311,621	$3,605,667	N/A	N/A
Hypothetical Technique #5c: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust	$33,263,285	$3,654,003	1.34%	N/A
Hypothetical Technique #6c: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust	$25,677,760	$11,239,528	211.72%	207.59%

Under all rates of return, Hypothetical Technique 6 substantially outperforms the plain GRAT (without the use of any entities) and Hypothetical Technique 5. The reason for the improved performance with the contribution of member interests in a leveraged FLLC is (i) the average hurdle rate is lower with leverage and (ii) the GRAT annuity amount is paid with cash instead of discounted FLLC member interests.

As noted below, not only does paying the GRAT annuity with cash, instead of member interests, produce a much better result, it does not present "deemed contribution" or "deemed commutation" concerns that could accrue if member interests are used to pay the GRAT annuity (see the discussion above in Section VIII C 2 c of this paper).

2. The Technique Has Many of the Same Advantages as the Sale to the Grantor Trust.

Generally, many of the same flexibility advantages of a sale to a grantor trust benefiting a grantor's spouse and family (see the discussion in Section II B of this paper) also exist with the technique of contributing non-managing member interests in a leveraged FLLC to a GRAT in which the remainderman is a trust for the transferor's spouse and family. The remainder trust of the GRAT can be designed to be a grantor trust in which the grantor is responsible for paying the income taxes of the trust. The trust may have features that give the transferor's spouse flexibility with consumption issues and stewardship issues. The transferor also has retained leverage and flexibility by owning the note from the FLLC. There is an inherent delay, the term of the GRAT, before the transferor's spouse can enjoy the benefits of any properties that may accrue to the trust for his or her benefit. This is ameliorated by the transferor being entitled to the distributions of the FLLC either in the form of interest and principal payments by the FLLC on the outstanding note, or in the form of annuity payments by the GRAT.

3. Valuation Advantage of a GRAT.

This technique has the same valuation advantages as the contribution of a non-leveraged FLLC to a GRAT. See the discussion in Section VIII B 1.

4. Ability of Grantor to Pay For Income Taxes Associated With GRAT Gift Tax-free and Substitute Assets of the GRAT Income Tax-free.

This technique has the same substitution advantages as the contribution of a non-managing interest in a non-leveraged FLLC to a GRAT. See the discussion in Section VIII B 2.

5. Synergy With Other Techniques.

This technique has the same synergy advantages as the contribution of a non-leveraged FLLC to a GRAT. See the discussion in Section VIII B 3.

6. Comparatively Low Hurdle Rate.

This technique has an even greater "hurdle rate" advantage than the contribution of a non-leveraged FLLC to a GRAT. See the discussion in Section VIII B 4. This is because the interest rate on the notes resulting from any sales to the FLLC can be designed to be lower than the IRC Sec. 7520 rate, which must be used in determining the annuity from the GRAT.

7. High Leverage.

This technique has the same high leverage advantages as the contribution of a non-leveraged FLLC to a GRAT. See the discussion in Section VIII B 5.

8. Non-recourse Risk to Remaindermen.

This technique has the same non-recourse risk advantages as the contribution of a non-leveraged FLLC to a GRAT. See the discussion in Section VIII B 6.

9. The "*Atkinson*" Worry About Paying a GRAT Annuity With a Hard-to-Value Asset May Be Eliminated.

If the annuity amount is kept relatively small because of the use of leverage, then there may be enough cash flow to pay the annuity with cash or near cash. In this example that would be cash. Obviously, there are no valuation issues with cash.

C. Considerations of the Technique.

1. Part or All of the FLLC Interests Could Be Taxable in the Grantor's Estate if the Grantor Does Not Survive the Term of the GRAT.

If the grantor does not survive the term of the GRAT, the IRS takes the position that IRC Sec. 2036 will include the assets of a GRAT in the grantor's estate to the extent that the value of the dollar amount of the retained annuity divided by the then IRC Sec. 7520 rate.[147] Under the facts of this example, if the IRC Sec. 7520 rate increases to 5% before the GRAT terminates, and if the grantor dies before the end of the term of the GRAT, only that value above $15,315,500 ($765,775 ÷ 5%) will not be included in the estate of the grantor (Neal Navigator).

2. It is More Complex Than the Other GRAT Techniques.

While this technique solves considerations in paying GRAT annuities with hard to value assets and has the distinct advantage of substantially outperforming other GRAT techniques, it is more complex to create. However, after the termination of the GRAT, it should not be any more complex to administer than a sale of partnership interests to a grantor trust.

X. FOURTH "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF ALLOCATING BOTH THE GRANTOR'S GST AND GIFT TAX EXEMPTIONS TO A GRAT THAT OWNS A LEVERAGED FLLC WITH THE ANNUITY BEING DEFINED AS THAT FIXED PERCENTAGE THAT PRODUCES A TRANSFER THAT IS EQUAL TO THE ALLOCATED GIFT TAX EXEMPTION.

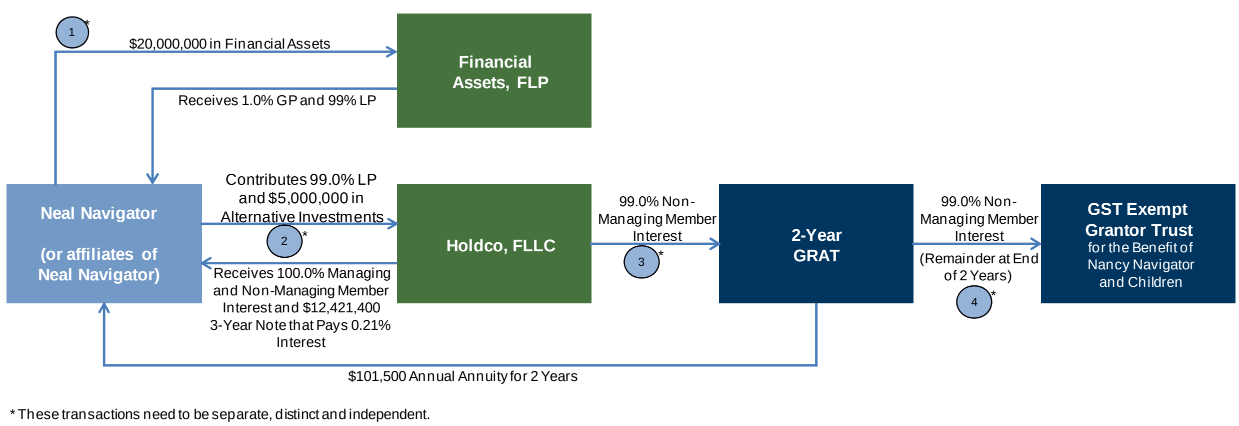
A. The Technique (Hypothetical Technique 6) and Does it Satisfy the ETIP Rules For Generation-Skipping Tax Purposes?

Consider the following example:

Example 16: Neal Navigator Allocates Part of His Gift Tax Exemption and All of His GST Exemption to a GRAT That Owns a Leveraged FLLC and Pays a Very Small Annuity

The facts of this example are the same as Example 14, except Neal allocates $4,800,000 of his gift tax exemption and $5,000,000 of his GST exemption to the GRAT and reduces the note owed to him from the FLLC to $12,421,400. Neal is under age 70.

An illustration of the technique is below ("Hypothetical Technique 7"):



[147] *See* Treas. Reg. Sections 20.2036-1(c)(2)(i); 20.2036-1(c)(2)(iii), Ex 2.

Treas. Reg. Sec. 26.2632-1(c)(2) contains the regulatory definition of ETIP and then provides an exception, as follows:

> For purposes of paragraph (c)(2) of this section, the value of transferred property is not considered as being subject to inclusion in the gross estate of the transferor or the spouse of the transferor if the possibility that the property will be included is so remote as to be negligible. A possibility is so remote as to be negligible if it can be ascertained by actuarial standards that there is less than a 5 percent probability that the property will be included in the gross estate.

For a short term GRAT there will often be less than a 5% probability that the grantor will die during the GRAT term. For example, this will be true for a two-year GRAT unless the grantor is above 70 years of age. In such a case, the exception noted above would literally apply. On this reading of the exception, the ETIP rules will not apply to an allocation of GST exemption, because there is less than a 5% chance that the grantor will die during the GRAT term. Thus, a grantor age 70 or younger can create a two-year GRAT in which the remainderman is a generation-skipping trust, make an up-front allocation of the GST exemption that is equal to the amount of the taxable gift of the GRAT remainder, and produce a zero inclusion ratio for generation-skipping tax purposes. Is this a correct reading of the exception? There is not any definitive authority on this subject, but most commentators believe the IRS will resist this result, if the taxpayer advocates that the value of retained GRAT annuity should be considered in determining the allocation of the GST exemption.[148] While it appears that an allocation of the GST exemption can be made, under those circumstances, when the GRAT is created (and that allocation does not have to be postponed until the GRAT annuity period terminates), it is not clear that the value of the GRAT annuity may be subtracted in making the GST exemption allocation. Ed Manigault and Mil Hatcher have summarized the issue as follows:[149]

> Although it appears that some GRATs should fall outside of the ETIP rule—depending on the age of the grantor and the term of the annuity period—it is not clear *how much* GST exemption would need to be allocated to the GRAT to provide for a zero inclusion ratio. If the allocable amount necessary to produce a zero inclusion ratio was tied to the taxable *gift* amount, then using a nearly zeroed-out GRAT would seem to permit the allocation of an amount only equal to the minimal taxable gift.
>
> The provisions for allocation of GST exemption, however, do not clearly define the allocation amount based on the amount of the taxable gift. Instead, the regulations arguably point to the *amount of the property transferred*, not to the amount of the taxable gift. See Treas. Reg. Section 26.2632-1(b)(1)(i), (2)(i) and (ii), and (4). This approach is consistent with the determination of the applicable

---

[148] *See* Private Letter 200107015; Richard B. Covey & Dan T. Hastings, "Recent Developments," 42nd Annual Heckerling Institute on Estate Planning at 295 (2007); Edward M. Manigault & Milford B. Hatcher, Jr., "GRATs and GST Planning – Potential Pitfalls and Possible Planning Opportunity," 20 Prob. & Prop. 28 (2006).

[149] *See* Edward M. Manigault & Milford B. Hatcher, Jr., "GRATs and GST Planning – Potential Pitfalls and Possible Planning Opportunity," 20 Prob. & Prop. 28, 32 (2006).

fraction (for purposes of calculating the inclusion ratio), which has as its denominator the value of the property transferred to the trust. See Treas. Reg. Section 26.2642-1(c)(1). It might then be the position of the IRS that, if the above interpretation of the ETIP exception is accurate, a grantor must allocate GST exemption equal to the amount transferred to the GRAT, not the minimal taxable gift created as a result of the funding of the GRAT.

The argument that the authors make is that the amount transferred for generation-skipping tax purposes should be offset by the consideration received by the grantor. In the case of the GRAT, the consideration received is the present value of the amount of the annuities that the grantor is to receive. In the case of a transfer to a generation-skipping trust, pursuant to a bargain sale, it is commonly accepted that the amount of the GST exemption that needs to be allocated is the amount of the transfer after subtracting the value of the consideration received. The natural question is, why should the result be different if the consideration received is an annuity (from a GRAT) as opposed to a seller financed note from a non-GRAT trust? To take the analogy a little bit further, assume that a grandparent makes a bargain sale to an "old and cold" adequately funded trust (presumably a defective grantor trust) in which the consideration for the "sale" part of the bargain sale is not a seller financed note, but a private annuity. One would assume that the selling grandparent should be able to insulate the trust from GST taxes by allocating her GST exemption in an amount equal to the "bargain" gift component (this assumes the annuity will be recognized on its own terms and not as a disguised retained income interest that is subject to IRC Sec. 2036). Thus, the question is why should a transaction involving a bargain sale private annuity be treated differently than a transaction involving an annuity from a GRAT, as far as determining the amount of the property transferred for GST tax exemption allocation purposes?

Is there a situation, when the 5% exception applies, where the above debate, about whether the retained annuity in a GRAT can be used as an offset in calculating the allocation of the GST exemption at the time of the creation of the GRAT is generally irrelevant? There may be. Consider a defined formula remainder GRAT with a small retained annuity in comparison to the value of the asset that is contributed to the GRAT, because the annuity amount is defined as a result of a "defined value" remainder that is a specific dollar amount.[150] The client, under those

---

[150] For example, the formula might define the annuity as that percentage of the initial value of the trust assets (as finally determined for federal gift tax purposes) which will result in an annuity having a present value at the inception of the trust equal to the initial value of the trust assets (as so determined) less $4,800,000. See the above Example 13. A GRAT annuity defined in this way has not been passed upon by the IRS or the courts. Although it is very similar to the formula clause in *Wandry v. Commissioner*. (See the discussion in Section III B 3 e (5) of this paper). It should meet the requirements of Treas. Reg. 25.2702-3(b)(i)(B), which permits the annuity to be "[a] fixed fraction or percentage of the initial fair market value of the property transferred to the trust, as finally determined for federal tax purposes, payable periodically but not less frequently than annually, but only to the extent the fraction or percentage does not exceed 120 percent of the fixed fraction or percentage payable in the preceding year." In order to freeze the remainder value at a constant dollar amount, such a formula definition generates a greater annuity percentage (not just a greater annuity amount) for a higher initial value. The percentage is dependent upon finally determined asset values and is fixed by them, since there is only one percentage corresponding to any given initial value of the trust. It therefore is hard to see in what sense this would not be a "fixed percentage," and the regulatory definition, with its reference to values "as finally determined for federal tax purposes," seems entirely consistent with defining the annuity percentage in this way. An initial annuity percentage defined in this way could then be made

circumstances, may be content with allocating the GST exemption to all of the assets that are held in the GRAT. If the 5% exception under Treas. Reg. Sec. 26.2632-1(c)(2) applies, the GST exemption may be allocated to the GRAT when it is created. In such a case, the GRAT operates with two very useful features: (1) the amount of the transfer for gift tax purposes will not increase even if the initial value of the trust increases upon audit, and will remain protected from gift tax if it is less than the unified credit applicable to the transfer. If the IRS takes the view that the assets have a greater value than the filed gift tax return would indicate, the increased annuity will offset the increase in asset values; and (2) if values are not increased upon audit, the GST exemption allocated will make the continuing trusts GST exempt and protect subsequent appreciation from GST tax. If values are increased on audit, the GRAT may be only partially exempt. In that event, upon termination of the GRAT, the continuing trust could be bifurcated into a trust that is GST exempt and another trust that is not GST exempt.

B. Advantages Other Than the Possible Generation-Skipping Advantage of Allocating the Gift Tax and GST Exemptions Up-Front to a GRAT.

1. If Leverage is Used in Creating the FLLC That is Contributed to the GRAT, Much More Wealth is Transferred to the Remainderman of the GRAT.

This Technique Has Many of the Same Advantages as the Sale to a Grantor Trust For the Benefit of the Transferor's Spouse. See the discussion in Section VII B.

2. Valuation Advantage of a GRAT.

This technique has the same valuation advantages as a contribution of a non-leveraged FLLC to a GRAT. See the discussion in Section VIII B 1.

3. Ability of Grantor to Pay For Income Taxes Association With the GRAT Gift Tax Free and Substitute Assets of the GRAT Income Tax Free.

This technique has the same substitution advantages as the contribution of a non-managing interest of a non-leveraged FLLC to a GRAT. See the discussion in Section VIII B 2.

4. Synergy With Other Techniques.

This technique has the same synergy advantages as the contribution of a non-leveraged FLLC to a GRAT. See the discussion Section VIII B 3.

---

subject to the 20% annual increase permitted under the regulation, although that is not a feature of the technique under discussion.

5. Comparatively Low Hurdle Rate.

This technique has an even greater "hurdle rate" advantage than the contribution of a no-leveraged FLLC to a GRAT or a leveraged FLLC to a GRAT without the allocation of the available gift tax exemption. This is because the interest rate on notes resulting from any sales to the FLLC can be designed to be lower than the IRC. Sec. 7520 rate and the note itself will be much smaller when a gift tax exemption is allocated than when it is not.

6. A Much Smaller Part of the FLLC Interest Will Be Taxed on the Grantor's Estate if the Grantor Does Not Survive the Term of the GRAT in Comparison to the Contribution of a Non-Leveraged FLLC to a GRAT, or a Leveraged FLLC to a GRAT Without the Allocation of the Gift Tax Exemption.

The smaller the annuity, the smaller the inclusion under IRC Sec. 2036. For instance, assuming Neal dies before the termination of the GRAT, and also assuming the IRC Sec. 7520 rate increases to 5% under the facts of Example 16, that amount above $2,030,000 ($101,500 ÷ 5%) will not be included in Neal's estate.

7. The *"Atkinson"* Worry About Paying a GRAT Annuity With a Hard-to-Value Asset May Be Eliminated.

If the annuity amount is kept relatively small because of the use of leverage, then there may be enough cash flow to pay the annuity amount with cash or near cash. In this example the payments would be made with cash. Obviously, there are no valuation issues with cash.

C. Considerations of the Technique.

1. There is Risk That the Allocated Gift Tax and GST Exemptions Will Be Lost.

If the assets that are in the leveraged FLLC substantially depreciate, the grantor's gift tax and generation-skipping tax exemptions will be lost.

2. It is Important That Each Step of the Transaction Be Independent and Be Able to Stand On its Own.

See the discussion of the step transaction in Section VII C 3.

3. There May Exist Better Techniques For Transferring the Remainder Interest to a Generation-Skipping Trust That Do Not Use the Grantor's GST Exemption.

   a. The remaindermen of a GRAT sells the remainder interest and buys it back before ETIP period ends.

Another interesting inquiry is whether a grandparent who creates a GRAT will be deemed to have made a transfer that is subject to generation-skipping taxes, if the remainderman at the beginning and at the end of the ETIP period of the GRAT is not a skip person? The answer would seem to be no.

However, does that answer change if the original remainderman, who is not a skip person, during the ETIP period transfers, for full and adequate consideration, her remainder interest to a generation-skipping trust that the remainderman has created and at a later time buys back that remainder interest (presumably before the ETIP period ends)? In other words, has the grandparent who created the GRAT made a generation-skipping transfer despite naming a non-skip person as the remainderman who in fact receives the remainder after the ETIP period ends? If the original remainderman and the remainderman at the end of the ETIP period is a non-skip person, but during the ETIP period there are non-taxable transfers by the remainderman to and from a generation-skipping trust, has a generation-skipping transfer been made? Consider the following example:

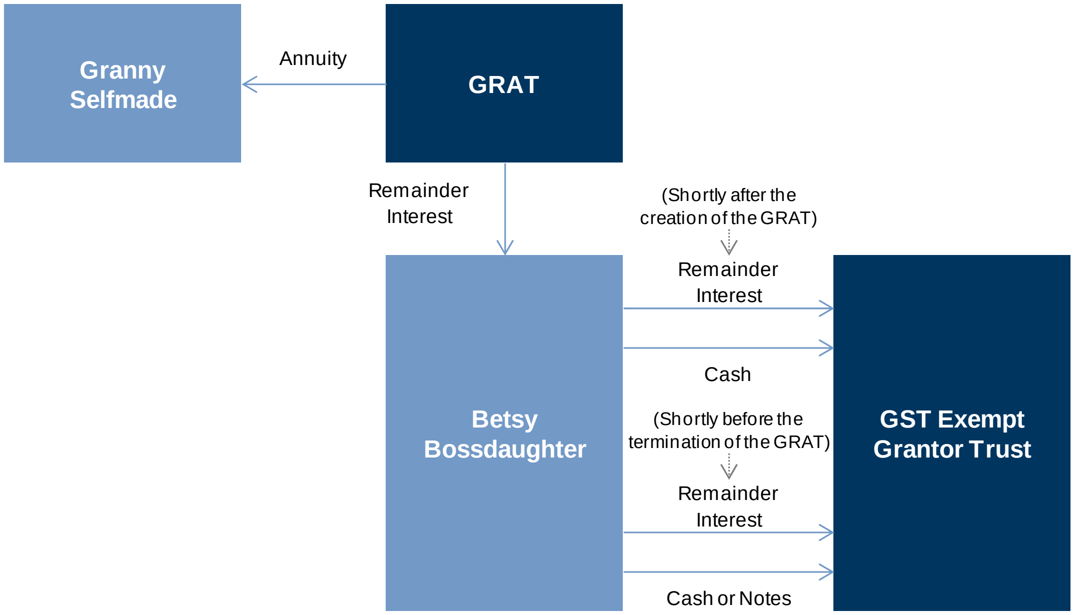
Example 17: Granny Selfmade Creates a GRAT That, Because of the Non-Skip Remainderman's Actions, Indirectly Benefits a Generation-Skipping Trust

Granny Selfmade creates a GRAT with a retained annuity amount that results in a very low gift for gift tax purposes to the remainderman, her daughter, Betsy Bossdaughter. The terms of the trust agreement creating the GRAT provide that if Granny survives the two year term of the GRAT, but Betsy does not survive the term of the GRAT, the remaining proceeds of the GRAT, if any, are to pass to Betsy's two children, Bob and Brenda Bossdaughter.

Betsy is grateful for the creation of the GRAT by her mother, but she feels that her mother has already done enough estate planning for her benefit. Betsy is interested in transferring wealth to her children. Thus, Betsy makes an independent gift to a generation-skipping trust in which the primary beneficiaries are her children, Bob and Brenda. The generation-skipping trust is an intentionally defective grantor trust with Betsy being the grantor. In the early days of the GRAT, while the actuarial value of the remainder interest is very low, Betsy, for full and adequate consideration, sells her remainder interest to the GST trust she created.

The GRAT is very successful. Before the end of the two year term (or ETIP period) Betsy decides to buy back the remainder interest for full and adequate consideration (perhaps with a seller financed note). Thus, on termination of the GRAT, Betsy is once again, the only remainderman beneficiary.

The technique is illustrated below:



Granny asked her tax advisor, Pam Planner, whether she owes any generation-skipping transfer taxes on termination of the GRAT because of Betsy's actions.

Before Pam, or anyone, can answer this question, certain key concepts must be understood in addition to the applicability of the ETIP rules. What is a "transfer" for purposes of Chapter 13? In certain contexts "transfer" is shorthand for "generation-skipping transfer", which is a defined term. The generation-skipping transfer is one of the three defined GST taxable events: taxable termination, taxable distribution, or direct skip. However, in certain other contexts of Chapter 13, "transfer" refers to the original transfer of property establishing a trust. The transferor, for generation-skipping tax purposes is "the individual with respect to whom property was most recently subject to federal estate or gift tax." See Treas. Reg. Sec. 26.2652-1(a)(1).

Another area where it is important, under Chapter 13, to determine whether a generation-skipping tax transfer has occurred is determining the inclusion ratio when additional transfers are made to a trust. Any addition requires a recompilation of the trust's applicable fraction and, thus, its inclusion ratio and requires allocation of GST exemption to preserve a zero inclusion ratio. Treas. Reg. Sec. 26.2642-4 seems to suggest that no addition to a trust can occur without a gift or an estate taxable transfer. A transfer for full and adequate consideration is not such a transfer and should not be an addition.

Under these definitions, Pam Planner advises Granny that there appears to be no transfer that would incur GST tax or require an allocation of GST exemption to circumvent tax. However, consideration must be given to Private Letter Ruling 200107015. This ruling involved a zeroed-out charitable lead annuity trust ("CLAT") and a proposed gift assignment by a child who was a one-sixth vested remainderman. The gift would be to a trust, which is a generation-skipping trust with respect to the grantor of the CLAT. The purpose of the ruling was to determine whether the child would be treated as the transferor for GST purposes instead of the grantor of the CLAT. The IRS refused to grant the request of a favorable ruling:

Section 2642(e) provides a special ruling for determining the inclusion ratio for any 'charitable lead annuity trust.' Under §2642(e) and the applicable regulations, in the case of a charitable lead annuity trust the applicable fraction (1) the numerator of which is the adjusted generation-skipping transfer tax exemption ('adjusted GST exemption'), and (2) the denominator of which is the value of all property in the trust immediately after the termination of the charitable lead annuity. The adjusted GST exemption is the amount of GST exemption allocated to the trust increased by an amount equal to the interest that would accrue if an amount equal to the allocated GST exemption were invested at the rate used to determine the amount of the estate or gift tax charitable deduction, compounded annually, for the actual period of the charitable lead annuity. The amount of GST exemption allocated to a charitable lead annuity trust is not reduced even though it is ultimately determined that the allocation of a lesser of GST exemption would have resulted in an inclusion ratio of zero. Under §2642(e)(3), a 'charitable lead annuity trust' is defined as any trust providing an interest in the form of a guaranteed annuity for which the transferor is allowed a charitable deduction for Federal estate or gift tax purposes under §§2055 and 2522.

In the absence of §2642(e), little or no GST tax would ever be imposed with respect to certain charitable lead annuity trusts, even if no GST exemption is allocated to the trust. That is, if the value of the assets transferred to the trust was equal to the estate tax charitable deduction allowed with respect to the transfer, then under the general rules of §2642, the inclusion ratio with respect to the trust would be zero and the trust would be exempt from GST tax. Even if the charitable deduction did not equal the value of the transferred assets, an allocation of only a small amount of GST exemption would have resulted in no GST tax. Congress was concerned that allowing the present value of the charitable interest to reduce the denominator of the applicable fraction permitted the leveraging of the GST tax exemption. If the trust assets sufficiently outperform the rate of return assumed in computing the present value of the charitable interest, the amount passing to noncharitable persons can exceed the amount which would have passed to them had there been no charitable interest in the trust. S. Rep. No. 445, 100th Cong., 2d Sess. 368 (1988).

. . .

We also note that under the facts presented in the ruling request, the form of the transaction might be disregarded and the series of transactions viewed as the designation by the Trustee of Child A's children as remainder beneficiaries. Under this analysis, Decedent would be treated as the transferor of the entire Trust estate for GST tax purposes. See *Estate of Bies v. Commissioner*, T.C. Memo. 2000-338; *Estate of Cidulka v. Commissioner*, T.C. Memo. 1996-149; *Griffin v. United States*, 42 F. Supp. 2d 700 (W.D. Tex. 1998).

The ruling's basic holding can be viewed as uniquely applicable to the charitable lead annuity trust. However, it is clear that the IRS will look for other opportunities to apply equitable doctrines in similar contexts. Stated differently, the ruling's reasoning could apply just as easily to a GRAT, if the reader substituted the phrase "ETIP rules" for "IRC Sec. 2642(e)." Using the same logic, the Service could find that a gift by a GRAT remainderman is counter to the Congressional intent of enacting the ETIP rules. However, would the equitable doctrines inherent in the ruling apply to a *sale* by Betsy in above Example 17? It would appear that the answer may be no.

In using a sale for full and adequate consideration, the issue is not whether Granny or Betsy is the transferor of the property that moves from the GRAT to the dynasty trust. The issue is whether there is an addition to the dynasty trust for GST purposes. There should not be an addition to the dynasty trust for GST purposes when Betsy transfers the remainder interest to the GST trust for full and adequate consideration and when Betsy buys the remainder interest back for full and adequate consideration.

Another hurdle for the IRS is that for property law purposes and gift tax purposes, Granny's only transferee is a non-skip person (Betsy Bossdaughter). It would seem that the IRS, in order to be successful, would have to argue that a generation-skipping tax transfer occurred by Granny when Betsy sold for full consideration the remainder interest to the generation-skipping trust she created, even though you could not determine whether a generation-skipping transfer has occurred until after it was determined if Granny Selfmade survived the annuity term (and at that point, the only beneficiary of the GRAT was a non-skip person). The cumulative hurdle of those positions may be very difficult for the IRS to surmount.

Could a similar technique be used where the remainder beneficiary is a grantor trust for the benefit of the grantor's spouse and family. What if the trustee of that trust sold the GRAT remainder interest to a GST grantor trust and later bought that remainder interest back (before the ETIP period ends) for a note?

b. The creation of a GRAT for full and adequate consideration.

Consider a GRAT that is created with a substantial remainder interest; however, because of a purchase of a remainder interest of the GRAT, there is not a gift. That is, instead of making a gift of the remainder interest, what if the grantor of a GRAT sold it for full and adequate consideration to a pre-existing trust? IRC Sec. 2036 inclusion does not apply if the grantor dies before the GRAT term ends, and as a consequence, the ETIP limitation may also not apply and the creation of the GRAT may not constitute a transfer to the GST trust. Consider the following example:[151]

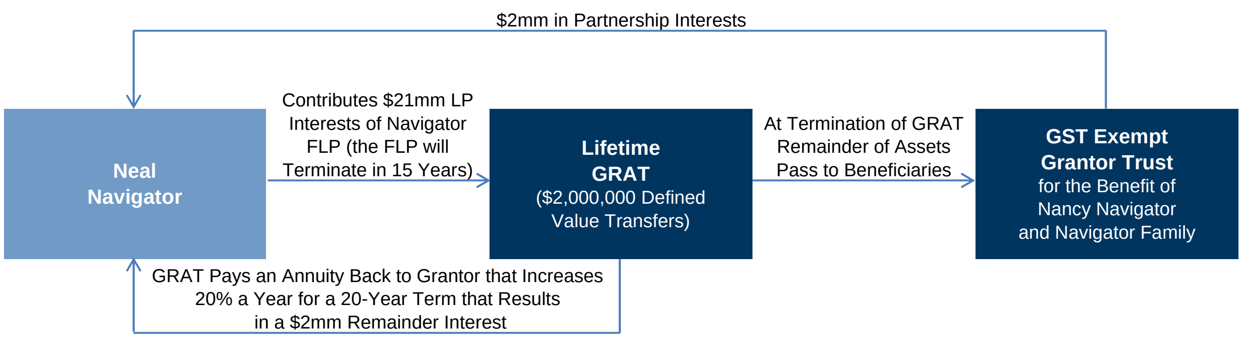
---

[151] There are other alternative forms of designing a GRAT that is formed for adequate and full consideration. In order to circumvent estate tax inclusion of the value of the remaining annuity payments and future estate income taxes, if the grantor does not live past the annuity term, the GRAT annuity payments (which will have to be higher to provide full consideration) could be designed to terminate at the shorter of the grantor's life or the stated term. The GRAT could be designed to be a joint contribution GRAT. In that circumstance, care should be taken to make sure the same assets (e.g., partnership interests of the same partnership) are being contributed by the grantor and the GST trust to the GRAT.

Example 18: Neal Navigator Enters Into a GRAT
With the Remainderman Being a Generation-Skipping
Transfer Trust With the Generation-Skipping Transfer Trust
Purchasing the Remainder Interest For Full Consideration

Several years ago, Neal Navigator created a generation-skipping transfer trust for the benefit of his family and his wife, Nancy, which is also a grantor trust. The GST trust and Neal contributed certain assets to a FLP. Lenny's interest in the partnership, after considering valuation discounts, is worth $21 million and the GST trust's interest in the partnership is worth $2,000,000. The GST trust transfers that $2,000,000 partnership interest to Neal in full consideration for Neal contributing his $21 million interest in the FLP to a GRAT that is designed with a defined value formula annuity which increases 20% a year. The formula produces a remainder value of $2 million under the assumed IRC Sec. 7520 of 1.0%. The liquidation value of the partnership interest that is transferred to the GRAT is $30 million and the appraised fair market value of the transferred partnership interest is $21 million (30% discount). The partnership, at that time, has 15 years to operate before it terminates. Neal has $1,500,000 outside the partnership. Neal is 50 years old.

An illustration of the technique is below ("Hypothetical Technique 8"):



It is crucial to steer clear of valuation issues with this technique. The purchase price for the remainder interest must be consistent with the valuation assumptions of the GRAT. Thus, using "apples to apples", such as partnership interests in the same partnership, will facilitate adequate and full consideration being paid for the remainder interest in the GRAT.

Please note the table below, which delineates the amount that is projected to be transferred to Neal's wife, children, grandchildren and great grandchildren pursuant to this technique in comparison to not doing any further planning with respect to the partnership. The table assumes Neal's death at the end of year 20, Neal consumes $100,000 a year with a 3% inflation rate, an 7% pre-tax rate of return with 3% being taxed at ordinary income rates (44.6%) and 4% at capital gains rates (25%, with a 30% turnover). Assume that the partnership, at the time of the creation of the purchase GRAT, has only 15 years remaining and that the valuation discount is 30%. *See* Schedule 5 attached to this paper.

Table 5a

20-Year Future Values	Navigator Children	Navigator GST Exempt Trust	Consumption - Direct Cost	Consumption - Investment Opportunity Cost	IRS - Income Tax	IRS - Investment Opportunity Costs	IRS - Estate Tax (at 40%)	Total
No Further Planning; Bequeaths Estate to Family (assumes $16.96mm estate tax exemption available)	$39,539,304	$28,020,410	$2,687,037	$2,471,896	$25,853,747	$21,563,267	$26,359,536	$146,495,198
Hypothetical Technique #8a: 20 Year Term Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm estate tax exemption available)	$3,977,723	$87,649,731	$2,687,037	$2,471,896	$28,145,543	$21,563,267	$0	$146,495,198

The results are obviously very significant. Will this work? An argument can certainly be made that the creation of the purchase GRAT is not subject to the ETIP rules and the creation of the GRAT does not constitute a transfer to the GST trust. If Neal died during the 20 year term of the GRAT, the GRAT property will not be includible in his gross estate.[152] Only the remaining actuarial value of the unpaid annuity amounts of the GRAT would be included under IRC Sec. 2033.

What would be the results, if the GRAT was for the shorter of 20 years or Neal's death? The annuity amounts would be higher. The technique would have income tax and estate tax advantages if Neal died during the 20 years. See the results below and see Schedule 5 attached to this paper:

Table 5b

20-Year Future Values	Navigator Children	Navigator GST Exempt Trust	Consumption - Direct Cost	Consumption - Investment Opportunity Cost	IRS - Income Tax	IRS - Investment Opportunity Costs	IRS - Estate Tax (at 40%)	Total
No Further Planning; Bequeaths Estate to Family (assumes $16.96mm estate tax exemption available)	$39,539,304	$28,020,410	$2,687,037	$2,471,896	$25,853,747	$21,563,267	$26,359,536	$146,495,198
Hypothetical Technique #8b: Shorter of Neal Navigator's Death or 20 Years Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm estate tax exemption available)	$8,218,735	$83,488,658	$2,687,037	$2,471,896	$28,065,604	$21,563,267	$0	$146,495,198

---

[152] *See Wheeler v. United States*, 116 F.3d 749 (5th Cir. 1997); *Estate of D'Ambrosio v. Commissioner*, 101 F.3d 309 (3d Cir. 1996); *Estate of Magnin v. Commissioner*, 184 F.3d 1074 (9th Cir. 1999); *contra, Gradow v. United States*, 11 Cl. Ct. 808 (1987), *aff'd*, 897 F.2d 516 (Fed. Cir. 1990).

There could be abusive situations where the remainder interest is very small and the logic of the *Wheeler, D'Ambrosio* and *Magnin* cases would not be applied. However, under the facts assumed in this case, the remainder interest is significant and would seem to be analogous to the remainderman values considered in the Circuit Court cases cited below in the footnote.

XI. FIFTH "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR GIFTING AND SELLING LIMITED PARTNERSHIP INTERESTS TO A TRUST THAT QUALIFIES FOR THE MARITAL DEDUCTION WITH THE REMAINDERMAN BEING A TRUST WHICH PURCHASES THE REMAINDER ("REMAINDER PURCHASE MARITAL TRUST").

A. What is the Technique?

The Remainder Purchase Marital Trust, which is sometimes referred to as the "RPM Trust," involves a transfer of assets to a trust in which donor's spouse has an income or annuity interest for a specified term or life. The remainder of the RPM trust passes to a separate trust (the "Remainderman Trust"), which could be a generation-skipping trust. The transfer to the trust is gift tax free because (i) the spouse's income or annuity interest in the RPM Trust qualifies for the gift tax marital deduction, and (ii) the Remainderman Trust pays the donor the actuarial value of the remainder interest when the RPM Trust is created. The RPM Trust assets are not included in either the donor's estate (because the donor has no retained interest in the trust) or the spouse's estate (because the spouse does not have a general power of appointment and there is no QTIP election) at their subsequent deaths. This technique has been extensively described by David Handler.[153]

Example 19: Creation of a Remainder Purchase Marital Trust

As part of Neal Navigator's estate planning, he wishes to use an existing GST grantor trust and the gift tax marital deduction to facilitate a transfer to a trust for the benefit of his wife, which upon her death will pass to the trustee of that existing GST grantor trust. Previously, Neal has contributed assets to a GST grantor trust, which became a partner in a FLP ("Financial Assets, FLP"). Neal contributed $5,000,000 in financial assets to the trust, which the trustee invested, for pooling of interest reasons, into a partnership and received a 20% interest. Neal contributed $15,000,000 of his financial assets and $5,000,000 of his alternative investments into the partnership and received a 1.0% general partnership and a 79% limited partnership interest. At a later date, Neal contributed 57.14% of his limited partnership interest to a trust (the "RPM Trust") for the benefit of his wife, Nancy Navigator, which was to last during her lifetime and the existing GST grantor trust becomes the Remainderman Trust by paying Neal 3/10 of that amount (a 17.14% partnership interest) in exchange for the remainder interest in the RPM Trust. Under the terms of the trust Nancy is to receive an annual annuity, which will produce a remainder value equal to 3/10 of the fair market value of the RPM Trust. There is "price adjustment" language in determining the annuity amount so that the remainderman will pay the correct

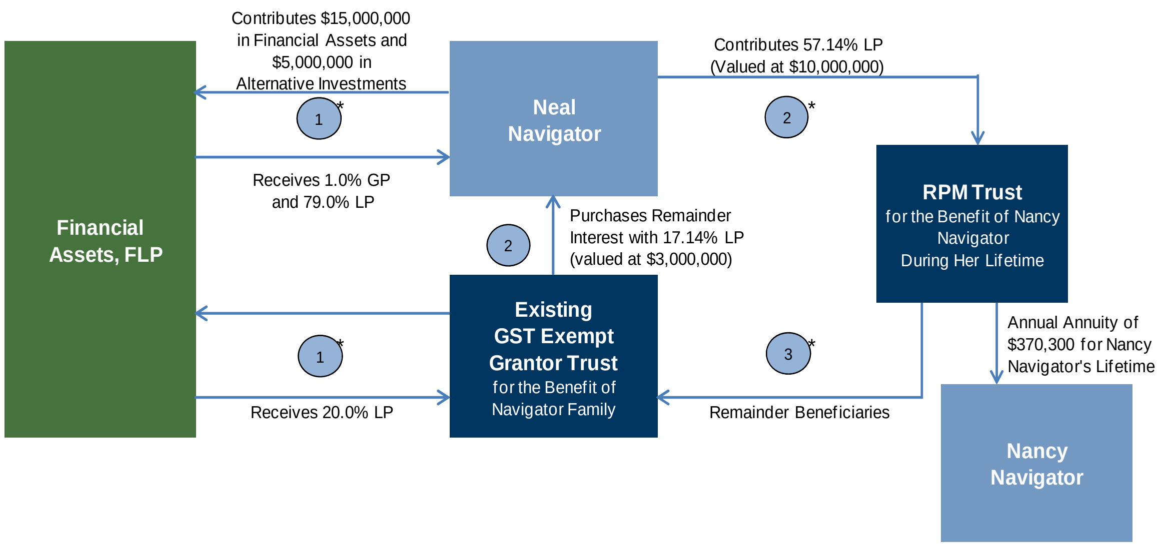
---

[153] David A. Handler & Deborah V. Dunn, "GRATs and RPM Annuity Trusts: A Comparison," 29 Tax Mgmt. Est., Gifts & Tr. J. 4 (July 8, 2004) and Handler and Dunn, "RPM Trusts: Turning the Tables on Chapter 14," 139 Trusts and Estates 31 (July 2000).

amount. Assuming at the time of the creation of the RPM Trust, the IRC Sec. 7520 rate is 1.0%, Nancy is 60 years of age and that the partnership valuation discount is 30%, the annual annuity should be $370,300. Upon her death, all of the assets of the RPM Trust (the 57.14% limited partnership interest and any cash that has accumulated in the trust from distributions that exceeded $370,300) are to pass to the existing GST grantor trust.

The desired result of this technique is that there will be no gift taxes on the creation of the RPM trust because of the marital deduction. The terminable interest rule will not apply because adequate consideration has been paid for the remainder interest and the requirements of IRC Sec. 2702 are met. There will be no estate taxes on Nancy's death because she is not the grantor of the RPM Trust, the QTIP election has not been made and Nancy does not possess a general power of appointment.

An illustration of the technique is below ("Hypothetical Technique 9"):



It is important that Nancy Navigator only has a straight income or annuity interest in the RPM Trust. If she has the right to receive distributions under an ascertainable or discretionary standard, her interest would be hard to value and it would be very difficult to effectuate the technique.

IRC Sec. 2523(b)(1) provides that no gift tax marital deduction is allowed if the spouse receives a life estate or other interest in a trust and upon termination of the trust the trust assets pass to someone else "for less than adequate and full consideration in money or money's worth" (the so-called "terminable interest rule"). Thus, in order to not run afoul of the terminable interest rule, it is crucial that full consideration be paid for the remainder interest of the RPM Trust. The RPM Trust could provide that all of the income or an annuity amount goes to the grantor's spouse. Generally, at times of high interest rates it is more advantageous to provide income interest for the donor spouse and in times of low interest rates, it is more advantageous to provide for an annuity for the donor's spouse. The Remainderman Trust, unless it is very clear that it is an old and cold trust, should be created by someone other than the grantor (in order not to run afoul of the terminable interest rule) or the beneficiary of the RPM Trust in order to prevent the application of IRC Sec. 2702 under the joint purchase rules (see the discussion below under Section XI B 5 of this paper). This Example 19 assumes that the existing grantor trust that becomes the Remainderman Trust is clearly an old and cold trust.

B. Advantages of the Technique.

1. Tax Advantages of Creating a Grantor Trust.

See the discussion in Section VII B 1 of this paper.

2. The Near Term Death of Grantor, or the Grantor's Spouse, Generally Does Not Affect the Technique Like the Death of a Grantor of a GRAT.

If the grantor should pass away before the end of the term of the RPM Trust, assuming the grantor has been paid full consideration [154] to create the RPM Trust, there should not be any gift tax or estate tax consequences to the grantor. If the donor's spouse should die before the end of a term-of-years RPM Trust, the amount included in the spouse's estate should only be the actuarial value of the remaining annuity payments.

3. The Appreciation of the Assets Will Be Out of the Grantor's Estate and the Spouse of the Grantor's Estate.

Only the consideration received by the grantor, to the extent it has not been spent during the grantor's lifetime, will be included in his estate. The appreciation associated with the purchase of the Remainderman Trust (using that consideration) will not be included in the grantor's estate, assuming full consideration was paid for the creation of the RPM Trust.

4. The Grantor and the Grantor's Spouse Will Have Available For Their Consumption Needs the Consideration Paid By the Remainderman Trust and the Distributions Paid Pursuant to the Beneficial Provisions of the RPM Trust (and Perhaps the Remainderman Trust).

As illustrated in Example 19, significant assets could be eventually transferred to a generation-skipping trust for the benefit of the grantor's spouse and family under this technique. Additionally, the grantor will have the consideration originally paid to the grantor by the GST remainderman trust for the creation of the RPM Trust and the grantor's spouse will have available cash flow under the terms of the RPM Trust. A significant advantage of this technique is that a significant transfer of wealth escapes the estate tax, yet cash flow will be available to the donor and the donor's spouse for their consumption needs with respect to the transfer. In Example 19, upon creation of the RPM Trust (ignoring valuation discounts), 60% of the partnership (or $15,000,000) is designed to pass to the GST Trust, yet only 2.86% of the partnership (or $715,000) is not available to either Neal or Nancy.

---

[154] Of course, full consideration does not have any estate tax significance here, where the grantor has no retained interest or power. It is highly significant in preventing a gift by qualifying the spouse's interest under the terminable interest rule and offsetting the transfer of the remainder.

5. There is More Flexibility in the Design of the Structure in Comparison to a GRAT Because IRC Sec. 2702 Does Not Apply to the Technique and it is Easier to Do Leveraged GST Planning in Comparison to a GRAT.

IRC Sec. 2702 does not apply because the donor does not retain an interest in either the RPM Trust, or the Remainderman Trust. The joint purchase rule of IRC Sec. 2702 is not applicable because the donor's spouse has not paid any consideration for her term interest. See Treas. Reg. Sec. 25.2702-4(c).[155] There is an exception under the joint purchase rule for joint trusts for family members, if the term interest is donated. If this exception to the joint purchase rule did not exist, the spouse would be treated as making a large taxable gift under IRC Sec. 2702 whenever an inter vivos QTIP trust is created.

If IRC Sec. 2702 does not apply, then there may be more flexibility in designing the trust in comparison to a classic GRAT. For instance, unlike the above example in which there is a 20% appreciation on the annuity amount, a more significant appreciation could occur over the term of years in designing the annual increases in the annuity amount. That could be a very valuable advantage for an asset that is anticipated to have very low cash flow in the early years and significant cash flow in the later years of its existence (e.g., as a closely held business interest).

Since the ETIP rules (as discussed in Section VIII C 3 of this paper) do not apply to the technique, the Remainderman Trust may be a generation-skipping trust. The growth of the RPM Trust assets could exceed what the growth of the GST trust would have been without the purchase of the remainder interest.

6. The Technique Could Also Serve as a Qualified Personal Residence Trust (QPRT) Substitute and Could Be a Very Good Vehicle For Planning For Art.

The RPM Trust could be an income only trust for the life of the grantor's spouse or a set number of years. The RPM Trust and the Remainderman Trust could be funded with cash and near cash that is easy to value. For example, assume the donor's spouse is 71 years of age and the IRC Sec. 7520 rate is 1.0%. In consideration for a payment of $5,000,000 in cash by the GST remainderman, the donor contributes $6,008,965 to the income only RPM Trust for the benefit of the spouse. After the RPM transaction, the RPM Trust could purchase the donor's residence and the donor's art for its fair market value. The consideration for the residence and the art could be a combination of cash and notes. For instance, under this example let us assume the donor's residence and art are worth $10,000,000. The donor sells the residence and the art to the RPM Trust for $1,000,000 in cash and a nine year $9,000,000 balloon note that pays 1.15% interest a year. The technique would have a mortality advantage over a qualified personal residence trust

---

[155] The Regulation says: "For purposes of this paragraph (c), the amount of the individual's gift will not exceed the amount of consideration furnished by that individual for <u>all interests</u> in the property." *Emphasis added.* If the spouse is a beneficiary of the Remainderman Trust, will (s)he be deemed to have furnished a part of the consideration paid by the Remainderman's Trust for its remainder interest in the RPM, and therefore to have made a taxable gift to that extent? It would appear for state law property purposes (if that is determinative) that (s)he would not be considered as furnishing any consideration under those circumstances.

under IRC Sec. 2702 ("QPRT") because there is no mortality risk, if the donor of the spouse dies during the term. Limitations under a QPRT for what constitutes a personal residence and the two residence limit also would not apply. After the RPM Trust ends the donor (if then living) could purchase the house and the art back from the Remainderman Trust (designed to be a grantor trust), which is prohibited by the QPRT rules. Unlike a QPRT, the RPM Trust would not have to be converted to an annuity trust if the residence is sold during the term of the RPM Trust.

There should not be any capital gains taxes associated with the donor's sale of the personal residence, or the art, because the RPM Trust will be treated as a grantor trust to the donor under IRC Sec. 677(a). See the discussion in Section VII of this paper.

There may be gift tax consequences if the consideration received for the RPM trust is not equal to the fair market value of the donor's residence or art that is sold. The use of a defined value allocation formula in the sale assignment may ameliorate the gift tax concern. See the discussion in Section VII C 5. If there is not a gift by the donor to the RPM trust because the consideration is adequate, neither the residence nor the art will be included in the donor or the donor spouse's estate under IRC Sec. 2036. IRC Sec. 2036 should not apply to the donor because the donor does not have any interest in the RPM Trust. Staying married to one's spouse should not constitute retaining an interest in a trust solely for the spouse's benefit.[156] IRC Sec. 2036 will not apply to the donor's spouse because the donor's spouse is not the transferor of the residence or the art.

C. Considerations of the Technique.

1. It Requires a Spouse Beneficiary.

Obviously, for this technique to be effectuated the client must be married and the client must be willing to benefit his or her spouse.

2. The RPM Trust Cannot Have a Divorce Clause, But it Could be an Advantageous Technique to Use in Pre-Divorce Planning.

In certain situations, if a divorce is contemplated, it may be advantageous for one of the spouses to create a RPM Trust for the other spouse with the remainder interest being purchased by a grantor trust that was previously created for the couple's descendants. The RPM Trust could be designed to fit the agreed goals of the contemplated divorce division. The additional goal of saving future transfer taxes may also be achieved.

3. It is Crucial That the Remainderman Trust Pay Full Consideration.

---

[156] *See* Rev. Rul. 70-155, 1970-1 C.B. 189, which contains this ending paragraph:

> Continued occupancy under the facts stated above may be distinguished from the husband-wife cases involving co-occupancy by the donor with the donee, Such co-occupancy, where the donor and donee are husband and wife, does not of itself support an inference of an agreement or understanding as to retained possession or enjoyment by the donor. *Estate of Allen D. Gutchess*, 46 T.C. 554 (1966), acquiescence, C.B. 1967-1, 2.

This technique is only viable, if easy to value assets are used, or proportionate interests in the same entity are used. Otherwise, as discussed above, even a small gift could cause this technique to be potentially fatal under IRC Sec. 2036, because of the inadequacy of the offset under IRC Sec. 2043. More importantly, if a small gift is involved, the RPM Trust would not qualify for the gift tax marital deduction because of the terminable interest rule.

4. The Step Transaction Doctrine Could Apply.

See the discussion in Section VII C 3. If the Remainderman Trust is funded by the Grantor of the RPM Trust, it is very important that the Remainderman Trust be an old and cold trust at the time it purchases its remainder interest. It needs to be funded independent of the RPM Trust transaction so that the remainder interest in the RPM is deemed transferred for full consideration: absent full consideration for the remainder, the gift tax marital deduction may not be allowed for the transfer to the spouse of the term interest in the RPM, because the nondeductible terminable interest rule may be deemed to apply.

5. The Need For "Substance" With Respect to the Purchase By the Remainderman Trust.

While an annuity trust can be designed whereby the remainder interest has a very small value (e.g., $1,000), it may be important that there be much greater substance to the remainder purchase in order to be supported by existing case law. As noted in the discussion in Section X C 3 of this paper, the cases that have supported the proposition that IRC Sec. 2036 does not apply to purchases of remainder interests have all involved substantial purchased remainders.

6. It is Crucial That the Remainder and Term Interests in the RPM Trust Be Transferred Simultaneously.

If the remainder interest is transferred before the term interest, or vice versa, IRC Sec. 2702 will apply to the transfer of the remainder interest, resulting in a taxable gift equal to the value of the term interest. One way to achieve the desired simultaneity is to create the RPM Trust as a revocable trust that becomes irrevocable upon receipt of the consideration from the Remainderman Trust.

7. The Interest on the Note Received By the Selling Spouse Will Be Taxable Income to That Selling Spouse and There Will Be a Corresponding Deduction to the Spouse Who Created the Grantor Trust.

The Tax Court has held that because interest is not "gain," subject to non-recognition under IRC Sec. 1041, the interest payments are includible in the selling spouses income.[157] The character of the interest paid by the grantor trust and the deductibility of the interest payments by the selling spouse is based on the property transferred by the selling spouse in the transaction. The Tax Court rejected the Service's argument that any interest paid under a debt between spouses should be automatically characterized as personal because it relates to a transfer between spouses.[158]

8. The RPM Transaction Will Only Be a Profitable Transaction to the Remainderman Trust if the Assets Subject to the Remainder Purchase Grow Faster Than What the Consideration Utilized By the Remainderman Trust Would Have Otherwise Increased.

The transaction will not be a profitable transaction for the remainderman trust unless the assets that are subject to the RPM transaction grow faster than the assets would have otherwise grown if it had been held by the remainderman trust. Like many estate planning techniques, the success of the technique depends on the prudence of the investments subject to the technique.

XII. SIXTH "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR SELLING ASSETS TO A TRUST THAT NAMES THE TRANSFEROR AS A BENEFICIARY, GIVES THE TRANSFEROR A SPECIAL POWER OF APPOINTMENT, AND UNDER WHICH THE TRANSFEROR'S SPOUSE IS CONSIDERED THE INCOME TAX OWNER ("SPOUSAL GRANTOR TRUST").

A. What is the Technique?

Sales to a Spousal Grantor Trust may constitute effective estate planning. Consider the following example:

Example 20: Ann and Aaron Appointment Wish to Make
Transfers of Their FLP Interests and Maintain Maximum Flexibility

Ann and Aaron Appointment approach their attorney, Ray Reciprocal, and tell him they would like to transfer their FLP interests in a manner that maintains maximum future flexibility and ensures that there will be no gift tax surprises.

---

[157] *Cipriano v. Commissioner*, T.C. Memo 2001-157, aff'd 91 AFTR 2d 2003-608 (3rd Cir. 2003).

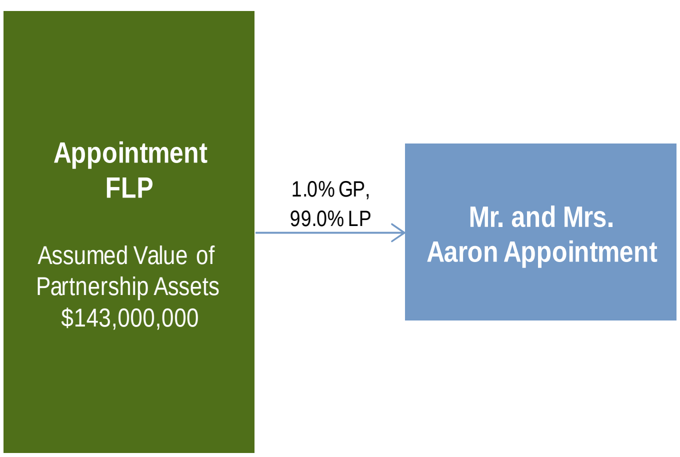
[158] *Seymour v. Commissioner*, 109 T.C. 279 (1997) (qualified residence interest); *Armacost v. Commissioner*, T.C. Memo 1998-150 (investment interest).

Ray suggests they consider creating trusts for each other as discretionary beneficiaries (with different provisions) that will not be considered reciprocal trusts and under which one spouse would have a lifetime special power of appointment and the other spouse would have a testamentary power of appointment (also with different provisions). The trusts will be grantor trusts to the spouse who creates the trust.

Ann has a 5% limited partnership interest in the FLP, which has a value of $5,000,000 after considering valuation discounts. It is assumed the valuation discounts for the transfers is equal to 30%. Aaron has a 94% limited partnership interest that has a value of $94,000,000 after considering valuation discounts. Ann creates a grantor trust for the benefit of Aaron and her family by gifts of her partnership interest (GST Grantor Trust #1) pursuant to a defined value formula assignment. Aaron creates a trust for the benefit of Ann and their family by contributing a 5% limited partnership interest (GST Grantor Trust #2) pursuant to a defined value formula assignment.

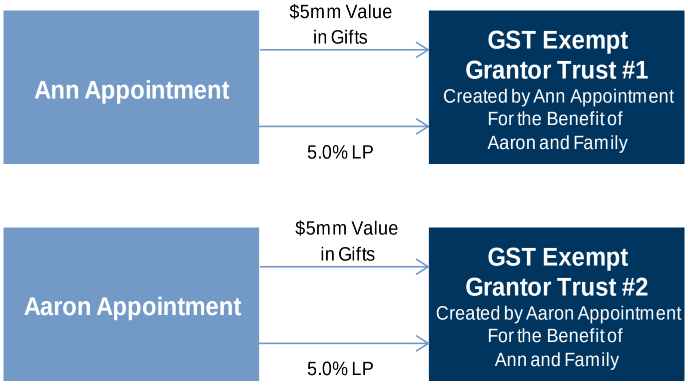
Ray suggests that after the trusts are created that Aaron sell 44.5% of his limited partnership interests to the trust Aaron created for Ann's benefit (GST Grantor Trust #2) pursuant to a defined value formula assignment and Aaron sell his remaining 44.5% limited partnership interest to the trust Ann created for his benefit (GST Grantor Trust #1). Nine year notes are used. It is assumed the AFR for a nine year note is 0.87%.

The ownership of the FLP is illustrated below:



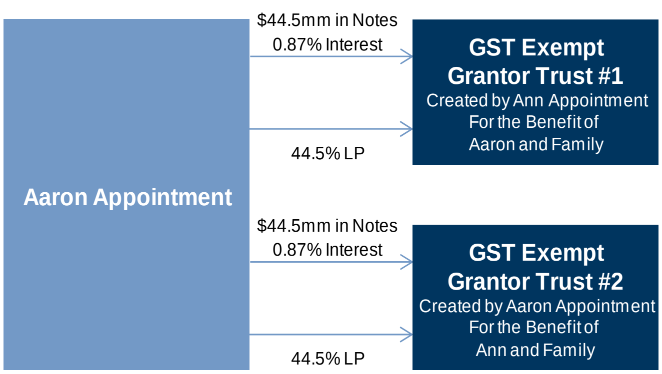
Partner	Ownership %
Aaron Appointment (or affiliates)	1.0% GP, 94.0% LP
Ann Appointment	5.0% LP

The proposed gift to create the proposed trusts is illustrated below:



Partner	Ownership %
Aaron Appointment (or affiliates)	1.0% GP, 89.0% LP
GST Exempt Grantor Trust #1 Created by Ann Appointment	5.0% LP
GST Exempt Grantor Trust #2 Created by Aaron Appointment	5.0% LP

The proposed sale of the remaining 89% limited partnership interests by Aaron is illustrated below:



Partner	Ownership %
Aaron Appointment (or affiliates)	1.0% GP, 89.0% LP $89,000,000 Notes Receivable
GST Exempt Grantor Trust #1 Created by Ann Appointment	49.5% LP $45,500,000 Note Payable
GST Exempt Grantor Trust #2 Created by Aaron Appointment	49.5% LP 45,500,000 Note Payable

B. Advantages of the Technique.

1. There Will Be No Capital Gains Consequence on the Original Sale of the Assets to the Trust.

A sale to a Spousal Grantor Trust should not be recognized for income tax purposes because of IRC Secs. 1041 and 671. As noted above, under Rev. Rul. 85-13, a grantor trust is deemed to have no existence with respect to transactions between the grantor and the trust. To say that transactions between the grantor and the trust are treated as transactions between the grantor and himself is not quite the same as saying that transactions between a third party and the trust are treated as transactions between the third party and the grantor. The latter conclusion, however, follows logically from the former, and this extension of Rev. Rul. 85-13 has been endorsed by two private rulings. PLR 8644012 and PLR 200120007 hold that a transfer between H (or H's grantor trust) and W's grantor trust is treated the same way as a transfer between H and

W and is governed by IRC Sec. 1041. Therefore, there should be no capital gains tax consequences to the transactions explored above.[159]

However, interest on notes issued as consideration for a sale to a spousal grantor trust will be recognized for income tax purposes, because IRC Sec. 1041 does not prevent inter-spousal interest from being taxable. Generally, the interest will produce an offsetting deduction and income to the spouses. The principal and income of the notes can be paid with cash flow that is naturally distributed to the partners in order to pay their income taxes.

2. The Technique, With Respect to a Sale to the Trust in Which the Seller Has a Power of Appointment, Has the Potential of Mitigating Gift Tax Surprises.

Because of the presence of the testamentary power of appointment in GST Grantor Trust #1, if the IRS determines the notes received by Aaron is inadequate consideration, there will not be any gift taxes owed because any "gift" inherent in that sale to GST Grantor Trust #1 will be incomplete for gift tax purposes. *See* Treas. Reg. Sec. 25.2511-2(b). Instead, for income tax purposes Aaron will be considered the grantor of that portion of the trust consisting of the excess value. For estate tax purposes, Aaron may be considered the transferor of all the property he sells to the trust. If the IRS does finally determine Aaron has made a transfer for less than full consideration, the trust may be able to be divided into two trusts, because of the operation of state law, or the trust agreement. Under those circumstances, GST Grantor Trust #1 could perhaps be divided in a manner in which Aaron is considered the grantor of one trust ("Trust 1A") and Ann is considered the grantor of the other trust ("Trust 1B"). The trust in which Aaron is considered the grantor, Trust 1A, will be taxable in his estate. There may be additional planning opportunities, if the trustee of Trust 1A simply distributes the trust assets to Aaron, and Aaron then enters into further estate planning.

3. It Has the Advantage of Allowing the Transferor to Be a Beneficiary of the Trust and Have a Power of Appointment Over the Trust.

From the perspective of any transferor, the most flexible arrangement, with respect to exit strategies, is a trust in which the transferor is a beneficiary and the transferor has a special power of appointment over the trust (i.e., GST Grantor Trust #1). Assuming the sale is for adequate and full consideration, and assuming one of the equitable doctrines (either the step transaction doctrine or the reciprocal trust doctrine) is not available to attack the transaction, a sale to such a trust has significant flexibility advantages. The seller has access to the proceeds of the note or any asset, which that note may be converted into (e.g. a private annuity). Furthermore, the seller may have access, as limited by the trust provisions, to the assets of the trust for his her benefit. Assuming the seller's spouse has given the seller a power of appointment, the seller has the ability

---

[159] *Rothstein v. United States.*, 735 F.2d 704 (2nd Cir. 1984), held that a transaction between a grantor trust and a grantor was not disregarded for income tax purposes. This case has not been overruled and stands as authority of a high level against the income tax analysis herein. However, the IRS disagreed with the case in Rev. Rul. 85-13 and, it appears, has never departed from Rev. Rul. 85-13 or relied on the case even when to do so would have favored the government. As a practical matter it seems that Rothstein may be ignored.

to redirect the assets of the trust in a different stewardship manner than the default provisions of the trust.

4. Appreciation Will Be Out of the Transferor's Estate.

Assuming the assets grow faster than the interest carry on any note sold to a spousal grantor trust, the appreciation will be out of the transferor seller's estate. See the discussion in Section VII B 3 of this paper. As noted above, except for transfer tax consequences associated with paying the income taxes on a grantor trust, for most clients the next most powerful tool in estate planning is the estate freeze. Since the note can be refinanced on an income tax free basis, it could be swapped for a note paying a higher interest or could be converted to a private annuity or some other consideration. However, that may not be necessary when a grantor/seller is also the beneficiary of the trust. Presumably, the beneficial provisions of the trust will be flexible enough to cover a transferor's anticipated or unanticipated consumption needs.

C. Considerations of the Technique.

1. There May Need to Be Substantive Equity in the Trust From Prior Gifts (is 10% Equity Enough?) Before the Sale is Made.

See the discussion in Section VII C 1 of this paper.

2. Federal Income Tax Considerations.

As noted above, the sale to a Spousal Grantor Trust should be income tax free. However, the seller will be taxed on the interest on the note. As long as the seller spouse is living, he or she should receive a corresponding deduction on the interest on the note. Thus, assuming the spouses file joint returns, the interest income and the interest deduction should be a "wash" in most circumstances.

3. State Income Tax Considerations.

See the discussion in Section VII C 2 of this paper.

4. Necessary to File Gift Tax Returns.

In order to get the gift tax statute of limitations running, it is advisable to file a gift tax return even if the grantor/seller to the Spousal Grantor Trust is reasonably confident that the sale is for adequate and full consideration. If the gift tax return is accepted there should not be any gift tax consequences[160] and arguably there should not be any further open issue with respect to IRC Sec. 2036, even if the grantor/seller is a beneficiary of the trust.[161] However, if the Service successfully takes the position that the sale is not for adequate and full consideration, the seller

[160] *See* IRC Sec. 2504(c).

[161] *See* IRC Sec. 2001(b); Treas. Reg. Section 20.2001-1(b). See, however, the final paragraph of the discussion in Section III K 3 b (4) of this paper.

will be considered a grantor of a portion of the trust. For IRC Sec. 2036 purposes, not only the portion of the trust in which the grantor has made a gift will be brought back into the grantor's estate, but that portion associated with the note may be brought back into the grantor's estate. There will be a consideration offset for the note allowed under IRC Sec. 2043, but that is generally inadequate if there has been appreciation in the assets of the trust. Thus, it is very advantageous to find out what portion of the trust the grantor/seller is considered a grantor by filing a gift tax return. As noted above, it may be possible to do further planning to ameliorate the IRC Sec. 2036 concerns by splitting the trust into a portion the seller is considered a grantor of and a portion in which the spouse is considered a grantor.

5. The Family Could Lose The Benefits of Using the Gift Tax Exemption, if the Trust Assets Depreciate.

If the value of the trust assets depreciate below the value of the note of the seller then the seller, grantor's spouse and the grantor's family has lost the benefit of allocating the gift tax exemption or any GST exemption to this trust. As with the other leveraged transactions that are described in this paper, because of the significant leverage, a small depreciation in the value of the assets may eliminate the benefit of allocating the gift tax exemption and GST exemption to such a trust.

6. The IRS Could Be Successful in Applying the Step Transaction Doctrine to the Technique.

See the discussion in Section VII C 3 of this paper.

7. If it is Possible For a Current Creditor, or Any Future Creditor, of the Assigning Spouse/Beneficiary to Reach Part of the Assets of the Trust For a Period of Time That Does Not End Before the Assigning Spouse/Beneficiary's Death, By Either Voluntary or Involuntary Assignment By the Assigning Spouse/Beneficiary, Then That Part of the Trust May Be Included in the Assigning Spouse/Beneficiary's Estate Under IRC Secs. 2036 or 2038.

Even if an assigning spouse/beneficiary does not have any current creditors, or any future creditors, if the assigning spouse/beneficiary *could* create a creditor relationship under which part of the trust assets, either under state law or federal bankruptcy law, would be available to satisfy the creditor obligation, that part of the trust will be included in the assigning spouse/beneficiary's estate for estate tax purposes. Even if the sale is for adequate and full consideration for gift tax purposes the IRS could take the position that either (i) the sale is not adequate for creditor protection purposes under the relevant state property law or (ii) even if the sale is adequate for state law purposes, the assigning spouse/beneficiary, under certain assumptions, could still create a future creditor relationship that could access the trust.

The sale must be for adequate and full consideration, not only for gift tax purposes, but also for state law creditor protection purposes. There is more pressure on a sale to a trust in which the seller is also a beneficiary of the trust. Generally speaking, under the law of most states, an assigning spouse/beneficiary's creditor can reach the maximum amount that can be distributed by a trustee to the assigning spouse/beneficiary, if there is an assignment by the assigning spouse/beneficiary for less than full consideration under state property law.[162] In other words, under the laws of most states, a grantor of a trust cannot create a trust and achieve creditor protection to the extent the grantor could be a beneficiary of that trust. It is the IRS's view, which has had some success in the courts, that a retained "string" exists under IRC Sec. 2036 or 2038, if the settlor of the trust has the capacity of creating such a creditor.[163] It does not matter at the time of death that such a creditor exists – it only matters that the creditor could exist because of the assigning spouse/beneficiary's actions. As noted above, if IRC Sec. 2036 or 2038 apply, all of the appreciation in the trust after the sale may also be included because of the manner in which the consideration offset is applied under IRC Sec. 2043. Thus, it is important that the sale be for adequate and full consideration for state law creditor protection purposes, in order to avoid grantor status for the assigning spouse/beneficiary, which also affects the estate tax consequences of the transaction.

Thirteen states have adopted varying ways in which a grantor can create a self-settled trust, with an independent trustee, and also be a discretionary beneficiary of that trust, and the grantor's future creditors cannot reach the beneficial interest in the trust. What if the assigning spouse/beneficiary does not live in one of those states, but creates a trust subject to the law of one of those states that allow self-settled trusts? The IRS may take the position that even though the trust is subject to the self-settled state's laws, because of operation of the assigning spouse/beneficiary's state law (assuming the assigning spouse/beneficiary lives in a state that does not allow self-settled trusts), the assigning spouse/beneficiary could create a creditor relationship that would allow the creditor access to trust assets, which indirectly allows an assigning spouse/beneficiary to retain the ownership for estate tax purposes. The IRS may take the position that the assigning spouse/beneficiary could, at any time, create a significant debt and enjoy the benefit of the proceeds of that debt. That creditor, if not paid, could get a judgment against the assigning spouse/beneficiary. The IRS could take the position that any such judgment is enforceable against both the assigning spouse/beneficiary and the trust the assigning spouse/beneficiary creates, even if under the state law governing the trust that judgment would not be enforceable. The IRS may take the position that creation of the trust would be against public policy of the domicile state of the assigning spouse/beneficiary. The IRS could argue that either because of comity, full faith and credit clause under the Constitution[164] and/or conflict of law rules,[165] the trust jurisdiction state would allow that potential creditor access to the trust. It

---

[162] E.g., *Vanderbilt Creditor Corp. v. Chase Manhattan Bank*, N.A., 473 N.Y.S. 2d 242 (App. Div. 1984); comment f to Restatement (3d) of Trusts § 60.

[163] Rev. Rul. 76-103, 1976-1 CB 293; Rev. Rul. 77-378, 1977-2 CB 348; *Estate of Paxton v. Commissioner*, 86 TC 785 (1986) and cases cited therein; *Outwin v. Commissioner*, 76 TC 153 (1981), acq. 1981-2 CB 1; *Paolozzi v. Commissioner*, 23 TC 182 (1954), acq. 1962-1 CB 4.

[164] "Full faith and credit shall be given in each state to the public acts, records and judicial proceedings of every other state." (U.S. Const. Art IV, § 1).

[165] *See* comment d to § 145 of the Second Restatement of the Conflict of Laws, which states:

> [S]ubject only to rare exceptions, the local law of the state where conduct and injury occurred will be applied to determine whether the actor satisfied minimum standards of acceptable conduct and whether the interest affected by the actor's conduct was entitled to legal protection.

would not matter to the IRS, for purposes of IRC Sec. 2036(a)(1), that the creditor never exists. The fact that the assigning spouse/beneficiary *could* create that relationship gives the assigning spouse/beneficiary a retained power to access the trust anytime and at the moment of death. There is not any definitive case law with respect to state property law creditor aspects of the above analysis nor the federal tax law aspects of the above analysis.

The IRS may take the position that the assigning spouse/beneficiary of a trust subject to the laws of a self-settled state *could* create a creditor relationship, even if the assigning spouse/beneficiary is domiciled in that self-settled state, if there is a sale that constitutes inadequate consideration for state law property purposes, because of federal bankruptcy laws. If the assigning spouse/beneficiary creates a self-settled trust, within 10 years of his death, the IRS could argue that the assigning spouse/beneficiary could have filed a bankruptcy petition under Chapter 7 within 10 years of his death, and the bankruptcy trustee could avoid the transfer to the self-settled trust and bring the trust assets back into the bankruptcy estate for the benefit of creditors, because of 11 U.S.C. § 548(e). See the bankruptcy court decision in the *Battley v. Mortensen*, No. A09-90036-DMD (D. Alaska 5/26/11) holding that creditors of an Alaskan resident, whose claims arose after a validly created Alaskan self-settled trust, within 10 years of the transfer to the trust, could be satisfied in bankruptcy from the self-settled trust. On the other hand, 11 U.S.C. § 548(e) does not confer upon creditors the right to enforce satisfaction of a debt against a self-settled trust except in a bankruptcy proceeding, and it does not apply to a transfers more than 10 years prior to the bankruptcy. Thus, creditors' rights under federal bankruptcy law are significantly less than under the state law that exists outside the thirteen states permitting self-settled trusts, and may not have the same effect for federal transfer tax purposes, especially where the transferor remains solvent at all times prior to death, with bankruptcy not more than a remote possibility. The application of 11 U.S.C. § 548(e) requires proof of an actual intent by the transferor to hinder potential future creditors, which may be absent when the transfer has significant other purposes.

8. If it is Possible For a Current or Future Creditor of an Assigning Spouse/Beneficiary to Reach Part of the Assets of a Self-settled Trust, Then That Part of the Trust May Not Constitute a Complete Gift For Gift Tax Purposes.

The IRS could argue that because of state property law, or federal bankruptcy law, the grantor/beneficiary could create a future creditor relationship, which would terminate part or all of the trust. That power by the assigning spouse/beneficiary would mean that the assigning spouse/beneficiary has retained dominion and control over that part of the trust, and has not completed a gift for gift tax purposes under Treas. Reg. § 25.2511-2(b).[166]

XIII. SEVENTH "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR SELLING ASSETS TO A THIRD PARTY CREATED TRUST THAT NAMES THE TRANSFEROR AS A BENEFICIARY, GIVES THE

---

[166] *See Outwin v. Commissioner*, 76 TC 153 (1981), acq. 1981-2 CB 1; *Herzog v. Commissioner*, 116 F2d 591 (2d Cir. 1941).

TRANSFEROR A SPECIAL POWER OF APPOINTMENT, AND UNDER WHICH THE TRANSFEROR IS CONSIDERED THE INCOME TAX OWNER ("BENEFICIARY GRANTOR TRUST").

A. What is the Technique?

The mechanism underlying the techniques described in this Section XIII is a type of trust that we will refer to as a "Beneficiary Grantor Trust," that is created by a third party. A Beneficiary Grantor Trust is a trust that is a grantor trust, not as to the trust's settlor (the "Settlor") but as to a trust beneficiary (the "Beneficiary"). That is, the trust is specifically designed not to trigger any of IRC Secs. 673, 674, 675, 676, 677 or 679, but intentionally to trigger IRC Sec. 678.

Consider the following example:

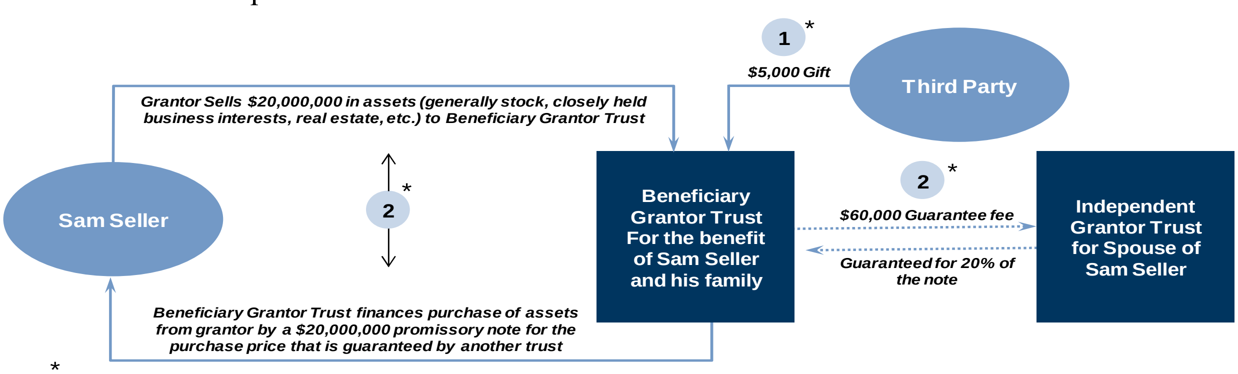
Example 21: A Leveraged Sale By a Transferor to a Beneficiary Grantor Trust in Which the Note is Guaranteed By the Transferor Spouse or a Third Party Trust

Sam Seller is the beneficiary of a Beneficiary Grantor Trust that has $5,000 as its sole asset and was created by a third party. The trust is designed not to be taxed in Sam Seller's estate. The trust is also designed where Sam Seller will pay all of the income taxes of the trust under IRC Sec. 678.

Previously, Sam had contributed $5,000,000 to a dynasty trust, which has the same beneficiaries as the Beneficiary Grantor Trust, excluding Sam.

Sam also does not have a power of appointment over that $5,000,000 dynasty trust. The $5,000,000 dynasty trust is a grantor trust to Sam. Sam sells assets equal to $20,000,000 to the Beneficiary Grantor Trust. The $5,000,000 generation-skipping trust guarantees the note up to $4,000,000. The Beneficiary Grantor Trust pays a guarantee fee equal to one and one-half percent of the $4,000,000 guarantee, or $60,000 a year.

This technique is illustrated as follows:



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

B. Advantages of the Technique.

If the technique works, it has many of the same advantages as the sale to a grantor trust with the additional exit strategies of the transferor not only having access to the cash flow from the note, but also having access to the cash flow of the trust for his or her support and maintenance. Additionally, if the technique works, the transferor has the ability to change his or her mind as to future stewardship goals through the power of appointment mechanism.

In Revenue Procedure 2013-3 Section 4.01 (43), the IRS announced it would not rule on this transaction if "the value of he assets with with the trust was funded by the grantor is nominal compared to the value of the property purchases." Some of the considerations that may have led the IRS to the "no ruling" policy are noted below.

C. Considerations of the Technique.

1. Guarantee Fee Transfer Tax Issues.

There is considerable pressure on the technique because of the need to pay the guarantee fee to the third party. A guarantee fee is probably necessary because the guarantor trust may not be the remainder beneficiary of the Beneficiary Grantor Trust.[167] The IRS may question the substance of any guarantee fee in the hypothetical transaction illustrated above because of the significant ratio of that guarantee fee in comparison to the beginning corpus of the Beneficiary Grantor Trust. Under this example, the corpus of the Beneficiary Grantor Trust is $5,000 and the guarantee fee to be paid is $60,000 a year for the years the guarantee is outstanding. That is, the annual guarantee fee is *twelve* times the beginning corpus of the $5,000 trust. The IRS may take the view that the substance of the transaction, despite the guarantee, is a sale for a note to a "naked" trust that has gift tax consequences under IRC Sec. 2702, and estate tax consequences under IRC Secs. 2036 and 2038. Stated differently, the IRS may take the view that the risk/reward ratio of the guarantee fee by the Beneficiary Grantor Trust is not commercial and there is no substance in the protection of the guarantee. The IRS' position could be, in reality, there is little risk in the guarantee by the Beneficiary Grantor Trust in comparison to its potential reward. The Beneficiary Grantor Trust, under this example, has *de minimis* "skin" in the game.

2. Additional Transfer Tax Issues.

a. In general.

Often (though not always) the purpose of creating a Beneficiary Grantor Trust is to enable the Beneficiary to sell property to the trust without incurring a capital gains tax, because the trust is a grantor trust as to the Beneficiary, removing subsequent appreciation of the sold property from the Beneficiary's gross estate. Of course, the Beneficiary could sell property to a grantor trust of his own creation without capital gains tax, and doing so has become a standard estate planning technique. The advantage of the Beneficiary Grantor Trust, if it works, is that the

[167] *See* P.L.R. 9113009 (Dec. 21, 1990), which was withdrawn for other reasons; *see also* Martin M. Shenkman, "Role of Guarantees and Seed Gifts in Family Installment Sales," 37 Estate Planning 3 (Nov. 2010).

Beneficiary may have interests in and powers over the Beneficiary Grantor Trust that the Beneficiary could not have with respect to an ordinary, self-settled grantor trust, without causing the trust property to be included in the Beneficiary's gross estate, because these interests and powers will be treated as conferred upon the Beneficiary by the settlor of the trust, rather than retained by the Beneficiary.[168]

b. Interests and powers of the beneficiary.

The proponents of the Beneficiary Grantor Trust assert that the Beneficiary can have various interests and power in the trust without causing inclusion in the Beneficiary's gross estate. That is, the Beneficiary's interests and powers will be tested under IRC Sec. 2041 rather than IRC Secs. 2035 and 2038.[169] If that is so, the Beneficiary can have a limited testamentary power of appointment over the trust and the power will not cause inclusion, whereas the same power retained by the Beneficiary would cause inclusion under IRC Sec. 2038. Similarly, the Beneficiary may have a power of withdrawal subject to an ascertainable standard (and, as we shall see, such a power may be helpful to preserve grantor trust status). Under IRC Sec. 2041 a power exercisable in favor of the powerholder does not cause inclusion if it is subject to an ascertainable standard. Under IRC Secs. 2036 and 2038, such a power may cause inclusion.[170] Also, the Beneficiary may be able to receive trust distributions in the discretion of an independent trustee. Such an interest will cause inclusion if the Beneficiary's creditors can reach trust property under state law "creditors' rights" doctrine. Typically, creditors cannot reach trust

[168] Richard A. Oshins, Larry Brody & Katarinna McBride, "The BDIT: A Powerful Wealth Planning Strategy When Properly Designed and Implemented," LISI Estate Planning Newsletter #1824 (June 22, 2011), at http://www.leimbergservices.com; Steven B. Gorin, "Beneficiary Grantor Trusts: A New Paradigm for Transferring Businesses," paper prepared for the ACTEC Business Planning Committee Summer 2011 Meeting (a shorter version is *A Balanced Solution,* Trusts & Estates 28-33 (May 2011)); Jeffrey A. Galant, "Beneficiary Grantor Trusts: Overview of Selected Issues," paper prepared for the ACTEC Business Planning Committee Summer 2011 Meeting; Jonathan G. Blattmachr & Diana S.C. Zeydel, "PLR 200449012 – Beneficiary Defective Trust(sm) Private Letter Ruling," LISI Estate Planning Newsletter #1559 (Dec. 10, 2009), at http://www.leimbergservices.com; Richard A. Oshins, Robert Alexander & Kristen Simmons, "The Beneficiary Defective Inheritor's Trust© ("BDIT"): Finessing the Pipe Dream," CCH Practitioner's Strategies (Nov. 2008); Richard A Oshins & Noel Ice, "The Inheritor's Trust™ Preserves Wealth as Well as Flexibility," 30 Est. Plan. 475 (Oct. 2003); Richard A Oshins & Noel Ice, "The Inheritor's Trust™: The Art of Properly Inheriting Property," 30 Est. Plan. 419 (Sept 2003); *see also generally*, Jonathan G. Blattmachr, Mitchell M. Gans & Alvina H. Lo, "A Beneficiary as Trust Owner: Decoding Section 678," 35 ACTEC Law Journal 106 (Fall 2009).

[169] Cf. Treas. Reg. Section 20.2041-1(b)(2).

[170] Cases have excepted retained powers to distribute to someone other than the powerholder from IRC Secs. 2036(a)(2) and 2038 where the power was subject to an ascertainable standard. *Jennings v. Smith*, 161 F. 2d 74 (2d Cir. 1949); *Estate of Budd v. Commissioner*, 49 T.C. 468 (1968), acq. 1973-2 C.B. 1; *Estate of Pardee v. Commissioner*, 49 T.C. 140 (1968); *see also Old Colony Trust Co. v. United States*, 423 F. 2d 601 (1st Cir. 1970); *Estate of Cutter v. Commissioner*, 62 T.C. 351 (1974). Whether the exception applies for purposes of IRC Secs. 2036(a)(1) and 2038 where the retained power is exercisable in favor of the powerholder under an ascertainable standard is uncertain. Logically, the exception should apply, and Action on Decision 1981-101 (Apr. 14, 1981) says that it does, but there is no developed body of law.

property if the interest in the trust was conferred on the debtor-beneficiary by a third party, but can reach it if the interest was retained by the debtor or the debtor has a general power.[171]

c. Who is the transferor for estate tax purposes?

It seems open to the IRS to argue that the Beneficiary should be treated as the transferor for estate tax purposes of any property which the Beneficiary, rather than the settlor, transfers to the Beneficiary Grantor Trust, whether the Beneficiary's transfer is a gift or a sale. For example, if the settlor of the Beneficiary Grantor Trust transferred only one dollar to the trust and the Beneficiary transferred ten million dollars by gift, it seems likely that the Beneficiary would be treated as the transferor of the ten million, with inclusion in the Beneficiary's estate governed by IRC Secs. 2036 and 2038 rather than IRC Sec. 2041. This result does not require applying the step transaction doctrine (although the IRS might assert that doctrine—see the discussion in Section VII C 3 of this paper). It requires only the application of the principle that when an individual transfers property to a trust, interests in and powers over that that property which the individual possesses after the transfer will be treated as retained by him, regardless of who created the trust. It seems likely that the same result would obtain if the settlor transferred only a small amount, such as $5,000, to the trust, as is contemplated in some uses of the Beneficiary Grantor Trust.

If the Beneficiary's transfer is a sale rather than a gift, does the result change? First suppose that the Beneficiary sells property to the trust at a bargain price equal to half the property's fair market value. It seems that such a bargain sale would make it possible for the IRS to argue that the Beneficiary remains the transferor and therefore that IRC Secs. 2036 and 2038 remain potentially applicable to the bargain sale. If that is so, then the IRS could make the same argument in the case of a sale for full and adequate consideration. Why should the payment of full consideration change the identity of the transferor? The proponents of the Beneficiary Grantor Trust seem to maintain (though the point is not discussed explicitly) that if the sale is for full consideration, the property transferred to the trust by the Beneficiary in the sale will be treated for estate tax purposes as if transferred by the trust settlor. That may be so, but for transfer tax purposes it is not clear that it is so, and the IRS may argue otherwise.

The grantor trust rules contain precise rules for determining who the transferor (grantor) is in the above examples. The Beneficiary is treated as the grantor to the extent of any gratuitous transfer to the Beneficiary Grantor Trust, and in the case of a bargain sale the value in excess of the sale price is treated as a gratuitous transfer. However, the Beneficiary does not become the grantor in the case of a sale at fair market value.[172] However, these rules may not apply for transfer tax purposes. For example, as discussed in the next paragraph, in the case of a bargain sale IRC Secs. 2036 and 2038 include the entire value at death of the sold property, reduced by the consideration paid, rather than a portion of the property proportionate to the bargain element on the date of sale.

---

[171] See, e.g., Uniform Trust Code Section 505.

[172] See Treas. Reg. Section 1.671-2(e), especially subparagraphs (1) and (2), and Ex. (7) under subparagraph (6).

d. IRC Secs. 2036 & 2038 exception for bona fide sales for full consideration.

Treatment of the Beneficiary as the transferor for estate tax purposes does not necessarily mean that property transferred by the Beneficiary to the Beneficiary Grantor Trust will be included in the Beneficiary's gross estate. Under the "parenthetical exception" contained in both IRC Sec. 2036 and IRC Sec. 2038, these provisions do not apply "in case of a bona fide sale for an adequate and full consideration in money or money's worth." If the exception applies, the property sold will be excluded from the Beneficiary's gross estate despite the Beneficiary's interests and powers under the Beneficiary Grantor Trust. If the exception does not apply, the sold property is included in the Beneficiary's gross estate at its date-of-death value, reduced by the consideration paid under IRC Sec. 2043.[173]

The application of the parenthetical exception under IRC Secs. 2036 and 2038 requires not only that the transfer be for full consideration, but that it be "a bona fide sale". In the family partnership context, courts have held that to be a bona fide sale the transfer of assets to the partnership must have a significant nontax purpose.[174] Whether this requirement would apply to a sale to a Beneficiary Grantor Trust, and what it would mean in that context, are uncertain.

Whether one believes that a sale for full consideration makes the Settlor, rather than the Beneficiary, the transferor for estate tax purposes, or instead believes that the Beneficiary is the transferor but the sale should be governed by the parenthetical exception in IRC Secs. 2036 and 2038, it seems essential that the sale be for full consideration for the Beneficiary Grantor Trust to achieve its goal of keeping trust property out of the Beneficiary's gross estate. As one article puts it: "The beneficiary must never make a gratuitous transfer to the trust."[175] This puts pressure both on the valuation of the transferred property and the valuation of any note taken in return. The examples and case studies below consider ways to cope with that pressure.

If the sale is reported on a gift tax return that meets the adequate disclosure requirements of Treas. Reg. Section 301.6501(c)-1(f) and the gift tax statute of limitations runs, is the IRS barred upon the Beneficiary's death from asserting inadequacy of consideration for purposes of IRC Sec. 2036 and 2038? The answer may be yes, but is uncertain. Adequacy of consideration is a "valuation issue" rather than a "legal issue." Treas. Reg. Section 25.2504-2(c), Ex. (3). An estate tax regulation provides that for transfers after August 5, 1997, the running of the gift tax statute of limitations bars any adjustment to the value of a prior gift, and this rule "applies to adjustments involving all issues relating to the gift, including valuation issues and legal issues

---

[173] The parenthetical exception should also apply to a sale to a self-settled trust, so it may be asked what advantage the Beneficiary Grantor Trust provides, other than a cosmetic one. One answer may be that the "creditors' rights" doctrine will apply more strictly to a self-settled trust, although if the requirements of the parenthetical exception are met, that may not matter.

[174] E.g., *Estate of Strangi v. Commissioner*, 417 F.3d 468 (5th Cir. 2005); *Estate of Bongard v. Commissioner,* 124 T.C. 95 (2005).

[175] Richard A. Oshins, Larry Brody & Katarinna McBride, "*The BDIT: A Powerful Wealth Planning Strategy When Properly Designed and Implemented,"* LISI *Estate Planning Newsletter* #1824 (June 22, 2011), at http://www.leimbergservices.com.

involving the interpretation of the gift tax law." Treas. Reg. Section 20.2001-1(b). This regulation, however, applies "[f]or purposes of determining the amount of adjusted taxable gifts as defined in Sec. 2001(b)." Determining inclusion under IRC Secs. 2036 and 2038 is not the same as determining the amount of adjusted taxable gifts and the regulation may not prevent revisiting the consideration question under IRC Secs. 2036 and 2038. The gift tax disclosure regulations do not specifically address finality on the issue of adequate consideration. They do address the case of an incomplete transfer reported as a completed transfer. Treas. Reg. Section 301.6501(c)-1(f) provides that "if an incomplete gift is reported as a completed gift on the gift tax return and is adequately disclosed, the period for assessment of the gift tax will begin to run when the return is filed, as determined under Sec. 6501(b). Further, once the period of assessment for gift tax expires, the transfer will be subject to inclusion in the donor's gross estate for estate tax purposes only to the extent that a completed gift would be so included." The final sentence is ambiguous as applied to an attempt to invoke IRC Secs. 2036 and 2038 at death on the grounds that the transfer was not a *bona fide* sale for full consideration, but the more convincing reading is that the regulation would not preclude inclusion of the transfer under those sections, because IRC Secs. 2036 and 2038 can apply to transfers which are completed gifts. Moreover, it is not clear that the regulation, which applies when "an incomplete gift is reported as a completed gift," will apply to a return that reports the transfer as a sale for full consideration but says nothing about whether any value later determined to be in excess of the consideration is a complete or incomplete gift. That is the way most such gift tax returns will read, because the Beneficiary typically will want to preserve the "incompleteness" argument as to any gift if the consideration is found inadequate.

e. Creditors' rights and related estate tax issues.

See the discussion under Section XII C 8 of this paper.

f. Incomplete gift issues.

See the discussion under Section XII C 9 of this paper.

3. Income Tax Issues.

a. In general.

The Beneficiary Grantor Trust must remain a grantor trust during the Beneficiary's life, or at least while any note is outstanding, in order to circumvent a capital gain on the sale (or as installments are paid), income tax on interest payments, and (possibly) adverse consequences upon loss of grantor trust status under Treas. Reg. Section 1.1001-2(c), Ex. (5). To achieve grantor trust status under IRC Sec. 678, initially the Beneficiary must have over the trust "a power exercisable solely by himself to vest the corpus or the income therefrom in himself." IRC Sec. 678(a)(1). If left in place, such a power would cause the trust property to be includible in the Beneficiary's gross estate under IRC Secs. 2036 and 2038, or under IRC Sec. 2041, whichever is viewed as applicable. Thus this power must be cut down before the Beneficiary's death without either (1) losing grantor trust status, or (2) causing the Beneficiary to be treated as the transferor for estate tax purposes.

Once the Beneficiary acquires a power described in IRC Sec. 678(a)(1), IRC Sec. 678(a)(2) provides that the trust continues to be a grantor trust after the powerholder "has previously partially released or otherwise modified such a power and after the release or modification retains such control as would, within the principles of IRC Secs. 671 to 677, inclusive, subject a grantor of a trust to treatment as the owner thereof."

b. It is necessary for the settlor of the Beneficiary Grantor Trust to steer clear of grantor trust status.

In order to achieve grantor trust status for the beneficiary of the Beneficiary Grantor Trust under IRC Sec. 678, the trust cannot be a grantor trust to the settlor. In Private Letter Ruling 200949012, the IRS rules that the trust would not be a grantor trust as to the settlor, yet the beneficiary would be treated as the owner for income tax purposes under IRC Sec. 678. The design of the trust in that private letter ruling provides a great roadmap in avoiding grantor trust status for the settlor. The private letter ruling notes the following key facts:

> Grantor is not a beneficiary under the Trust, and has no interest under the Trust. Trust provides that no income or principal of Trust may be paid or appointed for the benefit of the Grantor or Grantor's spouse, or to pay premiums on insurance policies on the life of Grantor and/or Grantor's spouse. Trust further provides that neither Grantor nor Grantor's spouse may act as a Trustee of Trust and that no more than one-half of Trustees of Trust may be related or subordinate parties to Grantor, within the meaning of § 672(c).
>
> Trust further provides that Grantor does not intend to be treated under subpart E of Part I of subchapter J as the owner of Trust. Trust further provides that neither Grantor nor any other "nonadverse party" as that term is defined in § 672(b) shall have the power to (1) purchase, exchange or otherwise deal with or dispose of Trust's principal or income for less than adequate consideration or (2) borrow any of Trust's principal or income without adequate interest or security. Trust further provides that no person, other than a United States person, shall have the authority to control any substantial decision (within the meaning of § 7701(a)(30)(E) of any trust created under an [sic] held under Trust. No court, other than a court within the United States, shall exercise primary supervision over the administration of any trust created and held under Trust. Grantor and Beneficiary represent that Trust will be a domestic trust within the meaning of § 301.7701-7 of the Procedure and Administration Regulations.

The private letter ruling concludes that based on the above facts the settlor will not be taxed under the grantor trust rules.

c. Release vs. lapse

One issue with respect to any Beneficiary Grantor Trust in which there is a lapse of a withdrawal right, is whether IRC Sec. 678(a)(2) applies when the power is cut down by a lapse rather than a release. If a lapse occurs pursuant to the terms of the trust, can the powerholder be said to have "partially released or otherwise modified" the power? In two recent non-precedential private rulings, the IRS has held that after a lapse the beneficiary continues to be taxable on the income of the trust under IRC Sec. 678(a)(2).[176] These are the latest in a long line of private rulings that treat a lapse as covered by the "partially released or otherwise modified" language of IRC Sec. 678(a)(2).[177] However, the rulings do not discuss in detail the issues underlying that result. Some worry that the rulings are questionable and the IRS could change its position because a lapse is different than a release, and IRC Sec. 678(2) does not mention lapses.[178] A "release" requires an act by the powerholder, while a "lapse" can occur pursuant to the terms of the trust without an affirmative act. Is a lapse a release or other modification as required by IRC Sec. 678(a)(2)? The private rulings imply that the answer is yes.[179]

d. Partial release or other modification

Assuming a lapse can qualify as a release or other modification, the next issue with respect to any Beneficiary Grantor Trust in which there is a lapse of a withdrawal right is whether a power that has lapsed completely (either all at once or in stages over time) remains one described in IRC Sec. 678(a)(2), given the statute's requirement that the IRC Sec. 678(a)(1) power have been "partially released or otherwise modified" (underscoring added). For estate tax purposes, it would be desirable to eliminate the power of withdrawal entirely prior to death because, even if tested under IRC Sec. 2041, it is a general power. In Private Letter Ruling 201039010 withdrawal powers over successive additions lapsed completely (within the "5 & 5" limits) after each year's addition, but IRC Sec. 678(a)(2) was held to apply, without discussion of the word "partially" in the statute. One way to read IRC Sec. 678(a)(2) is that if the Beneficiary once had a IRC Sec. 678(a)(1) power, IRC Sec. 678(a)(2) applies as long as the Beneficiary has any continuing interest or power that would make a self-settled trust a grantor trust, even if the Beneficiary no longer has any power to withdraw. The line of private rulings mentioned in the preceding paragraph supports this reading. The language of the pertinent Regulation seems also to support it.[180] This reading is not certain, however, and some practitioners would argue that the

---

[176] *See* P.L.R. 200949012 (Aug. 17, 2009); PLR 201039010 (June 29, 2010).

[177] See rulings cited in Howard Zaritsky, "*The Year in Review: An Estate Planner's Perspective on Recent Tax Developments,*" TM Estates Gifts and Trusts Journal (*BNA*) (Jan.13, 2011).

[178] *See* Avi Kestenbaum, Jeff Galant & Eli Akhaven, "The Beneficiary Defective Inheritor's Trust: Is It Really Defective?," LISI *Estate Planning Newsletter #1730* (Dec. 14, 2010), at http://www.leimbergservices.com.

[179] Under the gift and estate tax, specific statutes provide that a lapse is a release. IRC Secs. 2514(e), 2041(b)(2). These provisions do not apply to the extent the lapsed power covered less than the greater of $5,000 or 5% of the trust's value.

[180] Treas. Reg. Section 1.678(a)-1(a) states: "The holder of [an IRC Sec. 678(a)(1) power] also is treated as an owner of the trust even though he has partially released or otherwise modified the power so that he can no longer vest the corpus or income in himself, if he has retained such control of the trust as would, if retained by a grantor, subject the grantor to treatment as the owner under Secs. 671 to 677, inclusive." See Jeffrey A. Galant, "*Beneficiary*

power to withdraw must continue to some extent for the lapse to be "partial".[181] The design of the trust described in Private Letter Ruling 200949012 finesses this issue, giving the Beneficiary a continuing withdrawal power under an ascertainable standard, supporting the conclusion that there has been a "partial release" or other "modification" of the unlimited withdrawal power, rather than a complete release. Again, however, the ruling does not discuss the issue specifically.

D. A Beneficiary Grantor Trust Makes an Investment That Has Substantial Value Without a Sale By the Transferor Beneficiary to the Beneficiary Grantor Trust.

The settlor to a Beneficiary Grantor Trust could contribute a corpus that is much greater than $5,000. The Beneficiary Grantor Trust could be designed so that the original unlimited power to withdraw all of the assets of the trust gradually lapses over time pursuant to a so-called "hanging power." The trust assets with that unlimited power to withdraw could pass to another trust in which the beneficiary only has the power to withdraw pursuant to an ascertainable standard. The technique may be illustrated by the example below:

Example 22: A Beneficiary Grantor Trust is Created
By a Third Party With Substantial Assets and Under Which
There is Only a Gradual Lapse of the Unlimited Withdrawal Power

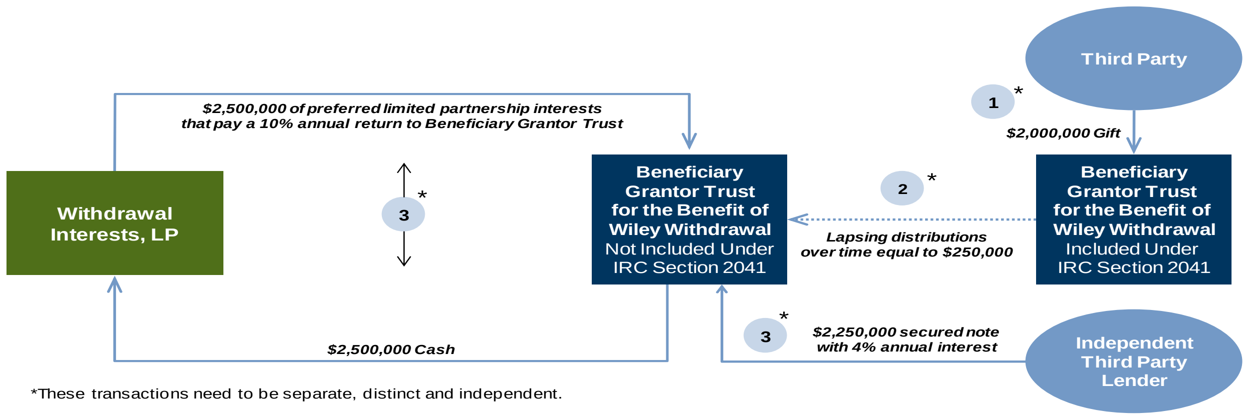
Wilhelmina Withdrawal creates a trust for the benefit of her son Wiley Withdrawal. She contributes $1,000,000 to the trust. Wiley has an unlimited power of withdrawal for any reason, which gradually lapses over time (this lapsing power annually lapses by the greater of 5% of the value of the assets or $5,000.00). Each year when the unlimited power partially lapses, the trust assets equal to that lapse are held in another trust in which Wiley Withdrawal has a direct or indirect limited power of withdrawal that never lapses and is tied to an ascertainable standard relating to Wiley's health, support and maintenance. Wiley lives in a state where his creditors cannot reach the assets of a trust that is not included in his estate under IRC Sec. 2041 despite his powers of withdrawal.

Five years later, the trust in which Wiley has a limited power of withdrawal has $250,000 in it. That trust then borrows $2,250,000 from an independent third party and invests $2,500,000 in Withdrawal Interests, FLP and receives a preferred limited partnership interest that pays a 10% coupon and has certain put rights.

Grantor Trusts: Overview of Selected Issues," paper prepared for the ACTEC Business Planning Committee Summer 2011 Meeting.

[181] Jonathan G. Blattmachr & Diana S. C. Zeydel, "PLR 200449012 – Beneficiary Defective Trust(sm) Private Letter Ruling," LISI *Estate Planning Newsletter* #1559 (Dec. 10, 2009), at http://www.leimbergservices.com.

This technique is illustrated below:



1. Additional Advantages of This Technique.

The use of a reverse freeze (using high yielding preferred partnerships) has been explored by this writer and others.[182] A high yielding preferred partnership interest may make excellent collateral to an independent third party lender. Assuming the trust is not taxable in Wiley's estate, any future sales into the trust in which Wiley has a limited power of withdrawal should not be subject to capital gains taxes. The trust, as described above, would have considerable flexibility for Wiley's cash flow needs. Assuming Wiley has a limited power of appointment over the trust he should be able to reallocate the corpus of the trust if he has different stewardship goals at the time of his death. In the initial year, the trust has $250,000 in free cash flow to pay to the third party lender.

Over time, as the note is paid down, and also over time as more assets are available to the trustee because of future lapsing distributions to the trust, greater equity will exist in the trust. This equity could support subordinated note sales of other assets (e.g., preferred partnership interests) by Wiley Withdrawal. All of this could be done without the necessity of guarantee fees or sales of remainder interests in GRATs. There is much more substance to the leverage of this technique than the techniques discussed in Examples 20 and 21. Furthermore the leverage is coming from an independent third party lender instead of the transferor/beneficiary of the Beneficiary Grantor Trust.

[182] *See* this author's paper, "Some of the Best Family Limited Partnership Ideas We See Out There," ALI-ABA Planning Techniques for Large Estates, at 167-82 (Nov. 5, 2010); *see also* the discussion in Section XVI of this paper.

2. Considerations of the Technique.

a. Use of a Beneficiary Grantor Trust raises many of the income tax issues discussed in Section XIII C 3 of this paper.

b. IRC Sec. 2041 issues.

If the beneficiary should die in the early years of the trust, a substantial portion of the original trust, which is subject to IRC Sec. 2041, will be included in his estate because of the unlimited power to withdraw assets to the extent the unlimited power to withdraw assets is still in existence.

c. Third party lender

This technique also requires the existence of an asset that is attractive as security to a third party lender, because a third party will demand collateral that has substantial inherent cash flow and safety. A high yielding preferred partnership interest, in which the other assets of the partnership are subordinated to the preferred partnership interest, may be such an asset.

d. Pecuniary withdrawal right issues.

This use of the Beneficiary Grantor Trust, in which there is a lapse of a withdrawal right, calls for the settlor to contribute to the trust property with a value greater than $5,000, so that the Beneficiary's power of withdrawal cannot lapse in full at the end of the first year and must lapse over time as a "hanging power".[183] Assuming the trust appreciates in value, the power may lapse faster if it is defined as a pecuniary amount, because the appreciation will increase the potential annual lapse without increasing the amount withdrawable under the power. However, this raises another IRC Sec. 678 consideration: whether the trust could lose its status as a wholly grantor trust in a year in which, because of appreciation in the value of the trust, the pecuniary amount withdrawable under IRC Sec. 678(a)(1), plus the portion of the trust subject to IRC Sec. 678(a)(2) by reason of prior lapses, totals less than the current value of the trust. Under Treas. Reg. Section 1.671-3(a)(3), the IRS could also argue that the portion of the trust represented by such excess appreciation is not currently subject to the grantor trust rules, so the Beneficiary Grantor Trust is no longer wholly a grantor trust. Moreover, in the absence of subsequent depreciation, it seems that the portion not subject to IRC Sec. 678(a)(1) can never become subject to IRC Sec. 678(a)(2), so that the trust never again becomes wholly grantor, although some argue otherwise.[184]

---

[183] The annual lapse of the power of withdrawal will be limited to the greater of $5,000 or 5% of the value of the trust, to keep the Beneficiary from being treated under IRC Sec. 2041 as a transferor for gift and estate tax purposes by reason of the lapse. As mentioned above, this requires that the governing law must protect such a lapse from creditors' rights, which is the case under Uniform Trust Code Section 505(b)(2).

[184] Jonathan G. Blattmachr & Diana S. C. Zeydel, "PLR 200449012 – Beneficiary Defective Trust(sm) Private Letter Ruling," LISI *Estate Planning Newsletter* #1559 (Dec. 10, 2009), at http://www.leimbergservices.com.

For example, if the trust assets initially covered by the withdrawal power is X where X equals the entire value of the trust, but in a future year the trust is worth 4X, the portion of the trust considered to be a grantor trust under IRC Sec. 678 in that year may be 25%. Moreover, if the power then lapses each year to the extent of 5% of the value of the trust per year, assuming no further appreciation or depreciation, the maximum portion of the trust that will eventually consist of property over which a power of withdrawal lapsed will also be 25%, and the trust never again becomes wholly grantor. Obviously, if that is the correct interpretation, the servicing of any note from a sale by a beneficiary to the trust would be disadvantageous to the extent a trust is treated as a complex trust instead of a grantor trust. The IRS has never taken this approach in its private letter rulings regarding trusts that qualify to be Subchapter S shareholders because they are grantor trusts.[185] Otherwise, if the trusts were not wholly grantor trusts, they might not have qualified as Subchapter S trusts.

One solution to the problem discussed in the preceding paragraphs may be to initially define the Beneficiary's withdrawal right as extending not to a pecuniary amount but to 100% of the trust property, lapsing each year as to 5% of the trust (or such greater percentage as equals $5,000 in value). This will require more time for the power to lapse completely.

It should be noted that some practitioners believe that the "portion" rule of Treas. Reg. Section 1.671-3(a)(3) does not apply when the Beneficiary's pecuniary power of withdrawal is large enough to make all property added to the trust withdrawable, even if subsequent appreciation or income accumulation increases the trust's value above the pecuniary amount. In such a case, all value in the trust is attributable to property over which the Beneficiary once had a power of withdrawal. The Beneficiary could have captured all the increasing value for himself by promptly exercising the power, but instead allowed it to "lapse" as to such value. Therefore it can be argued that any value that is no longer withdrawable is covered, at least in a policy sense, by IRC Sec. 678(a)(2).[186]

E. A Beneficiary Grantor Trust Purchases the Remainder Interest in a GRAT.

1. What is the Technique?

A third party could create a trust for the benefit of the potential seller to the trust. The trust could be designed so that the third party settlor is not taxable on the trust income under the grantor trust rules. The trust could also be designed so that the beneficiary has an unlimited right to withdraw of all of the assets that are in the trust for a period of time. The right of withdrawal lapses after a period of time, (e.g., one year) in an amount equal to the greater of 5% of the value of the corpus of the trust or $5,000. However, the beneficiary could also be given the direct or indirect right to continue to withdraw income and principal of the assets of the trust, as long as it

---

[185] For example, *see* P.L.R. 200011058 (Dec. 15, 1999); P.L.R. 200011054 to 056 (Dec. 15, 1999); P.L.R. 199942037 (June 7, 1999); P.L.R. 199935046 (June 7, 1999).

[186] Steven B. Gorin, "*Beneficiary Grantor Trusts: A New Paradigm for Transferring Businesses*," paper prepared for the ACTEC Business Planning Committee Summer 2011 Meeting, pp. 14-15; see also Jeffrey A. Galant, "*Beneficiary Grantor Trusts: Overview of Selected Issues*," paper prepared for the ACTEC Business Planning Committee Summer 2011 Meeting, section A(2).

is for the beneficiary's health, education, support or maintenance as described under IRC Sec. 2041. The situs of the trust is in a jurisdiction in which a lapse of the greater of 5% of the corpus or $5,000 does not give a creditor rights to the trust (hereinafter the trust is referred to as a "Beneficiary Grantor Trust"). The beneficiary/transferor could sell certain assets to the Beneficiary Grantor Trust, either using a leveraged GRAT in which the Beneficiary Grantor trustee pays for the remainder interest, a sale for a note that is guaranteed by another trust, or a sale to the Beneficiary Grantor Trust that is financed by an independent third party lender. The beneficiary/transferor is considered the owner of the trust for income tax purposes under IRC Sec. 678.

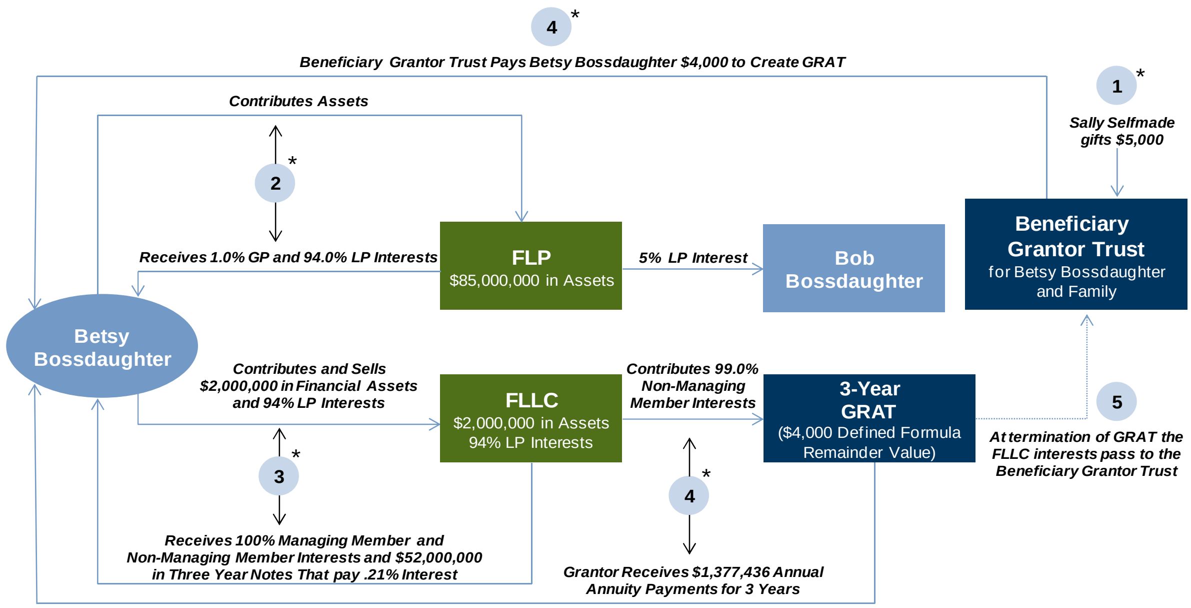
Consider the following example:

Example 23: Creation of a Leveraged GRAT in Which the Remainderman Pays Full Consideration For That Remainder Interest

Betsy Bossdaughter has $97,000,000 in financial and private equity assets. Betsy wishes to maintain maximum flexibility in her estate planning. Betsy also wishes to retain the right to change her mind as to future stewardship goals and consumption needs. Betsy's husband, Bob owns $5,000,000 in assets. Assume that Betsy and Bob's assets will grow at 7.4% a year pre-tax. Betsy's mother, Sally Selfmade, is still living. Sally is going to create a generation-skipping trust for the benefit of Betsy. The trust will have a corpus of $5,000. The trust agreement will provide that Betsy has the right to withdraw the trust assets for a year. That right lapses after a year. Betsy will also have the power to withdraw the trust assets as needed for her health, support and maintenance in order to maintain her standard of living. That right will not lapse. In a separate and distinct transaction, after Sally creates the $5,000 trust, the trustee of the trust transfers $4,000 of the trust to Betsy for full consideration for Betsy creating a GRAT that has a $4,000 defined value remainder interest.

The GRAT is funded with non-managing member interests in a FLLC that was funded with limited partnership interests in a FLP, as illustrated below. It is assumed that valuation discounts for transfers of the limited partnership interests and the non-managing member interests of the FLLC are each equal to 30%. It is assumed that the IRC Sec. 7520 rate is 1.0%.

This technique ("Hypothetical Technique 10") is illustrated below:



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

2. Advantages of the Technique.

a. The assets of the Beneficiary Grantor Trust, if the transferor is not a deemed donor under equitable principles, will not be subject to estate taxes in the transferor's estate.

See the discussion in Section XIII B of this paper. Under the assumed facts, if Betsy is not a transferor, or a deemed transferor under equitable principles, the Beneficiary Grantor Trust assets may not be taxable in the beneficiary's estate. The lapsed withdrawal power meets the exception of IRC Sec. 2041.

Obviously, if this technique is successful, it could be a very powerful technique with respect to estate planning for Betsy Bossdaughter and her family. Please see the following chart, which denotes what the estate taxes would be at the end of five years, 15 years and 30 years (also see the spreadsheets attached as Schedule 6)

Table 6

Hypothetical Results	Assuming Mr. and Mrs. Bossdaughter Die at the End of 5 Years	Assuming Mr. and Mrs. Bossdaughter Die at the End of 15 Years	Assuming Mr. and Mrs. Bossdaughter Die at the End of 30 Years
Estate Taxes at 40%			
No Further Planning; Bequeaths Estate to Family (assumes $25.5mm estate tax exemption available)	$44,243,250	$61,859,403	$102,572,795
Hypothetical Technique #10: Third Party Gift to a Trust in Which the Beneficiary is Taxed Under 678 but not Taxable in the Beneficiary's Estate (678 Trust); Creation of a Single Member FLLC with Contribution of Non-Managing Member Interests to a 3-Year GRAT in Which There is No Gift Because of a Purchase by the 678 Trust; the GRAT Remaindermen is a 678 Trust Created for the Benefit of the Grantor and His Family; Bequeaths Estate to Family (assumes $25.5mm exemption is available)	$25,981,336	$17,882,519	$0

(1) Avoids capital gains tax consequences on the sale of assets to the trust.

There should not be any capital gains consequences on creation of a leveraged FLLC. See the discussion in Section IX of this paper. There also should not be any capital gains consequences on the creation of the GRAT by contributing the FLLC interests to the GRAT. The GRAT can be designed to be a grantor trust to the grantor. See the discussion in Section VIII of this paper. The creation of the grantor retained annuity trust in consideration for the cash coming from a Beneficiary Grantor Trust in which a grantor is taxed under IRC Sec. 678 should also be income tax free, since both trusts are treated as grantor trusts.

(2) Has the advantage of allowing Betsy access to cash flow from note payments, and as a beneficiary of the Beneficiary Grantor Trust.

If the transaction is successful, during the term of the GRAT, the grantor of the GRAT will have access to the cash flow of the assets of the FLLC, either through the note payments from the FLLC, or the annuity payments from the GRAT. After the GRAT terminates, the transferor will have access to the cash flow of the assets of the FLLC either from the note payments of the FLLC, or under the terms of the Beneficiary Grantor Trust, if the cash flow of the Beneficiary Grantor Trust is needed for her support and maintenance.

(3) The transferor has flexibility to change the future beneficiaries of the trust through the exercise of a special power of appointment.

If the transferor has a power of appointment over the Beneficiary Grantor Trust the taxpayer also has the flexibility of redirecting the assets in a manner that may be different than the default provisions of the trust document.

(4) Has the potential of avoiding gift tax surprises.

The GRAT can be designed with a built-in revaluation clause. If the IRS disputes any valuation discounts associated with the FLLC, because of the built-in revaluation clause the annuity amounts accruing back to the taxpayer would increase. Such a clause should not be against public policy and, in fact, is explicitly permitted by the IRS regulations. Treas. Reg. Section 25.2702-3(b)(1)(ii)(B). See the discussion in Section IX B 3 of this paper.

(5) Appreciation will be out of the transferor's estate.

To the extent the assets of the FLLC increase in value above the interest carry on the note and the annuity payments that accrued back to the transferor, that appreciation should be out of the transferor's estate, assuming the transaction is recognized for estate and gift tax purposes.

3. Considerations of the Technique.

(1) In order for the full and adequate consideration exception under IRC Sec. 2036 to apply, the remainder interest of the GRAT that is sold may need to have a substantive value much greater than $4,000.

As noted in the discussion in Section X C 3 b of this paper, there are three Circuit court cases providing that IRC Sec. 2036 does not apply when there has been full and adequate consideration for a sale of a remainder interest in a trust. However, in each of those case there was a substantial remainder interest (much greater than $4,000). Query: would the courts be reluctant to provide that adequate and full consideration exists to circumvent application of IRC Sec. 2036 in a situation in which only $4,000 is paid in the context of a multi-million dollar trust? Stated differently, with the significant leverage involved in the creation of a FLLC, and the significant leverage involved in creating a GRAT, would a court take the view that the leverage is too extreme and that the *substance* of the transaction is a transfer of the FLLC interests by the beneficiary/transferor to the Beneficiary Grantor Trust for less than full consideration? A court could take the position that those cited cases are all distinguishable because the purchase of the remainder interest in each of those cases had economic risk for the purchaser of the remainder interest. Under the Sam and Sally facts, the economic exposure of the Beneficiary Grantor Trust resulting from its purchase of the GRAT remainder is $4,000. In the context of a multi-million dollar GRAT, a court may conclude that the remainderman trust's (i.e., the Beneficiary Grantor Trust's) economic risk in the transaction lacks substance in comparison to the potential reward. In *Strangi*, the full Tax Court and the Fifth Circuit both concluded that IRC Sec. 2036 applies to any and all transfers, even if gift taxes are not owed on that transfer by that transferor.[187] If the remainder trust purchase had substance (perhaps because it is a spousal grantor trust that pays considerable consideration) IRC Sec. 2036 should not apply. But a court may find that is not the case under facts similar to Example 23. If the purchase of the remainder is not a "bona fide sale for an adequate and full consideration" IRC Sec. 2036 and/or 2038 could apply. The GRAT formula clause, unless easy to value assets are used or the GRAT and the Beneficiary Grantor Trust have proportionate interests in the same entity, does not ensure that the consideration paid will equal the value of the remainder interest if values are increased on audit, because the remainder will increased proportionally and exceed the original payment. It may be possible to solve this problem by having the Beneficiary Grantor Trust "overpay" for the remainder, which the trustee would have a rational reason to do to insure against later depletion of the trust assets by the Beneficiary's estate tax apportioned to the trust, or by using a defined value clause for the sale, with any remainder value in excess of the sale price passing by gift to a recipient other than the Beneficiary Grantor Trust.

---

[187] *See Estate of Strangi v. Commissioner*, 115 T.C. 478 (2000), aff'd, 417 F.3d 468 (5th Cir. 2005).

(2) Need to file a federal gift tax return.

See the discussions in Section XII C 4 of this paper. A federal gift tax return needs to be filed in order to determine if there should be any adjustments with the GRAT and to get the statute of limitations running. There will be an expense in connection with filing the federal gift tax return and with the necessary appraisals attendant with the technique.

(3) State income tax considerations.

There may be state income tax considerations on the sale of any appreciated assets to the FLLC. There also may be state income tax consequences in selling the remainder interest of a GRAT to the Beneficiary Grantor Trust.

(4) Step transaction doctrine could apply.

Please see the discussion in Section VII C 3 of this paper. If the IRS can demonstrate, because of the thin capitalization, the $4,000 payment should be ignored, then under other equitable principles it may be able to establish the creation of the Beneficiary Grantor Trust lacks independence, and the deemed grantor of the trust will be the beneficiary.

(5) Creditor rights and related estate tax issues.

If the sale to a FLLC and the creation of the GRAT with the FLLC interests in consideration for a $4,000 payment from the Beneficiary Grantor Trust is not for adequate and full consideration, then under the laws of the state of the beneficiary, the creditors may be able to reach whatever interest the beneficiary of the trust could distribute to himself or herself, and whatever the trustee could distribute to the beneficiary. A settlor's ability to redirect to creditors may include that portion of the trust in the beneficiary's estate under IRC Sec. 2036 or IRC Sec. 2038. See the discussion under Section XII C 7 of this paper. The lapse of a power over not more than the greater of 5% or $5,000 does not cause the powerholder to be treated as a settlor of the property subject to the lapse under the laws of many states.[188] Here, however, the beneficiary's transfer of the remainder interest to the trust may make him a settlor for creditors' rights purposes despite those statutes, as his continuing interests and powers in the Beneficiary Grantor Trust arguably result from the beneficiary's own transfer, rather than from the lapse of his unlimited power of withdrawal.

(6) Incomplete gift issues.

See the discussion under Section XII C 8 of this paper.

---

[188] *See* Uniform Trust Code Section 505(b)(1) and the comments under it.

XIV. EIGHTH "SALES" METHOD: THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR SELLING FLP INTERESTS (OR NON-MANAGING MEMBER INTERESTS IN A FLLC) TO A TRUST IN WHICH THE TRANSFEROR IS THE INCOME TAX OWNER ("GRANTOR TRUST") IN WHICH THE TRANSFEROR WOULD BE ELIGIBLE FOR DISTRIBUTIONS BY AN INDEPENDENT TRUSTEE UNDER A DISCRETIONARY STANDARD IN A STATE THAT RECOGNIZES SELF-SETTLED TRUSTS.

A. What is the Technique?

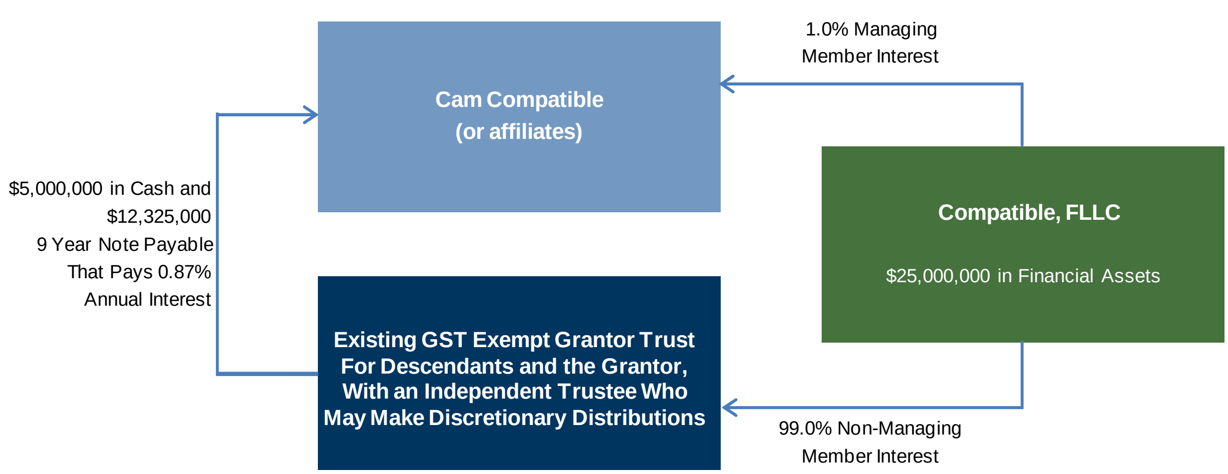
Certain states have changed the common law rule found under Section 156 of the Second Restatement of Trusts that allows the creditors of a grantor trust to reach the trust if the grantor names himself or herself as a beneficiary of the trust. In these states a trust can be created that is an irrevocable, self-settled spendthrift that is generally effective against claims by creditors.

The example below is the same as Example 6 in Section VII A of this paper, except the transferor's spouse is not a beneficiary, but the transferor is a discretionary beneficiary and is eligible to receive distributions from an independent trustee.

Example 24: Gift or Sale of Assets to a Grantor Trust
in Which the Grantor is Also a Discretionary Beneficiary

Cam Compatible made a gift of $5,000,000 in financial assets to a generation-skipping trust that was also a grantor trust. In the following year, in an independent transaction, Cam formed a FLLC that had managing and non-managing interests. Cam contributed $25,000,000 in financial assets to that FLLC. Cam then sold the non-managing interests in that FLLC in consideration for $5,000,000 in cash and a $12,325,000 nine year note that paid 0.87% interest (the then AFR rate). Cam's annual consumption needs are equal to $250,000. It is assumed those consumption needs and the estate tax exemption will increase 3.0% a year, which is the assumed inflation rate.

The transaction that Cam entered into is illustrated below (Hypothetical Technique #11):



B. Advantages of the Technique.

1. Tax Advantages of Creating a Grantor Trust and a Sale to Grantor Trust.

See the discussion in Section VII B 1 of this paper.

2. The Near Term Death of the Grantor of a Grantor Trust Generally Does Not Affect the Technique Like the Death of a Grantor of a GRAT.

See the discussion in Section VII B 2 of this paper.

3. The Appreciation of the Assets Above the Interest of the Note Used in Any Sale to a Grantor Trust Will Not Be Taxable in the Grantor/Seller's Estate.

See the discussion in Section VII B 3 of this paper.

4. Flexibility Advantages of Selling to Grantor Trust in Which the Seller is a Discretionary Beneficiary.

(1) Advantages of selling to a trust in which the seller is a discretionary beneficiary.

As long as there is not any understanding that the independent trustee will pay a certain amount of cash flow to the beneficiary/grantor of the trust, nor is there a way under state property law, or federal bankruptcy law, that the grantor could create a creditor relationship that would give that creditor access to the trust, the grantor should not have a legal right to the trust's cash flow and IRC Sec. 2036 (a)(1) should not apply. There is added flexibility for the grantor in being a discretionary beneficiary. If the note is eventually paid by trust, or if other circumstances change in the beneficiary/grantor's circumstances, the grantor/beneficiary could be eligible to distributions from the trust by the independent trustee.

5. Flexibility Could Also Be Achieved By Converting the Note With a Different Interest Rate, a Private Annuity, Purchasing Assets Owned By the Trust and/or Renaming the Powers That Make the Trust A Grantor Trust.

See the discussion in Section VII B 4 of this paper.

C. Considerations of the Technique.

1. There May Need to be Substantive Equity in the Trust From Prior Gifts (is 10% Equity Enough?) Before the Sale is Made.

See the discussion in Section VII C 1 of this paper.

2. State Income Tax Considerations.

See the discussion in Section VII C 2 of this paper.

3. The IRS Could Be Successful in Applying the Step Transaction Doctrine to the Technique.

See the discussion in Section VII C 3 of this paper.

4. If the Assets Decrease in Value, the Gift Tax Exemption Equivalent May Not Be Recoverable.

See the discussion in Section VII C 4 of this paper.

5. There May Be Capital Gains Consequences With Respect to the Notes Receivables and/or Payables That May Exist at Death.

See the discussion in Section VII C 5 of this paper.

6. 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.

See the discussion in Section VII C 6 of this paper.

7. If it is Possible For a Current Creditor or Any Future Creditor of the Grantor/Beneficiary to Reach Part of the Assets of the Trust For a Period of Time That Does Not End Before the Grantor/Beneficiary's Death, By Either a Voluntary or Involuntary Assignment By the Grantor/Beneficiary, Then That Part Of The Trust May Be Included in the Grantor/Beneficiary's Estate Under IRC Sec. 2036(a)(1).

See the discussion in Section XII C 7 of this paper. The IRS took the position in Private Letter Ruling 20094402 that with an Alaskan trust that the "trustees authority to distribute income and/or principal to Grantor, does not, *by itself*, cause the Trust corpus to be includable in Grantor's gross estate under § 2036." *Emphasis added*. The PLR was issued before the *Battley* case. It is unclear if the IRS will issue any more favorable PLR's in light of *Battley*.

8. Incomplete Gift Issues.

See the discussion in Section XII C 8 of this paper.

9. To Get the Benefit of the Laws of an Asset Protective Jurisdiction For a Grantor/Beneficiary Who Does Not Live in Such a Jurisdiction, Trustee Fees Will Be Incurred, and if There is a Co-Fiduciary in Another Jurisdiction, the Creditor Protection May Not Exist.

XV. THE ADVANTAGES AND CONSIDERATIONS OF A TRANSFEROR CREATING A FLP OR A FLLC WITH FLEXIBLE PREFERRED INTERESTS AND RETAINING THOSE PREFERRED INTERESTS, EVEN IF THE DESIGN OF THE PREFERRED INTERESTS DELIBERATELY VIOLATES THE GIFT TAX VALUATION RULES OF IRC SEC. 2701.

A. What is the Technique.

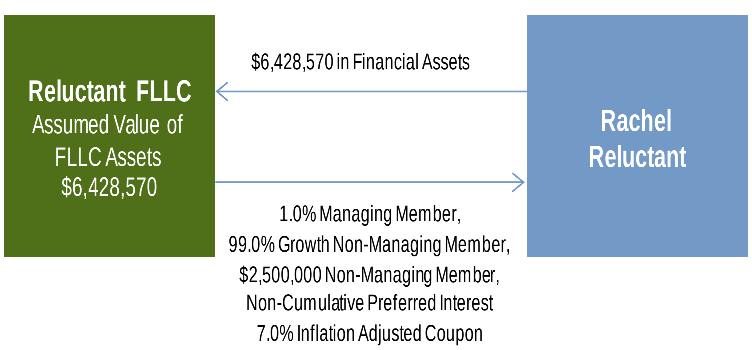
A taxpayer, because of the increased gift tax exemption, may not be as concerned with the valuation rules under IRC Sec. 2701. A taxpayer, because of the current generous gift tax exemption, could design a preferred interest in a FLP or a FLLC, with significant flexibility as to the terms of the preferred and still not incur any gift taxes and still achieve substantial estate tax savings. For instance, consider the following example:

Example 25: Rachael Reluctant Creates a FLLC and Retains
Preferred Interest That Does Not Have Any Value For Gift Tax Purposes

Rachael Reluctant owns $12,000,000 in financial assets. Rachael has a 15-year life expectancy. Over that 15-year period, she expects to spend $300,000 a year, before income taxes, and she expects that her assets will have approximately an annual 7% rate of return, pre-tax. Rachael believes that of that 7% annual return, approximately 3% will be taxed at ordinary income tax rates and 4% at long term capital gains rates with a 30% turnover. Rachael does not wish to pay any estate or gift taxes on her wealth and she wishes for most of her estate to pass to a generation-skipping trust.

In the past, Rachael has been reluctant to enter into any planning because she would like to have the flexibility to change her mind as to future stewardship of at least part of her assets. Rachael has also been reluctant to enter into planning because she would like the option of retaining most of her cash flow from the investments for her spending needs and any last illness expenses. Rachael would also like to obtain, as much as possible, a step-up in basis on her appreciated assets at her death.

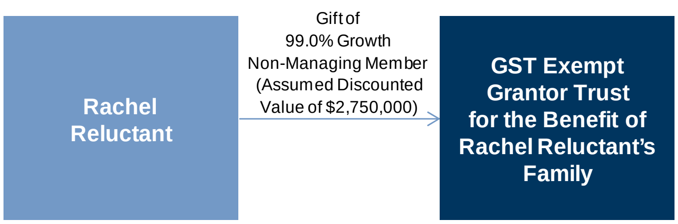
Rachael's current attorney, Fred Freeze, suggests that she contribute a little over one-half of her assets to a FLLC in consideration for a flexible non-cumulative preferred whose non-cumulative coupon grows with inflation and growth interests. This technique ("Hypothetical Technique 12") is illustrated below:



FLP Partner	Ownership %
Rachel Reluctant (or affiliates)	1.0% Managing Member 99.0% Growth Non-Managing Member $2,500,000 Non-Managing Member, Non-Cumulative Preferred (7% Inflation Adjusted Coupon)

In this example, the beginning preferred interest coupon of $175,000 (7% times $2,500,000) is designed to grow with inflation. There is flexibility because the preferred is non-cumulative. If there is not enough income in the FLLC in any one year to pay all of the preferred coupon, the coupon will only be paid to the extent the income exists. If Rachael is in a position to control the investments of the FLLC that investment power alone should not constitute a legal right as described in IRC Secs. 2036 or 2038.

At a later time, in an independent and distinct transaction, Rachael could give 99% "growth" non-managing interests in the FLLC to a generation-skipping exempt grantor trust for the benefit of her family. See the illustration below:

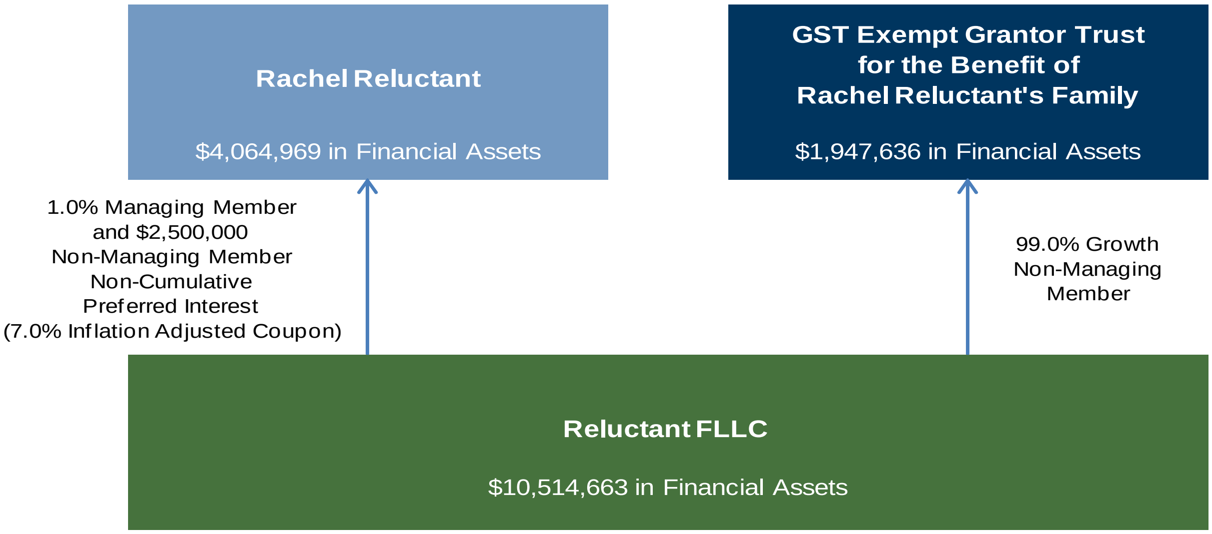


FLP Partner	Ownership %
Rachel Reluctant (or affiliates)	1.0% Managing Member $2,500,000 Non-Managing Member, Non-Cumulative Preferred (7% Inflation Adjusted Coupon)
GST Exempt Grantor Trust	99.0% Growth Non-Managing Member

If the preferred interest is non-cumulative, and does not have any fixed liquidation rights, it will be worth "0" for gift tax purposes under the subtraction method (explained in greater detail below) because of the operation of the valuation rules under IRC Sec. 2701. However, those rules, for gift tax purposes, do not affect the minority and marketability discounts associated with gifts of junior ("growth") interests. Also, the valuation rules under IRC Sec. 2701, do not apply in determining the amount of any generation-skipping gift.

Taking into account the deemed "0" value of the preferred interest, assuming a 30% discount on the growth interest, and other assumed facts of our example, Rachael will be considered to have made a $5,250,000 gift, for gift tax purposes, when she gifts the growth interest ($2,500,000 preferred plus a growth interest valued at $2,750,000) under the subtraction method for determining the value of the gift under IRC Sec. 2701. See IRC Treas. Reg. § 25.2701-3(b). However, the "extra gift" caused by the gift tax valuation rules will be mitigated by subtracting the amount of that "extra gift" from the value of the preferred that is subject to estate taxes at Rachael's death. See IRC Treas. Reg. § 25.2701-5(a)(3). Rachael will have made a transfer valued at $2,750,000 for generation-skipping tax purposes when she gifts the growth interest (because the valuation rules of IRC Sec. 2701 do not apply for generation-skipping tax purposes), so only $2,750,000 of GST exemption is required to create a zero "inclusion ratio" and prevent the application of GST tax to the trust. However, if the preferred interest is transferred to the trust at Rachel's death, an allocation of additional GST exemption equal to the value of the preferred interest at death would be required to preserve a GST inclusion ratio of zero, without any reduction for the amount of the prior "extra gift".

In 15 years, at the time of Rachael's death, under the above assumptions, Rachael's balance sheet and the family FLLC balance sheet will be as follows:



Despite the fact that Rachael has available the cash flow from almost all of her assets, and those assets have a value more than two times the available transfer tax exemption when she initiated the estate plan, the technique is very effective in avoiding estate and gift taxes. Most of her wealth will pass to a generation-skipping trust, there will not be any gift tax, there will be a step up in basis on around $6,600,000 of the assets, and the estate tax will be relatively small. See the table below (see attached Schedule 7):

Table 7

	Reluctant Children	Reluctant Children and Grandchildren	Consumption Direct Cost	Consumption Investment Opportunity Cost	IRS Income Tax	IRS Investment Opportunity Cost	Estate Taxes (@ 40%)	Total
	Total to All Descendants							
15-Year Future Values								
No Further Planning: Bequeaths Estate to Family (assumes $8.18mm estate tax exemption available at death)	$5,223,365	$8,180,000	$5,579,674	$3,428,307	$4,466,354	$2,748,435	$3,482,243	$33,108,378
	$13,403,365							
Hypothetical Technique 12: Creation of a FLLC; Gift of Growth Non-Managing Member Interests to a GST Exempt Grantor Trust; Bequeaths Estate to Family; $2.5mm Non-Managing Member Non-Cumulative Preferred Not Taxed in Estate (assumes $5.43mm estate tax exemption available at death which includes an additional $2.5mm mitigation of preferred)	$744,070	$15,287,152	$5,579,674	$3,428,307	$4,824,695	$2,748,435	$496,046	$33,108,378
	$16,031,222							
Present Value (discounted at 3%)								
No Further Planning: Bequeaths Estate to Family (assumes $8.18mm estate tax exemption available at death)	$3,352,679	$5,250,431	$3,581,381	$2,200,500	$2,866,783	$1,764,116	$2,235,120	$21,251,008
	$8,603,110							
Hypothetical Technique 12 Creation of a FLLC; Gift of Growth Non-Managing Member Interests to a GST Exempt Grantor Trust; Bequeaths Estate to Family; $2.5mm Non-Managing Member Non-Cumulative Preferred Not Taxed in Estate (assumes $5.43mm estate tax exemption available at death which includes an additional $2.5mm mitigation of preferred)	$477,590	$9,812,241	$3,581,381	$2,200,500	$3,096,788	$1,764,116	$318,393	$21,251,008
	$10,289,831							

B. Advantages of the Technique.

1. Tax Advantages of Creating a Grantor Trust and Tax Advantages Similar to a Sale to a Grantor Trust.

Instead of a sale to a grantor trust for a note, this technique illustrates a transfer to a grantor trust using equity interests. That is, the taxpayer retains a preferred interest and his or her interest in the enterprise owned by the grantor trust is frozen. Like interest in a note sale to a grantor trust, the preferred coupon entitles the taxpayer to the first call on the income of the FLP. Unlike the interest rate on a note, which is fixed, the preferred coupon in this example is designed to increase with inflation and it will only be paid if there is enough income in a fiscal year of the enterprise to pay the coupon. See also the discussion in Section VII B 1 of this paper.

2. The Near Term Death of the Grantor of a Grantor Trust Generally Does Not Effect the Technique Like The Death of a Grantor of a GRAT.

See the discussion in Section VII B 2 of this paper.

3. The Appreciation of the Assets of the Trust Above the Preferred Coupon Will Not Be Taxable in the Grantor's Estate.

As noted above, this technique has some similarities to a sale to a grantor trust for a note, the difference being that the taxpayer retains a preferred coupon that increases with inflation. See also the discussion in Section VII B 3 of this paper.

4. IRC Sec. 2036 Advantage.

In this technique, a common interest is transferred and a preferred interest is retained. 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, the purpose of having preferred and common interests is to 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 is a substantive investment reason for the creation of the FLP or FLLC. As such, it should constitute a significant nontax 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.[189]

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

---

[189] *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.

interest in the transferor's gross estate. The legislative history of the repeal of IRC Sec. 2036(c) unmistakably manifests this Congressional intent.

In 1987 the tax court in the *Boykin*[190] case ruled that because of state property law,[191] the receipt of income from retained preferred stock is only a retention of income from the preferred 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 reasons for the application of IRC Sec. 2036(a) instead of IRC Sec. 2033 were as follows:[192]

> The House of Representatives Ways and Means Committee Conference Report accompanying TAMRA[193] stated that there were two reasons why

---

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

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

[192] 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.

[193] *See* H.R. Rep. No. 100-795, at 995 (1987) (hereafter cited as 1987 Conference Committee Report), the 1988 House Report, the Senate Report issued in conjunction with TAMRA, S. REP. NO. 100-445, at 522 (1988) (hereafter cited as 1988 Senate Report), the Statement of Managers, issued by the Joint Committee on Taxation in conjunction with TAMRA, TAMRA 1988 Stand. Fed. Tax Rep. (CCH No. 53, 92 (Oct. 24, 1988) (hereafter cited as

> Congress decided to punitively tax estate freezes. The first stated reason was inherent difficulties exist in valuing common stock that is sold or given away by a transferor in conjunction with an estate freeze transaction. According to the 1988 House Report, the Internal Revenue Service did not have the resources to either adequately value the common stock or, in some cases, even to detect that a gift had been made.[194] The second stated reason for penalizing estate freeze transactions was that essentially these transactions are testamentary in nature, because the transferor retains income in the enterprise and, thus, retains enjoyment of the whole enterprise until the moment of death. If a transferor creates a trust and retains the right to receive income from the trust for life, the trust corpus will be includible in the transferor's gross estate for federal estate tax purposes under Section 2036(a)(1). Courts have refused, however, to treat preferred stock in an enterprise as if it were a retained life estate for purposes of including the value of the enterprise in the decedent's estate under Section 2036(a)(1) [and have applied Section 2033 to the exclusion of Section 2036].[195] According to the 1988 House Report, it was necessary for Congress to remedy that refusal by adopting Section 2036(c).

By 1990, it became apparent to many commentators[196], including this one, IRC Sec. 2036(a) inclusion, in lieu of IRC Sec. 2033 inclusion with respect to ownership in partnerships and other "enterprises" should be repealed because of numerous problems. Those problems included the following:

> Sometimes the transfer tax system is abused by estate freeze planning but the abuse does not lie in the retention of preferred stock or a preferred partnership interest by the transferor. There is nothing sinister or improper about owning preferred stock or a preferred partnership interest. The economic rights associated with preferred ownership interests serve an extremely useful purpose in the capital market. Many capital investors find an equity interest that bestows a preferred income stream, preferred voting rights, and preferred liquidation preferences suitable for their investment goals. In the closely held family business context,

---

1988 Managers' Report), and Notice 89-99, 1989-2 C.B. 422 (hereafter cited as Notice). The key source at this time is the Notice, however, because of the tremendous power that has been delegated by Congress to the Treasury Department under Section 2036(c)(8):

> The secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purpose of this subsection, including such regulations as may be necessary or appropriate to prevent avoidance of the purposes of this subsection through distributions or otherwise.

[194] 1988 House Report, *supra* note 148, at 418-419.

[195] Courts have reasoned that the receipt of income from the retained preferred stock is only a retention of income from the preferred stock, not from the assets of the entire enterprise and accordingly should be included under IRC Sec. 2033, not IRC Sec. 2036(a). *See Estate of Boykin v. Commissioner*, T.C. Memo. 1987-134, 53 T.C.M. (CCH) 345.

[196] *See* Richard L. Dees, "Section 2036(c): The Monster That Ate Estate Planning and Installment Sales, Buy-Sells, Options Employment Contacts and Leases," 66 Taxes 876 (1988).

preferred interests are an extremely useful capital concept because it is extremely rare to find a family whose members have equal abilities to run the business, or who all have a desire to participate as employees in the family business. Preferred ownership interests fairly compensate those family members who are not receiving compensation as employees of the business. Occasionally, family owners reach retirement and no longer are employed by the family business. In those circumstances, preferred ownership interests are extremely useful capital structures that allow a portion of the income stream of the business to be directed to that family owner.

Congress implicitly recognized that there is nothing inherently evil in the ownership of preferred interests for enterprises that are not closely held. For example, an individual of significant wealth may convert that wealth into ownership of preferred stock and common stock of General Motors. That individual could convey the common stock to a child without Section 2036(c) applying to bring the future value of that common stock into the individual's gross estate.

The clear discrimination against closely held businesses under Section 2036(c) is justified, according to the legislative history, because the common stock or growth partnership interest of a closely held enterprise is more difficult to value than the common stock of General Motors. Because Section 2036(c) did not eliminate the need to value the transferred common stock or growth partnership interest, the way to attack the valuation problem would be to aid the Internal Revenue Service in valuing transferred common stock or growth partnership interests.

* * *

A second criticism of Section 2036(a) inclusion is that it is based on a flawed analogy and concept. Besides the valuation problems noted by Congress, the other reason given for adoption of Section 2036(c) was that a transferor's retention of preferred stock after a conveyance of common stock is analogous to creation of a trust in which the settler retains only an income interest, in which case Section 2036(a)(1) would include the entire value of the trust in the transferor's gross estate. Transferred common stock is not includible in a deceased transferor's estate by operation of Section 2036(a)(1), operating without Section 2036(c), because the transferor has not retained rights in the transferred common stock. Thus, the asserted analogy is not appropriate.

To illustrate this, assume a transferor (T) creates two trusts. One trust will be includible in T's estate under Section 2036(a)(1) because T retains an income interest, but the other trust will not be includible in T's estate because T is not a beneficiary of the trust (assume T's children are the sole beneficiaries of the trust.) Finally, assume that T transfer General Motors preferred stock into the retained income trust and transfers General Motors common stock into the trust created for the children. General Motors will allocate a disproportionate amount of the income generated by its assets to the retained income trust and a disproportionate amount of the appreciation of its assets to the trust created for T's children. Under Section 2036(a)(1) the only trust that will be included in T's estate is the retained income trust because T retained no interest in the General Motors common stock that was transferred to the children's trust. T did not retain the right to income, either directly or indirectly, of that common stock. If the facts were changed to assume stock in Family Co. Ranching Operations, the common stock would be includible in T's estate, not under Section 2036(a)(1) but, instead, under Section 2036(c), which ignores the fact that T has not retained an income interest in the common stock.

Even if the analogy to Section 2036(a) were appropriate, and if Congress wished to reform the transfer tax system to make the treatment of trusts consistent with the treatment of family enterprises, the solution would not be to create Section 2036(c) to bring enterprises within the fold of Section 2036(a). Instead, the solution would be to eliminate Section 2036(a) in its present form. The estate taxation of trusts because of retained income interests, particularly in light of the unified transfer tax system that has existed since 1976, is unfair and unnecessary. [See Treasury I]

* * *

The third principal flaw [in application of IRC Sec. 2036(c) for Section 2036(a) inclusion] is that, while it discourages the utilization of preferred ownership interests, it does not eliminate "freezes" or solve valuation problems. Taxpayers may pay a heavy tax cost under Section 2036(c) if they convert a growth interest in a family business to a preferred ownership interest, which discourages taxpayers from using an equity tool that can solve many family business ownership problems. Meanwhile, Section 2036(c) has compounded the valuation problems inherent in determining the value of transferred growth interests and has not eliminated numerous freezes in family businesses, some of which have been endorsed specifically by Congress. Having failed in its two objectives, Section 2036(c) should not be left also to dissuade legitimate nontax planning in family businesses.

Because the language of Section 2036(c) abandons traditional property law concepts, and applies to transfers that have no inherent gift element, a fourth criticism of it is that application of the tax cannot be predicted with certainty, which is always bad in a voluntary compliance system. Moreover, Section 2036(c) encourages investment in self-gratification assets instead of job-producing enterprises, which also is a poor policy result. Indeed, because of the Service's interpretation that personal use assets are not subject to Section 2036(c), Congress appears to have passed an estate tax statute that opposes the Section 162 and 212 income tax policy of encouraging investment in enterprises.

* * *

> . . . with respect to transactions that are pure economic bargains, Section 2036(c) has a doubtful constitutional basis. This section converts the estate tax from a transfer tax to a transaction tax. As is obvious from the literal wording of Section 2036(c)(2), a transfer with a gift element is not required. All Section 2036(c) requires is that a transaction described in Section 2036(c)(1) has occurred. If no donative transfer has occurred, application of Section 2036(c) to a pure economic bargain may be an unconstitutional direct tax on property. Under Article I, Section 9, of the United States Constitution, "[n]o capitation, or other direct, Tax shall be laid unless in Proportion to the Census or Enumeration hereinbefore directed to be taken." An estate tax directly levied on property is an unapportioned direct tax. To be constitutional, the estate tax must be an indirect levy against *transfer*. [Application of Section 2036(c) for Section 2036(a) inclusion] is not an indirect levy on the privilege of transferring property if it applies to a transaction in which the growth of an enterprise accrues to a transferee *only* because of the economic bargain made by the transferee and not because of any gift made by the transferor.

* * *

> Finally, the [application of Section 2036(c) for Section 2036(a) inclusion] also may be unconstitutional because it is either a discriminatory denial of due process (the tax ignores the contractual rights of a party who purchases growth interests, if the contract with the transferor requires the transferor to pay all taxes attributable to the sale), a discriminatory denial of equal protection (no rational basis exists to penalize employment of a family member as opposed to a non-family member), or too vague to fairly enforce (no one can calculate the tax at this time). This constitutionally suspect tax out to be repealed and, before it is replaced, Congress should schedule meaningful hearings for debate about the property solution to the valuation problems that justify action in this arena.

Commentators were not the only persons by 1990 who concluded that IRC Sec. 2036 (a) inclusion in lieu of IRC Sec. 2033 inclusion for preferred interest partnerships was poor policy. Several prominent Republican Senators also did. What is perhaps noteworthy is that several powerful Democrat Senators felt the same way. Thus, the removal of IRC Sec. 2036(a) priority over IRC Sec. 2033 in determining inclusion enjoyed rare bi-partisan consensus. The legislative history associated with the repeal of IRC Sec. 2036(a) makes clear the strong desire of Congress that IRC Sec. 2036 should not apply to partnerships that have a significant preferred partnership component that is owned differently than the growth interest component. Consider the following statements before the Senate on October 17, 1990:[197]

---

[197] Congressional Record, 101st Congress S. 3113: pp. 1-4 (Oct. 17, 1990).

MR. BENTSEN. Mr. President, I am introducing legislation today that will repeal section 2036(c) of the Internal Revenue Code and provide new rules to limit evasion of Federal estate and gift taxes by means of estate freezes.

The Omnibus Reconciliation Act of 1987 contained section 2036(c). . . . Unfortunately, the cure 3 years ago turned out to be worse than the disease. The complexity, breadth and vagueness of the new rules have posed an unreasonable impediment to the transfer of family businesses.

. . .

Senators Boren and Daschle, in particular, have labored long and hard on this issue. I commend them on their efforts, as this bill would not have been possible without their assistance. Earlier this year, they chaired a joint hearing of the Subcommittee on Taxation and Debt Management and the Subcommittee on Energy and Agricultural Taxation. At that hearing the subcommittee members reviewed proposals from the American Bar Association and American College of Probate, the Tax Section of the D.C. Bar, the U.S. Chamber of Commerce, and the American Institute of Certified Public Accountants. In addition, they heard from a wide range of estate planners, small business representatives and the Treasury Department. All witnesses agreed that the current rules should be repealed. Most witnesses testified that these rules should be replaced with a rule that is targeted to valuation abuses. That is exactly what this bill does.

We have worked hard to balance taxpayers concerns with our concerns about transfer tax abuses. I'm convinced that this proposal is a reasonable approach to the problem.

* * *

MR. BOREN. Mr. President, I am pleased today to join with my colleagues Senator Bentsen and Senator Daschle in introducing this legislation that will repeal section 2036(c) of the Internal Revenue Code. At a time when we should be doing all that we can to help keep small family owned businesses afloat section 2036(c), known as the estate freeze provision, poses a real treat to their survival.

. . .

The legislation we are introducing today repeals section 2036(c) and instead provides for special valuation rules for estate freezes. The current law is overly broad and unintelligible to even the most sophisticated counsel, let alone counsel representing many small family owned business or farms throughout the United States. It is worth nothing that even supporters of 2036(c), few though they may be, concede that the 1987 law was clumsily fashioned. What they really mean is that virtually every knowledgeable observer has concluded that the new rules are simply unadministrable and not at all subject to a patch-up job of revision. While Treasury and other academics have suggested modifications, very few have come forward with hard and fast revisions. Given the tremendous burdens this rule places upon family owned small business the only fair and meaningful course is to cleanly and clearly start over with repeal.

. . .

I believe the most efficient way to solve this problem is to repeal section 2036(c) and start over. We should begin with a clean slate, only then can we begin to consider a much more narrow, focused and equitable alternative to the current section 2036(c). I believe the legislation we are introducing today is such an alternative. I urge my colleagues to join us in supporting this legislation.

* * *

MR. DASCHLE. Mr. President, I am pleased to join my distinguished colleagues, Senator Lloyd Bentsen, chairman of the Finance Committee, and Senator David Boren, in introducing legislation to repeal section 2036(c) of the Internal Revenue Code and replace it with a significantly more limited measure that is fairer to family businesses.

Last year, I introduced a bill, S. 349, that would repeal section 2036(c). At that time, I indicated that I would be open to consideration of a more limited substitute – one that was targeted strictly at the estate tax abuses that allegedly were occurring prior to the enactment of section 2036(c). I also expressed an interest in working with Senator Bentsen in this endeavor.

After extensive review of alternative options, including meetings with small business groups and hearings on this issue in the Finance Committee, Senator Bentsen and I have what we believe is a reasonable alternative to current law section 2036(c).

Our bill addresses three major concerns I have about current law. First, current law takes an approach that throws the baby out with the bathwater. Consequently, a wide rage of otherwise legitimate transactions are suspect under its provisions. The bill we are introducing today takes the opposite approach. It says, 'These specifically identified abuses are impermissible.' Period. In this way, family business owners who wish to pas the business on to their children gradually during their lifetimes can do so with a clear understanding of those means which are permissible.

Second, under [application of Section 2036(a) in lieu of Section 2033], *the IRS can find a transaction unenforceable for estate tax purposes years, perhaps decades, after the transaction occurs. Like a number of other substitute proposals that have been advanced, our bill addresses potential abuses at the time the transaction occurs. This ensures that the appropriate amount of gift tax is paid at that time, leaving owners of businesses with confidence that the transaction will* *not be found invalid years later when they die and it is too late to do anything about it*.

> Finally, section 2036(c) is simply too ambiguous and confusing. Senator Bentsen and I have sought to make our bill much simpler and straightforward. This should make the IRS pursuant to the measure much easier and faster to draft. [Emphasis added.]

* * *

Congress did retroactively repeal the application of IRC Sec. 2036 inclusion to business and other financial enterprises in lieu of IRC Sec. 2033 inclusion. Among the reasons cited by the Senate in their legislative history were the following:

> The [Senate Finance] committee believes that an across-the-board inclusion rule [application of Section 2036(a)] is an inappropriate and unnecessary approach to the valuation problems associated with estate freezes. The committee believes that the amount of any tax on a gift should be determined at the time of the transfer and not upon the death of the transferor . . . . In developing a replacement for current section 2036(c) the committee sought to accomplish several goals: (1) to provide a well defined and administrable set of rules; (2) to allow business owners who are not abusing the transfer tax system to freely engage in standard intra-family transactions without being subject to severe transfer tax consequences; and (3) to deter abuse by making unfavorable assumptions regarding certain retained rights.[198]

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 were modified, however, through the passage of new valuation rules under Chapter 14, including IRC Sec. 2701.

5. Flexibility Advantages.

Since the preferred coupon is noncumulative, this technique has the advantage of flexibility. If in a particular tax year the enterprise investments do not produce enough income to pay the preferred coupon, the taxpayer's estate does not grow because of the cumulative feature. The fact that the preferred will be worth zero under the subtraction method for gift tax purposes will not hurt the taxpayer, from a transfer tax perspective, if the overall gift of the FLLC or FLP is still under the gift tax exemption. This is because of the mitigation rule in Treasury Regulation

---

[198] Informal Senate report accompanying the Revenue Reconciliation Bill of 1990 (S. 3209) as printed in the Oct. 18, 1990, Congressional Record, vol. 136, s. 15679 (Daily Edition) (emphasis added).

Section 25.2701-5(a)(3). Under that mitigation rule, the donor's estate will be reduced by the same amount the gift of the enterprise value was increased by operation of IRC Sec. 2701 due to the zero value rule. Furthermore, the zero value rule does not apply for generation-skipping tax purposes.

6. Basis Advantages.

The taxpayer's estate will get a step up in basis for the value of the preferred, which can be transported to the assets of the FLLC or FLP under IRC Sec. 754. Under the facts of this example, the taxpayer's estate will also receive a step up in basis for her assets that are held outside of the FLP. The only assets for which the taxpayer will not receive a step up in basis are those assets owned by the generation-skipping transfer trust, including the non-managing growth interest.

For assets subject to liabilities, which result in a negative basis for those assets, a step up in basis is particularly important. A modification of the technique may be very useful for negative basis assets. Consider upon creation of the FLP a non-disregarded entity (e.g., an FLLC owned 99% by a grantor trust and 1% by the grantor's spouse) could acquire a common interest in exchange for cash. The donor could contribute negative basis assets in exchange for a preferred interest. Liabilities of contributed assets are allocated to the preferred interest holder under the nonrecourse liability allocation rules under IRC Sec. 704. If the preferred interest is includable in the donor's estate "step up" in basis is available for all of the negative capital owned by the FLP.

7. The Capital Gains Consequences That May Exist For Existing Note Receivables and/or Payables Does Not Exist at Death With This Technique.

Unlike a situation with respect to note receivables and payables where there may be income tax consequences on the death of the beneficiary, there will not be any income tax consequences on the death of the owner of the preferred interest and, as noted above, there will be a step up in basis of the preferred and the partnership assets associated with the preferred at the taxpayer's death. See the discussion in Section VII C 5.

8. The Technique Could Work in Much Larger Situations Through the Use of Debt.

Assume the same facts as this example, except Rachael has $50,000,000 more in assets. Rachael could loan or sell $50,000,000 in assets for a note to the FLLC and there would not be any additional gift tax under the gift tax valuation rules of IRC Sec. 2701. This is because of the debt exception to the valuation rules of IRC Sec. 2701. See IRC Sec. 2701(a)(1).

C. Considerations of the Technique.

1. There Needs to Be Enough Substantive Equity in the Growth Interest in the Entity.

Under the gift tax valuation rules of IRC Sec. 2701 the common interest will be deemed to have at least 10% of the value of entity for gift tax purposes. Furthermore, it is difficult to find comparables in determining what the rate of the preferred coupon should be, unless there is substantive equity in the common interest.

2. The IRS Could Be Successful in Applying the Step Transaction Doctrine to the Technique.

See the discussion is Section VII C 3 of this paper.

3. If the Assets of the Entity Decrease in Value, the Gift Tax Exemption Equivalent May Not Be Recoverable.

See the discussion in Section VII C 4 of this paper.

4. The IRS May Contest the Valuation of the Growth Interests That Are Donated to the Grantor Trust.

See the discussion under VII C 6 of this paper for methods to mitigate any such contest.

XVI. USE OF THE LEVERAGED REVERSE FREEZE TO PAY FOR LIFE INSURANCE AND CASCADING PURCHASES OF GROWTH FLP INTERESTS

A. Introduction.

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 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.

B. Example.

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 life insurance and make cascading purchases of the growth partnership interests:

Example 26: Ian and Inez Insurance Wish to Transfer $103,000,000 of Their Financial Assets to Their Children in the Most Efficient Transfer Tax Manner Possible

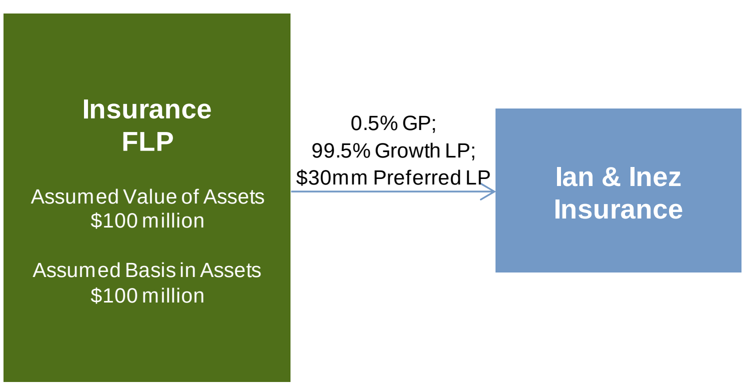
Ian and Inez Insurance own significant financial assets, $103,000,000. They are not fond of paying substantial gift taxes. Ian and Inez want their tax planner, Pam Planner, to devise a plan in which their consumption needs are addressed and in which their stewardship goals are met.

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 $2,000,000 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 9% pre-tax, with 2% of the 9% being taxed at ordinary income rates and 7% 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 Service's valuation parameters inherent in Revenue Ruling 83-120.[199] *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 10.5% in order to support par value for the preferred. Ian and Inez Insurance will initially own a $30,000,000 preferred partnership interest with the rest of the $100,000,000 they have contributed to the FLP being represented by a general partnership interest or a growth limited partnership interest.*

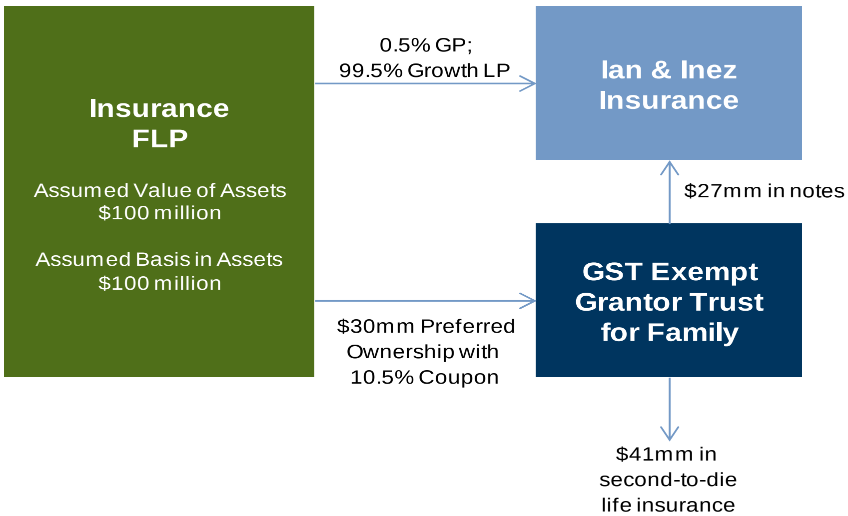
This technique ("Hypothetical Technique 13") is illustrated below:



Partner	Ownership (%)
Ian & Inez Insurance	0.5% GP; 99.5% Growth LP; $30mm Preferred LP

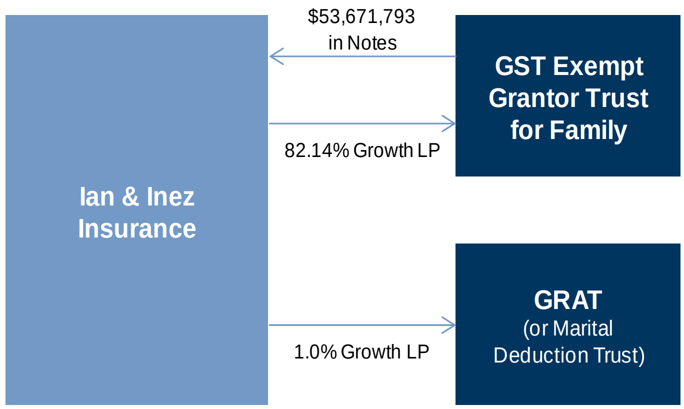
[199] 1983-2 C.B. 170.

After the FLP has been created Ian and Inez Insurance transfer, by gift, a $3,000,000 preferred partnership interest to some generation-skipping transfer trusts for the benefit of their children, grandchildren and future descendants. In January of 2009 Ian and Inez also sell the remaining $27,000,000 preferred interests to those trusts in exchange for notes that will pay a blended AFR rate of 0.87%. (For purposes of the calculations and the chart below, it is assumed that the coupon of the preferred partnership interest will be 10.5%) See the illustration below:



The grantor trusts, after that sale, will purchase $41,000,000 in second-to-die life insurance. Ian and Inez will be the insureds. It is assumed that the GST will use its net cash flow to pay the $400,000 annual insurance premium. The remaining cash flow inherent in the trust (the difference between the yield on the 10.5% preferred interest owned by the trust and the interest on the $27,000,000 note) will be utilized to pay either 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 2.06% interest rate). During the interim three-year period, it is assumed that around 9% 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 $61,000,000) 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	0.5% GP; $80.67mm Note Receivable
GST Exempt Grantor Trust for Family	98.5% Growth LP; $80.67mm Note Payable
GRAT (or Marital Deduction Trust)	1.0% Growth LP

C. 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 Internal Revenue Service did not have many tools with which to fight, from their perspective, abusive estate freezes, except valuation principles. In 1983, the Service issued a Revenue Ruling,[200] 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 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.

D. IRC Sec. 2036 Advantage.

See the discussion in Section XV B 4 of this paper.

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

As noted above, there are now new valuation rules under IRC Sec. 2701 with respect to partnerships that have both preferred interests and growth interests. Would those new valuation rules apply to a transfer of a preferred interest from the older generation to a younger generation, as opposed to the older generation retaining the preferred interest and giving away the growth interest? Stated differently, if a patriarch or matriarch reorganized his or her business and

200 Rev. Rul. 83-120, 1983-2 C.B. 170.

transferred a high-yielding preferred equity interest to his or her issue (or to a partnership in which his or her issue were the major owners), 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.[201]

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).[202] 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. (This reasoning also supports exclusion of an option arrangement from IRC Sec. 2701.) 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 (*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.

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

Another largely unexplored estate planning area is the effect 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.

---

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

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

G. What is the Comparative Outcome Under the Proposed Plan.

Please see attached Schedule 8. 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 8):

Table 8a

30 Year Future Values (Death in 10 Years)

Hypothetical Techniques	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 (assumes $14.1mm estate tax exemption available)	$225,689,299	$0	$22,927,759	$97,658,377	$91,990,591	$295,649,733	$50,146,512	$0	$784,062,269
Hypothetical Technique #13: Bequeaths Estate to Family (assumes $14.1mm estate tax exemption available)	$100,174,771	$291,214,944	$22,927,759	$97,658,377	$145,306,217	$247,024,872	$17,026,275	($137,270,945)	$784,062,269

Table 8b

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

Hypothetical Techniques	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 (assumes $14.1mm estate tax exemption available)	$92,981,003	$0	$9,445,933	$40,233,958	$37,898,906	$121,803,775	$20,659,699	$0	$323,023,274
Hypothetical Technique #13: Bequeaths Estate to Family (assumes $14.1mm estate tax exemption available)	$41,270,679	$119,976,701	$9,445,933	$40,233,958	$59,864,238	$101,770,976	$7,014,600	($56,553,812)	$323,023,274

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 8):

Table 8c

Future Value (Death in 30 Years)

Hypothetical Techniques	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 (assumes $25.5mm estate tax exemption available)	$153,752,429	$0	$95,150,831	$164,098,797	$105,165,355	$180,384,074	$85,510,782	$0	$784,062,269
Hypothetical Technique #13 Bequeaths Estate to Family (assumes $25.5mm estate tax exemption available)	$2,318,772	$245,735,327	$95,150,831	$164,098,797	$105,211,327	$174,762,900	$0	($3,215,685)	$784,062,269

Table 8d

Present Value of the 30 Year Future Values (Death in 30 Years)

Hypothetical Techniques	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 (assumes $25.5mm estate tax exemption available)	$63,343,965	$0	$39,200,883	$67,606,532	$43,326,734	$74,315,850	$35,229,310	$0	$323,023,274
Hypothetical Technique #13; Bequeaths Estate to Family (assumes $25.5mm estate tax exemption available)	$955,303	$101,239,701	$39,200,883	$67,606,532	$43,345,674	$72,000,001	$0	($1,324,820)	$323,023,274

H. Use of High Yield Preferred Partnership Interests in Conjunction With Long Term GRATs.

1. The Technique.

Mr. and Mrs. Insurance could also take the preferred interests and contribute them to long term GRATs. For instance, Mr. and Mrs. Insurance could take their proportionate share of the $30,000,000 of preferred partnership interests, which are presumed to pay a 10.5% coupon, and contribute those interests to either 10 year or 11 year term GRATs. Assume the annuity amount that will be paid each year by the 10 year or 11 year GRAT to the grantor of the GRAT will be equal to the preferred coupon, 10.5% or $3,050,000. Trusts for the benefit of their children could be the remainderman beneficiaries of the GRAT. If both Mr. and Mrs. Insurance live longer than the annuity period of the GRATs, the $30,000,000 of preferred interests would pass to the trusts for the benefit of their children.

2. Outcome.

If Mr. and Mrs. Insurance create GRATs that last 10 years, with the payouts described above, the gift will be $905,120.50, assuming the IRC Sec. 7520 rate is 1.0%, even though trusts for their children will receive $30,000,000 of preferred partnership interests at the end of 10 years. If the term of the GRAT is 11 years, assuming the IRC Sec. 7520 rate is 1.0%, the gift will be $170,620. If the appraisers find that the rate of return on the preferred interests should be equal to 11.60375%, in order to support par value of the preferred interests, and the 10 year GRATs are created with $30,000,000 of preferred interest paying a 11.60375% coupon, the GRATs will be a near zeroed out GRATs.

Thus, in each of these scenarios, Mr. and Mrs. Insurance could be in the position to receive substantial cash flows for a 10 year or 11 year period, and assuming the gift tax exemption that they each have is $1,000,000, they will each transfer preferred interests that are equal in value to over $30,000,000 to trusts for the benefit of their children without paying gift taxes.

I. Conclusions.

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.

This arbitrage may make possible the purchase of significance life insurance without the payment of gift taxes and could operate to have a "Pac-man" effect in buying the retained growth interest held by the senior generation. 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.

XVII. USE OF A DISCOUNTED SALE OF THE NON-CHARITABLE INTEREST IN A CHARITABLE REMAINDER UNITRUST ("CRUT") TO A GRANTOR TRUST

A. Introduction and Case Study Example.

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 FLP interests to a grantor trust. What if that synergistic planning simulated a capital gains tax and estate tax holiday for the client and his family with the client's family charity receiving 26% of his wealth on his death? Consider the following example:

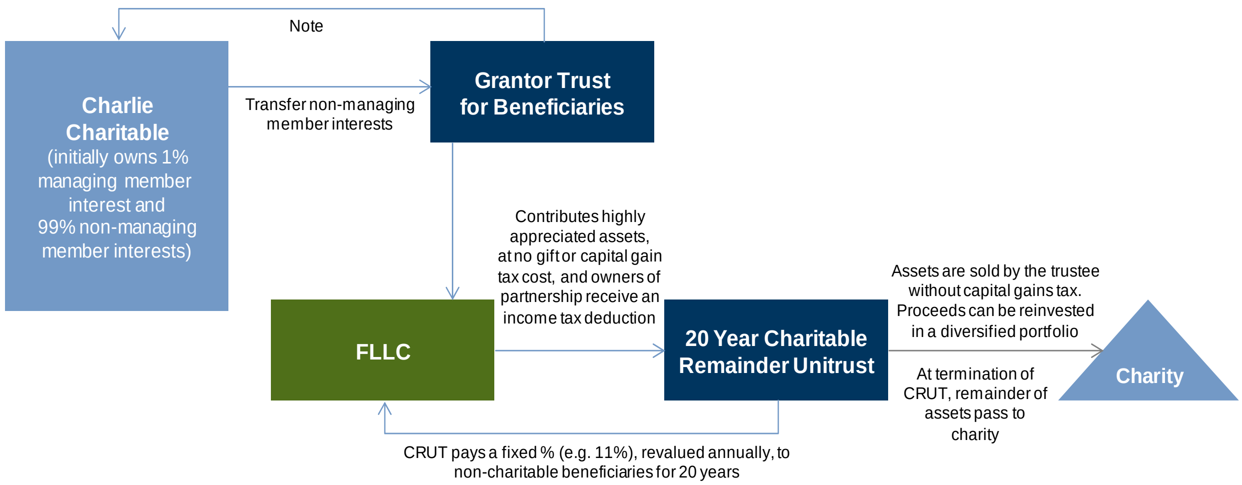
Example 27: Charlie Charitable Wishes to Benefit His Family,
His Charitable Causes and Himself With a Monetization Strategy

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 one-quarter and one-third 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.

B. A General Review of the Solution.

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 ("Hypothetical Technique 14") is illustrated below:



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. To address these questions, Pam reviews the basic concepts underlying the strategy, the rules that apply to each component and the projected outcome.

C. The Concepts.

Clients and their advisors often focus on an asset's return without adjusting for the timing and cost of taxes. Surprisingly, real wealth over time depends less upon the return clients earn and more about the return clients keep. Although understanding the details of certain estate planning techniques requires mastery of an arcane language, the basic engineering relies on a few key concepts.

1. The Tax Advantage of Creating a Grantor Trust and a Sale to a Grantor Trust.

See the discussion in Section VII B 1 of this paper.

2. The Tax Advantage of Using Leverage.

Simply stated, leverage occurs when a relatively small tool produces disproportionately large results. When Charlie transfers assets which are entitled to legitimate gift tax discounts to his descendants, such as non-managing member interests in a properly formed and managed FLLC, the underlying asset value in the FLLC starts generating returns immediately for his descendants even though Charlie reports the discounted value of the interests for gift tax purposes. When Charlie sells an asset to a trust for his descendants at a modest interest rate, the trust keeps the returns above the amount needed to pay the interest. That means the rest of Charlie's asset is working for his descendants, not for Charlie. Selling discounted non-managing member interests to a grantor trust combines both examples of leverage.

3. The Tax Advantage of Lowering Opportunity Costs By Delaying Taxes.

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. Spending money on consumption also generates its own set of opportunity costs, because Charlie cannot invest the dollars he spends on consumption costs either. Some clients benefit from controlling both kinds of opportunity costs. Charlie thinks his standard of living is reasonable, so he will concentrate on tax deferral.

4. The Tax Advantage of Allocating Tax Liabilities to the Donor and Layering Tax Effects.

Deferring taxes is only a partial solution, because some day the inevitable tax bill will be due. But planning opportunities do not end with deferral. If Charlie is legally liable for the tax burden that falls on assets destined to benefit his family, the tax liability will reduce Charlie's own estate and, in effect, enhance the return that accrues to the family as a whole. In addition, income and transfer taxes have different effects and these effects need to be layered. Sometimes the cost of paying one tax mitigates the cost of paying another. For example, Charlie might want to avoid the capital gains tax, but the capital gains tax may be only half as costly as Charlie assumes if his estate has to pay estate taxes too, because Charlie's estate will not pay estate tax on the money Charlie spent to pay capital gains tax.

5. The Tax Advantage of Integration.

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.

D. The Rules.

Pam next reviews the rules that govern the CRUT, the FLLC and the sale to the intentionally defective grantor trust for Charlie and his children.

1. What is a Charitable Remainder Unitrust ("CRUT")?

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.[203] The time period can last for up to twenty years or for the lifetimes of one or more currently living noncharitable beneficiaries.[204] 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.[205] 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.

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.[206] These charitable beneficiaries can include private foundations and donor advised funds.[207]

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.[208] Because Charlie will own almost all of the FLLC when the CRUT is created, he will receive most

---

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

[204] Treas. Reg. Section 1.664-2(a)(1).

[205] *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. Section 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 LLC, having the LLC create the CRUT, and then selling a portion of the LLC to a grantor trust so that there is only one grantor and income tax owner for the entire series of transactions.

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

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

[208] The IRC Sec. 7520 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.

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.[209]

Pam lists some of the key CRUT rules for Charlie:

a. The FLLC, as the noncharitable beneficiary, must receive an annual unitrust payment.[210] 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%,[211] but not more than 50%,[212] 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%.[213] The CRUT can receive additional contributions as long as each additional contribution satisfies the 10% rule.[214]

d. The CRUT does not pay income taxes.[215] 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.[216]

---

[209] 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).

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

[211] Treas. Reg. Section 1.644-2(a).

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

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

[214] Treas. Reg. Section 1.664-3(b).

[215] 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.

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

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.[217]

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.[218]

2. Why Use a Term of Years CRUT?

Charlie could use a term of years CRUT as long as it does not exceed 20 years. For instance, Charlie could stagger gifts to his foundation by using five, ten, fifteen and twenty year CRUTs. Pam explains why she thinks Charlie could use a CRUT measured by a term of years in his plan:

a. Charlie wants to diversify a low basis single stock concentration without taking an immediate tax hit. The noncharitable beneficiary pays income taxes as the CRUT makes distributions. Although the partnership is the noncharitable beneficiary, most of its income tax liability will flow through to Charlie, and this will remain true when Charlie sells most of the partnership to a grantor trust.

b. Charlie has a legitimate desire to benefit charity as well as his family.

c. Charlie needs a continuing payment stream for a period of time. The CRUT distributions will enable the grantor trust to pay down the debt it owes to Charlie for buying his non-managing member interest.

d. Charlie does not want to buy life insurance to replace the wealth his family would lose if Charlie kept a lifetime interest in a CRUT and died prematurely.

3. Advantages of a FLLC in This Context.

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

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

b. Protect limited partners from creditors, divorcing spouses and financial inexperience.

---

[217] Treas. Reg. Section 1.664-1(a)(7).

[218] IRC Sec. 4941.

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

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

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

4. Consideration of a FLLC in this context.

Charlie and other members must observe certain FLLC considerations or he could lose some of the benefits described above. Pam and Charlie review the following:

a. 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.[219]

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

c. 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.[220] 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.

d. 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.

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

f. FLLC income tax rules are complicated and transferring property to and from a partnership can trigger surprising income tax consequences. Charlie and his

---

[219] *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); *Senda v. Commissioner*, 433 F.3d, 1044 (8th Cir. 2006).

[220] *But see* the discussion in Section III A of this paper.

family must make a long-term commitment to conducting their affairs inside the FLLC.

g. The IRS may closely scrutinize a FLLC operating history and valuation discounts.

5. What are the Considerations of an Installment Sale to an IDGT in This Context?

Pam lists a number of other considerations:

a. 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. Pam reviews a few of the common techniques for creating grantor trust status.[221] Charlie can have the power, in a non-fiduciary capacity, to reacquire trust property by substituting property of equivalent value.[222] If Charlie was married, he could name his wife as a trust beneficiary.[223] Charlie can give a trusted friend the power to add trust beneficiaries.[224] Charlie likes the idea that someone could add the spouses of his descendants as beneficiaries, especially a parent of Charlie's grandchildren. If Charlie approves, it may be desirable to include more than one of these techniques in the trust.

c. Like the CRUT and the FLLC, the sale to the trust will generate its own set of legal and administrative costs.

d. The trust will issue an installment note for the value of Charlie's non-managing member interests. To circumvent gift tax consequences, the trust must pay Charlie a minimum interest rate. The IRS publishes these rates monthly; the short-term rate applies to notes that are three years or less, the midterm rate applies to notes of between three and nine years; and the long-term rate applies to notes of over nine years.[225]

e. Charlie can require the trust to amortize his note – that is, to pay it down over a certain schedule. Alternatively, he can agree to a balloon note, which means the trust will repay the principal to Charlie in a lump sum at the end of the term.

[221] IRC Secs. 671 through 677 contain rules under which a grantor will be treated as the income tax owner of a portion or all of a trust.

[222] IRC Sec. 675(4)(c); Treas. Reg. Section 1.675-1(b)(4).

[223] IRC Sec. 674(a).

[224] IRC Sec. 674(b), (c) and (d).

[225] IRC Secs. 7872(f), 1274(d).

f. If the non-managing member interests Charlie sells to the trust appreciate more than the amount needed to repay the interest on the note, the additional appreciation passes tax free to Charlie's beneficiaries. However, the non-managing member interests could decline in value. Not only would Charlie's beneficiaries receive no appreciation, but they might lose the other trust assets Charlie gave to the trust previously. The discount on the non-managing member interests buffers the loss, but that is still no guarantee of success.

g. If Charlie dies before the trust repays his note, his estate will pay estate taxes on the note's outstanding balance, but any appreciation Charlie has managed to transfer is out of his estate. There is no settled authority on how much income tax gain, if any, Charlie must recognize when the trust loses grantor status upon his death.[226]

6. What Are the Risks of the Combined Techniques?

Pam also reviews some of the risks of the combined techniques. No one can guarantee Charlie the right valuation discount. Charlie may wish to consider a defined value allocation assignment, as discussed above. The trustees of the grantor trust must repay Charlie's note, but the source of repayment cannot be limited to trust income. If the value of the CRUT assets drops unexpectedly, the plan will not work as projected and Charlie's previous gift to his GST exempt trust might be wasted. Charlie must relinquish some control to his fellow members and the trustees. The law changes frequently and new legislation could affect the outcome too. There is no definitive answer to what happens for tax purposes if Charlie dies before the grantor trust repays his note.

Charlie recognizes these concerns and is glad that his children are hearing them too so the family can cooperate to support the plan.

E. What is the Outcome?

Charlie wants to go forward with Pam's plan. His children agree to be co-managing members in the new FLLC. Charlie will be in charge of the FLLC investments, but his children will handle other FLLC decisions. A corporate trust company and one of Charlie's trusted friends are the co-trustees of Charlie's GST exempt grantor trust. Charlie and the children as managing members select Charlie's sister and a corporate trust company as the trustees of the new CRUT. Charlie could also be a trustee (for investment purposes only) of the CRUT and/or the grantor trust, but chooses not to do so.

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 8% pre-tax return, with 25% of the return (or 2%) coming from ordinary income and the balance (or 6%) coming from capital appreciation. Generally, the advisor projects an annual 30% turnover –

---

[226] Some commentators suggest electing out of installment treatment. Theoretically, all gain should be "recognized" in the first year of the sale, although not reported under Rev. Rul. 85-13, 1985-1 C.B. 184.

that is, on average she 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 9):

Table 9

Hypothetical Technique #14 (Assumes $11.0mm 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
Stock Sale, No Planning	7,534,766	10,992,334	$0	$5,468,890	$7,032,316	$10,988,045	$20,803,380	$5,023,178	$67,842,908
Simulated Tax Holiday (No Initial Capital Gains Tax and No Estate Tax) 79% - 21% Split Between Family and Charity	$0	$24,883,319	$6,496,960	$5,468,890	$7,032,316	$10,825,721	$13,135,703	$0	$67,842,908
FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity	$0	$22,772,039	$6,496,960	$5,468,890	$7,032,316	$11,532,839	$14,539,861	$0	$67,842,905
FLP/Grantor Trust Sale, Charlie gives remaining estate to family	$0	$22,924,755	$0	$5,468,890	$7,032,316	$11,613,571	$20,803,380	$0	$67,842,909

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 40%. 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 million 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 – $10,988,045 – the combined total income tax cost of nearly $31,791,425 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 $20,803,380 in 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 piles on another $5,023,178 of estate tax. In contrast, there is no estate tax liability at all in the next two 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 that is less than 60% of the aggregate tax bill generated by the simple stock sale. 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 $2,111,296 (or 8.8% of the roughly $23,961,404 tax burden in the simulated tax holiday). That $2,111,296 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 $22,592,172, if the FLLC did not create the CRUT, or around $180,000 *less* 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 more than the future \$6,500,000 gift to charity. Thus, there is not any net cost to Charlie's family to transfer around \$6,500,000 to charity. In fact, the net worth of Charlie's family *increases*.

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.

Without mastering technical details, Charlie and his children have a good understanding of the plan by appreciating leverage, opportunity costs, layering tax effects and integration, and, by engaging professional investment advisors and trustees, they have some of the key resources they need to work toward the projected results.

XVIII. USE OF A LEVERAGED BUY-OUT OF A TESTAMENTARY CHARITABLE LEAD ANNUITY TRUST ("CLAT")

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.

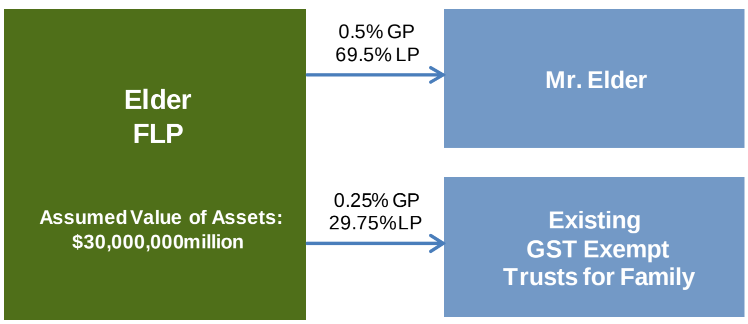
Example 28: Use of a Testamentary CLAT in Conjunction With a
Leveraged Redemption of a Partnership Interest Held by a Decedent

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.[227] *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%.*

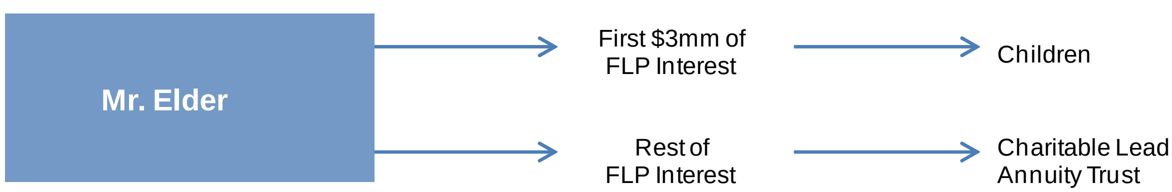
This technique ("Hypothetical Technique 15") is illustrated below:

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



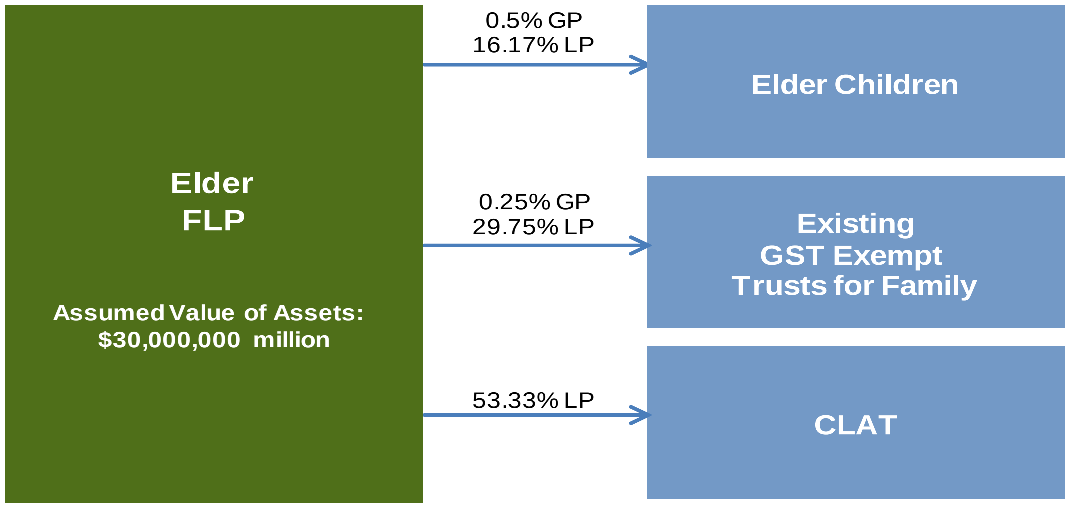
Elder, LP Partner	Ownership (%)
Mr. Elder	0.5% GP; 69.5% LP
Existing GST Exempt Trusts for Family	0.25% GP; 29.75% LP

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

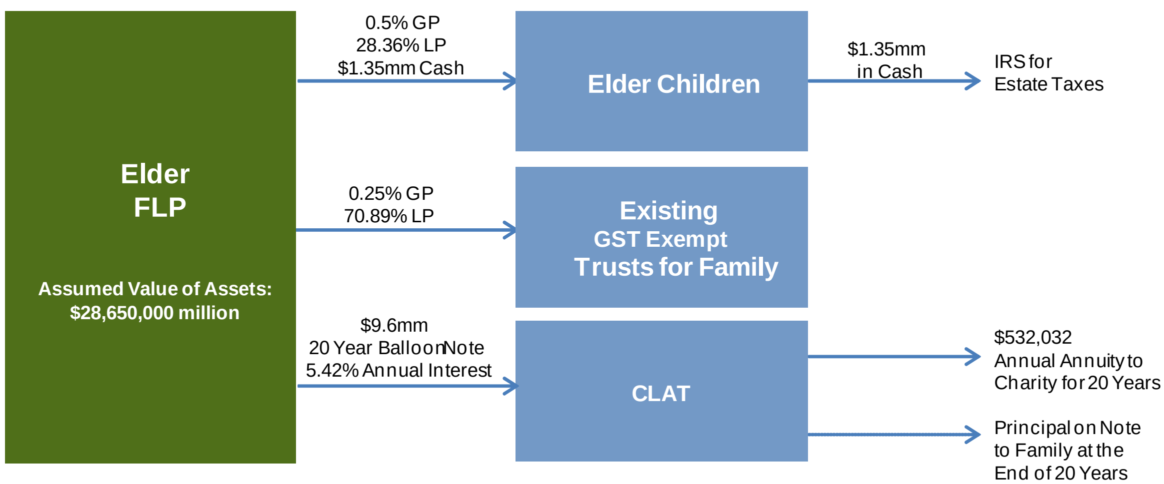


The percentage ownership of Elder Family Limited Partnership before any redemption pursuant to a probate court hearing is as follows:

[227] *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?

1. A charitable lead annuity trust 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.

2. In the charitable lead annuity trust, 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 principle. 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.

3. The lead interest in a charitable lead annuity trust can be for a fixed term of years. Unlike a charitable remainder trust, the fixed term can be indefinite.[228] The lead interest can also be measured by the life of an existing individual or the joint lives of existing individuals.

4. Charitable lead annuity trusts are not subject to the minimum payout requirements associated with charitable remainder trusts. Thus, there is no 5% minimum payout for charitable lead annuity trusts.

5. The charitable lead annuity trust is not a tax-exempt entity. Thus, 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.

6. Charitable lead trusts are characterized as private foundations for purposes of certain restrictions placed on such organizations. Accordingly, CLATs are subject to private foundation excise tax provisions.[229] The governing trust instrument must contain specific prohibitions against (i) self-dealing; (ii) excess business holdings; (iii) jeopardy investments; and (iv) taxable expenditures.[230] If the specified prohibited transactions occur onerous significant excess taxes could accrue.

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.[231] 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

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

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

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

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

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).

D. What is the Outcome?

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, 8% 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 attached Schedule 10).

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

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	$33,399,232	$18,513,280	$0	$11,013,260	$7,892,102	$2,000,000	$72,817,874
No Further Planning - Discount Allowed	$34,850,163	$18,513,280	$0	$11,313,056	$6,941,374	$1,200,000	$72,817,874
Hypothetical Technique #15a - CLAT Redemption Discount Allowed - $3 Million to Family	$23,148,293	$21,764,510	$19,212,493	$6,150,047	$2,242,531	$300,000	$72,817,874
Hypothetical Technique #15b - CLAT Redemption Discount Allowed - $10 Million to Family	$33,764,168	$17,563,274	$5,203,384	$9,733,242	$5,553,808	$1,000,000	$72,817,874

Table 10b

Summary of Results For $30 Million of Assets Growing at <u>7%</u> Per Year (Pre Tax) – No Further Planning vs. 20 Year Testamentary CLAT Technique; 30 Year <u>Future Values; Post-Death Scenarios (assuming Mr. Elder dies in year 1)</u>

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	$61,669,543	$53,664,987	$0	$40,236,839	$137,308,338	$9,000,000	$301,879,707
No Further Planning - Discount Allowed	$79,933,715	$53,664,987	$0	$46,491,600	$116,389,405	$5,400,000	$301,879,707
Hypothetical Technique #15a - CLAT Redemption Discount Allowed - $3 Million to Family	$51,066,322	$84,604,627	$52,562,979	$43,416,676	$68,879,103	$1,350,000	$301,879,707
Hypothetical Technique #15b - CLAT Redemption Discount Allowed - $10 Million to Family	$78,470,827	$54,690,286	$14,235,807	$45,316,751	$104,666,036	$4,500,000	$301,879,707

Table 10c

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

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	$49,717,481	$40,213,637	$0	$34,067,558	$96,368,975	$8,000,000	$228,367,651
No Further Planning - Discount Allowed	$62,001,399	$40,213,637	$0	$38,623,156	$82,729,459	$4,800,000	$228,367,651
Hypothetical Technique #15a - CLAT Redemption Discount Allowed - $3 Million to Family	$40,685,530	$60,269,531	$42,905,369	$34,396,455	$48,910,767	$1,200,000	$228,367,651
Hypothetical Technique #15b - CLAT Redemption Discount Allowed - $10 Million to Family	$60,878,575	$40,323,441	$11,620,204	$37,229,290	$74,316,141	$4,000,000	$228,367,651

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. The combined effect of those two different tax deductions is to heavily subsidize the interest payments. The secondary 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 the family's perspective, the principal of the note is, in effect, paid to themselves. Also, from the family's perspective, they have the assets now subject to the interest obligations of the note held by the CLAT (which could be satisfied with a sinking fund of laddered bonds).

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 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.

XIX. SYNERGY OF USING PREFERRED INTERESTS IN FLPS AND FLLCS WITH CHARITABLE PLANNING

A. Significant Income Tax and Healthcare Tax Savings Associated With Gifting a Preferred FLP or FLLC Interest to a Public Charity and the Corollary Opportunity to Gift and/or Sell the Remainder Interests to Family Members or Trusts for Family Members.

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

See the discussion in Section XVI C of this paper.

2. IRC Sec. 2036 Advantage.

See the discussion in Section XV B 4 of this paper.

3. The Valuation Rules of IRC Sec. 2701 Should Not Apply, if the Preferred Partnership Interests Are Not Retained By the Owner Who Later Transfers Other Partnership Interests to His Family.

As noted above, there are now valuation rules under IRC Sec. 2701 with respect to partnerships that have both preferred interests and growth interests. Would those new valuation rules apply to a transfer of partnership interests from the older generation to a younger generation, if the transferor does not retain preferred partnership interests? Stated differently, if a patriarch or matriarch reorganized his or her business and transferred a high-yielding preferred equity interest to his or her favorite charities and later transferred the other partnership interests to his or her family, would this transfer and reorganization be a transaction that is subject to the valuation rules under IRC § 2701, which was passed as part of Chapter 14? The answer is no.[232] See also the discussion in Section XVI E of this paper.

---

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

Example 29: Gift of a Preferred FLLC Interest

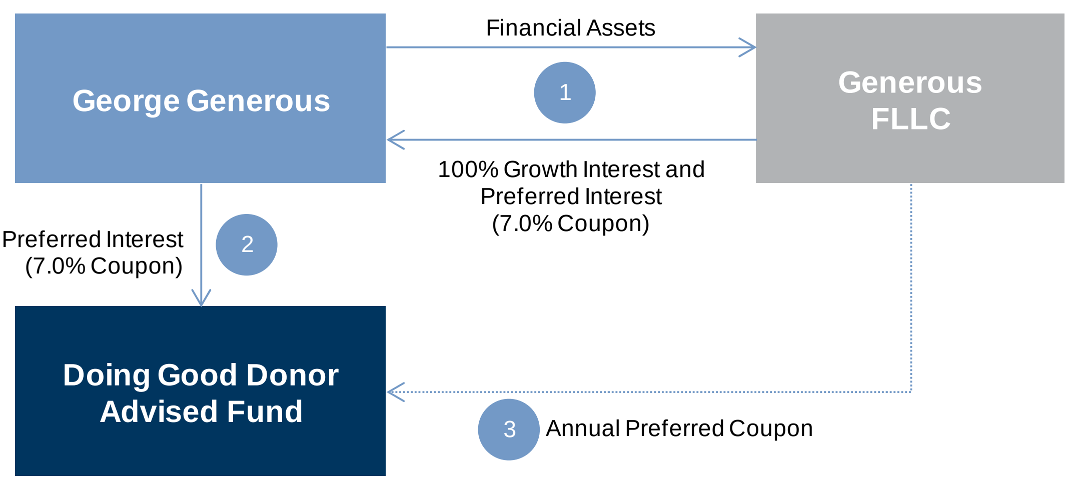
George Generous is unhappy about some of tax limitations associated with traditional charitable giving. Not only do tax limitations exist with respect to the amount of a deduction available for income tax purposes, there also is not any deduction in determining the new healthcare tax.

George 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 a deduction this year for 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 sale of his appreciated assets.

Pam Planner suggests that George consider forming a 50-year term FLLC that is structured to have both preferred and growth interests. George could contribute most of his assets to the FLLC. For instance, George could contribute his assets to the FLLC and receive a preferred interest that pays a coupon of 7%. The single member FLLC would be created in a manner in which George receives his preferred interest in consideration of his contribution of his most appreciated assets. The rest of his member 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 qualified public charity). The Doing Good Donor Advised Fund is entitled to a 7% preferred coupon each year.

This technique ("Hypothetical Technique 16") is illustrated below:



Assume many reasons exist for George creating the FLLC with two separate equity interests – preferred and growth. See the above discussion in Section XV B 4. As noted in the above discussion, the Tax Court in the *Estate of John Boykin*[233] 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 is a gift of the preferred interest. If George Generous gives the Doing Good Donor Advised Fund the preferred interest, he should receive a full charitable deduction for the par value of the preferred interest (assuming the appraisers agree that it is worth par value to the donor advised fund).[234] This is true even though the donor advised fund will not receive the par value until the end of the term of the FLLC. (The donor advised fund and the FLLC could agree at George's death to liquidate the preferred interest.)

To be deductible for income and gift tax purposes, George's transfer must not be considered a partial gift of the underlying assets of the FLLC, and must not be considered a partial gift of George's total interest in the FLLC. 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 and not in trust. Under the plan, 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); see also Treas. Reg. Sec. 170A-7(a). Therefore a charitable deduction should be allowed for the value of the transferred preferred interest.

Nevertheless, the IRS could argue that George's gift is one of a non-deductible partial interest. A more conservative approach to ensure an income tax deduction for the value of the preferred interest may be to have other owners of preferred interests and growth interests using some of the other techniques described in this paper (e.g., leveraged reverse freeze sales to trusts and transfers to grantor annuity trusts). See the discussion in Section XVI and Section XVI H of this paper. Those techniques could first be used and then the gifts of certain preferred interests to a public charity could follow.

Even if an income tax deduction and gift tax deduction for the value of the preferred interest is disallowed the other income tax attributes of the technique should remain (i.e., the preferred coupon income is allocated to the charity because of IRC Secs. 704(b) and 704(c)).

George will initially receive a full deduction for the par value of the preferred interest even though no cash has passed from his hands to the donor advised fund (again, assuming the par value does not exceed the 30% adjusted gross income limitation and that the qualified appraisers confirm that the preferred interest is worth par value). Most of the deductible par value is

---

[233] *Estate of Boykin v. Commissioner.*, T.C. Memo. 1987-134, 53 T.C.M. 345.

[234] 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 holdings rules need to be considered. See IRC Sec. 4943(e).

attributable to receiving the 7% coupon for 50 years. Stated differently, there is no willing buyer who would pay more than a small amount for the right to receive liquidation value of the par value in 50 years. George receives a deduction for the par value of the preferred with that value primarily coming from a capitalization of the preferred coupon, even though George is also not taxed for income tax purposes ***or*** for healthcare tax purposes on the preferred coupon that is allocated to the charity.

There is an indirect second deduction for the annual payment of that preferred coupon, which is given to the donor advised fund. The preferred interest income that is allocated to the donor advised fund will not be taxed to the other 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 income that is allocated to the donor advised fund (since he will not be taxed on that income) and that simulated deduction will not count against his adjusted gross income limitation, nor will it be subject to limitations associated with itemized deductions. Contrast that result with a charitable lead trust where 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.

In this example, George receives his preferred interest in exchange for a transfer of his most highly appreciated assets. If the FLLC sells the security, George should not be liable on any capital gains tax associated with the gain, 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, that trust will pay a significant capital gains tax. In all situations, if a grantor charitable trust is used, there will not be any allocation of the capital gains to the charitable beneficiary. All of the gain will be allocated to the grantor.

George asked Pam to compare the benefits of the proposed gift of a preferred FLLC interest (Hypothetical Technique 15 in the chart below) with a 7% coupon to making annual cash charitable contributions equal to that 7% coupon (Hypothetical Technique 13 in the chart below) with a cash testamentary bequest equal to the par value of the preferred to the donor advised fund at George's death (Hypothetical Technique 14 in the chart below). 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). Pam also ignores any estate tax benefits of the FLLC with respect to discounts on the growth interest (which would additionally favor the proposed strategy). Using those assumptions she then calculates the tax efficiency ratio (present value of both total net tax savings divided by the present value of the total out of pocket cash) under various assumed scenarios. Under the Version 1 scenario, in the table below, it is assumed a "0" basis asset is sold to fund the income needed for the annual charitable giving. The Version 2 scenarios below assume a "full" basis asset is sold to fund the income needed for the annual charitable giving. The "a" versions below assume the preferred technique is not used and out of pocket cash gifts are made. The "b" versions below assume the preferred interest technique is used and the 7% preferred coupon carries out a 3% ordinary income payment. The "c" versions below assume the preferred interest technique is used and the 7% preferred coupon carries out a 7% ordinary income payment to the charity and a "0" long term capital gains payment. Please see Table 11 below and please see attached Schedule 11.

Table 11

	Description	Tax Efficiency Ratio (Present Value of Total Net Tax Savings ÷ Present Value of Total Out of Pocket Cash)
Version 1a	Sale of a "0" Basis Asset, Annual Cash Gift for Twenty Years of 7% of the Value of the Sale Proceeds that Remain After Paying Taxes Associated with the Sale, Bequest of the Remaining Sale Proceeds in Twenty Years to Charity	16.34%
Version 1b	Creation of a 7% Coupon Preferred FLLC Interest in Exchange for a "0" Basis Asset that is Sold After FLLC is Created and Gift is Made to a Public Charity; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 20 Years	94.59%
Version 1c	Creation of a 7% Coupon Preferred FLLC Interest in Exchange for a "0" Basis Asset that is Sold After FLLC is Created and Gift is Made to a Public Charity; All Income from Preferred Coupon is Taxed as Ordinary Income; FLLC Terminates in 20 Years	102.90%
Version 2a	Sale of a Full Basis Asset, Annual Cash Gift for Twenty Years of 7% of the Value of the Sale Proceeds that Remain After Paying Taxes Associated with the Sale, Bequest of the Remaining Sale Proceeds in Twenty Years to Charity	39.70%
Version 2b	Creation of a 7% Coupon Preferred FLLC Interest in Exchange for a Full Basis Asset that is Sold After FLLC is Created and Gift is Made to a Public Charity; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 20 Years	71.23%
Version 2c	Creation of a 7% Coupon Preferred FLLC Interest in Exchange for a Full Basis Asset that is Sold After FLLC is Created and Gift is Made to a Public Charity; All Income from Preferred Coupon is Taxed as Ordinary Income; FLLC Terminates in 20 Years	79.53%

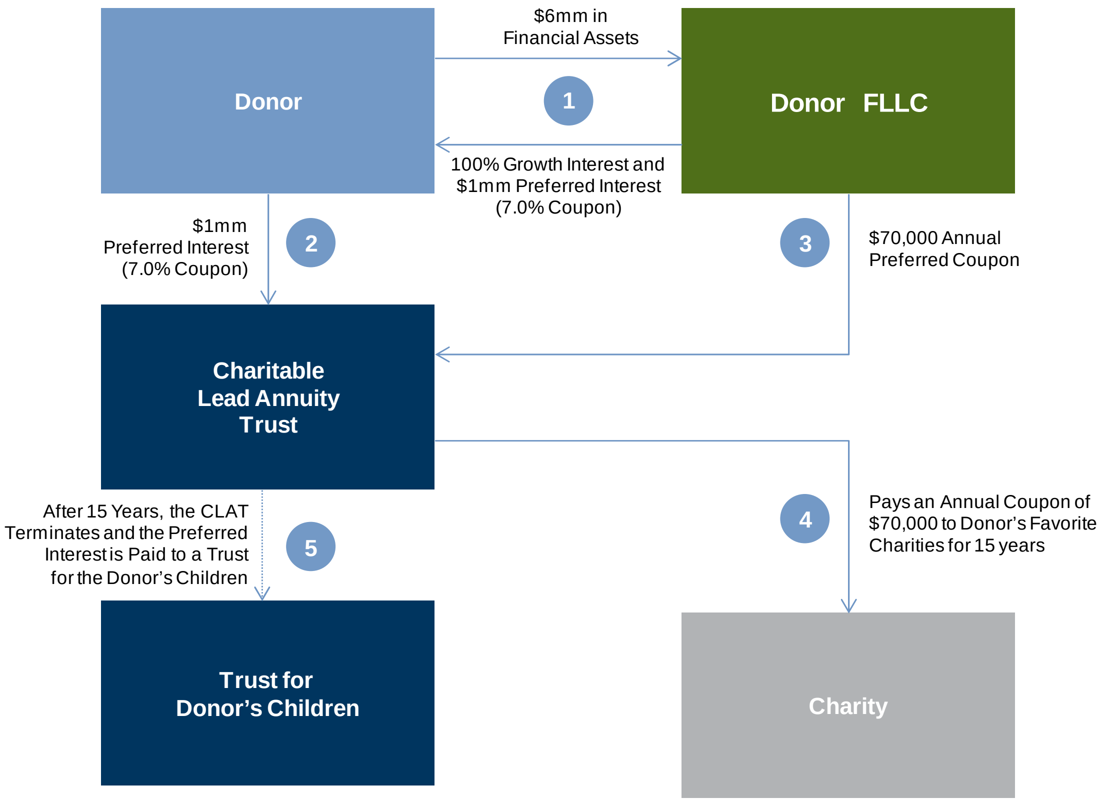
Obviously, for the charitably inclined taxpayer, who wishes for the maximum tax savings subsidization of the charitable gift, using gifts of preferred interests is compelling.

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

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?

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 the other 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%:



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 preferred partnership interest or limited liability interest appears to work very well with all varieties of CLATs, including level payment CLATs, back-loaded payment CLATs, grantor CLATs and non-grantor CLATs.[235]

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[236], the growth interest in the FLP or FLLC could be given or sold and 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.

---

[235] *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).

[236] *See* the discussion in Section VI of this paper.

Focusing on the tax benefits of the preferred interest gift to a CLAT in comparison to a net gift of the preferred interest to a taxpayer's family (i.e., an outright gift of the preferred interest to the family, with the family members agreeing to pay the gift tax by selling part of the preferred to pay for the gift taxes), or a testamentary bequest to family consider the following table (also see Schedule 12 attached to this paper):

Table 12

Version	Description	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% Present Value Discount		
Version 1a	Parents Hold on to Preferred Interest; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 15 Years; Bequeaths Estate to Family	$565,314	$0	$565,314
Version 1b	Creation of 15 Year CLAT Using Preferred Interest; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 15 Years	$362,446	$682,183	$1,044,629
Version 1c	Net Gift of Preferred to Family; Family Pays Gift Taxes by Selling Part of Preferred; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 15 Years	$669,977	$0	$669,977
Version 2a	Parents Hold on to Preferred Interest; All Income from Preferred Coupon is Taxed as Ordinary Income; FLLC Terminates in 15 Years; Bequeaths Estate to Family	$533,465	$0	$533,465
Version 2b	Creation of 15 Year CLAT Using Preferred Interest; All Income from Preferred Coupon is Taxed as Ordinary Income; FLLC Terminates in 15 Years	$362,446	$682,183	$1,044,629
Version 2c	Net Gift of Preferred to Family; Family Pays Gift Taxes by Selling Part of Preferred; All Income from Preferred Coupon is Taxed as Ordinary Income; FLLP Terminates in 15 Years	$635,077	$0	$635,077

As can be ascertained, using the CLAT strategy as opposed to a net gift of the preferred to the family "costs" the family $1 for every $2.22 to $2.6 that is given to charity in present value dollars, which is very efficient.

Focusing on the tax benefits of the preferred interest gift to a CLAT in comparison to a testamentary bequest of the preferred interest to a taxpayer's family, the CLAT strategy "costs" the family $1 for every $3.63 to $4 that is given to charity in present value dollars, which is very efficient.

XX. USING A 20% ANNUAL INCREASING ANNUITY GRAT, AND USING "PROPORTIONALITY" AND "DEBT" EXCEPTIONS TO IRC SEC. 2701 TO PLAN FOR PRIVATE EQUITY FUND MANAGERS AND HEDGE FUND MANAGERS

A. The Technique.

Private equity fund managers or hedge fund managers often participate in their funds in two different manners. The fund manager often invests in his managed fund along with other investors and receives the same return and rights that the other investors receive. Additionally, the fund manager also receives a right to "carried" interest from the fund that participates in the profits of the fund after a certain minimum amount of profits have been allocated to the investors. Many of these mangers would like to do estate planning solely on their "carried" interest because of its greater growth potential. However, because managers have two different types of equity interests in their funds, and because they are in control of the funds, many worry that the special valuation rules of IRC Sec. 2701 may apply to any transfers of the "carried" interest and those valuation rules may be applied in a manner that is disadvantageous in comparison to the hypothetical willing buyer, willing seller standard that is normally applied for gift tax transfers.[237]

Because of that IRC Sec. 2701 concern, the creation of a leveraged pro rata partnership, with a certain percentage of the pro rata partnership interests being contributed to a GRAT, may be the estate planning vehicle of choice for a private equity fund manager. Consider the following example:

Example 30: Iam A. Carrier Engages in Estate Planning With Respect to His Carried Interest

Iam A. Carrier is a private equity fund manager, along with his partners of a $1 billion private equity fund. Mr. Carrier is interested in estate planning with respect to certain of his interests in a private equity fund in which he invests and co-manages. Mr. Carrier owns a .2% investment interest in the $1 billion private equity fund. Mr. Carrier also has a 10% interest in the entity that owns the general partner of the private equity fund. The general partner is entitled to the "carried interest" as further described below.

The profits and cash flow of the private equity fund are to be divided as follows:

- *First, to the investment owners in proportion to their unreturned capital contributions until all capital contribution amounts have been returned.*

- *Second, to the investment owners until they have received an 8% return on their unreturned capital contribution amounts. This 8% "preference" return is cumulative and compounds annually.*

- *Third, to the carried interest owners until they have received distributions totaling 20% of the total profits of the private equity hedge fund on a cumulative basis.*

- *Fourth, to the carried interest owners and the investment owners so that the carried interest owners receive 20% of the "residual" cash flow and profits and the remaining 80% of the "residual" cash flow and profits are allocated among the investment owners in proportion to their respective membership interests.*

---

[237] *See* Wendel and Hatcher, How to Profit Without Getting Carried Away: Carried Interests, Profits Interests, or Black Holes?, American College of Trust and Estate Counsel Annual Meeting (March 4-9, 2009) and Jonathan J. Rikoon, Fun with Funds: FUNDamentals of Estate Planning with Carried Interests in Private Equity and Hedge Funds, 43rd Heckerling Institute on Estate Planning (January 13, 2009) .

There are many investment reasons for Mr. Carrier to create a FLLC to hold the carried interest before he engages in estate planning, including certain control aspects inherent with his other co-managers.

Mr. Carrier has asked his attorney, Connie Careful, to develop planning ideas based on the following assumptions about the growth of the private equity fund:

	Beginning of Year	Distributed Income	Unrealized Growth*	End of Year
Year 1	1,000,000,000	20,000,000	101,353,392	1,101,353,392
Year 2	1,101,353,392	22,027,068	111,625,902	1,212,979,294
Year 3	1,212,979,294	24,259,586	122,939,566	1,335,918,860
Year 4	1,335,918,860	26,718,377	135,399,908	1,471,318,768
Year 5	1,471,318,768	29,426,375	149,123,148	1,620,441,915
Year 6	1,620,441,915	32,408,838	164,237,285	1,784,679,200
Year 7	1,784,679,200	35,693,584	180,883,290	1,965,562,490
Year 8	1,965,562,490	39,311,250	199,216,425	2,164,778,916

Mr. Carrier would like Ms. Careful to concentrate on the estate planning opportunities inherent with his carried interest. It is assumed that if Mr. Carrier is a hypothetical willing seller, a hypothetical willing buyer would pay $1,500,000 for his interest in the entity that owns the general partnership carried interest. Mr. Carrier generally wishes to retain (free of estate planning techniques) most of the preference economics associated with his investment interest in the private equity fund for his consumption needs.

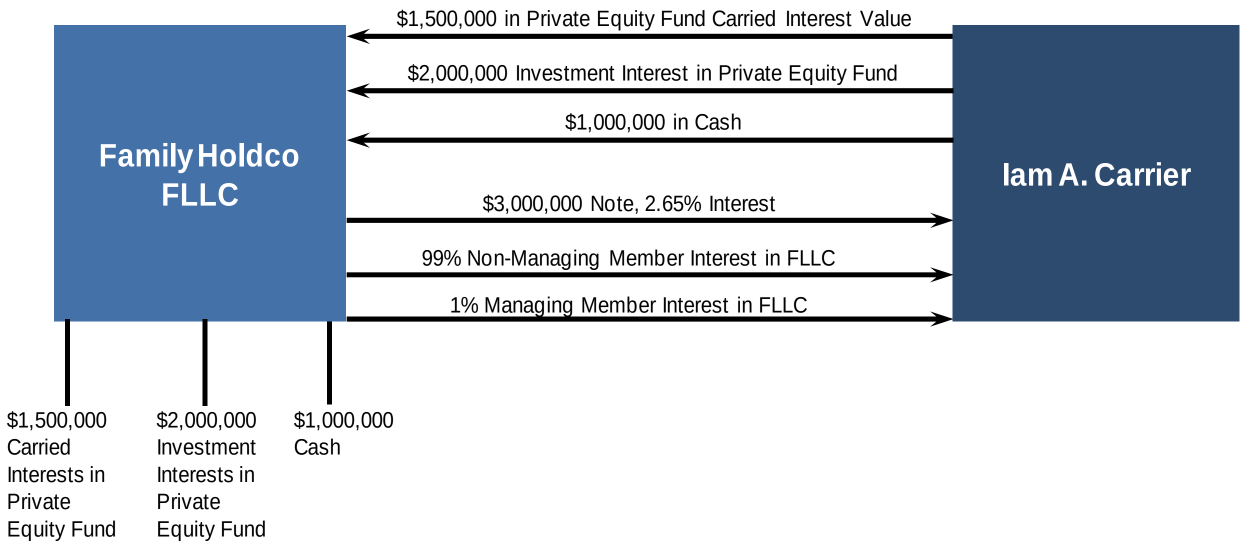
Ms. Careful is worried about the gift tax valuation rules of IRC Sec. 2701 applying, if the estate plan is isolated on solely planning for the carried interest. Ms. Careful reasons that the carried interest will only be profitable if the private equity fund earns over 8%. Thus, if she devises a plan that uses the proportionality and debt exceptions to the application rules of the IRC Sec. 2701 valuation rules (assuming interest on the debt will be equal to or less than 8%), she believes she may be able to simulate (and even improve) any potential estate planning opportunities in comparison to an isolated plan involving the carried interest.

Ms. Careful believes that Mr. Carrier should contribute the same proportion of his ownership in the carried interest and his investment interest in the private equity fund to a FLP or FLLC. For his contribution, Mr. Carrier could receive a combination of equity interests and notes in that family entity with the face amount of the notes being equal to the value of the contributed investment interest in the fund.

Ms. Careful believes she would then be in a position to plan for Mr. Carrier's estate, without the investment interest "diluting" the planning opportunity for the carried interest. More specifically, Ms. Careful believes that if Mr. Carrier receives a note from the family holding entity that is equal to the value of the investment interest in the private equity fund contribution, there will be no dilution in her planning for the carried interest contribution to the family holding entity.

The initial Holdco structure would be organized as follows ("Hypothetical Technique 17a"):

Scenario 1: Hypothetical Technique 17a

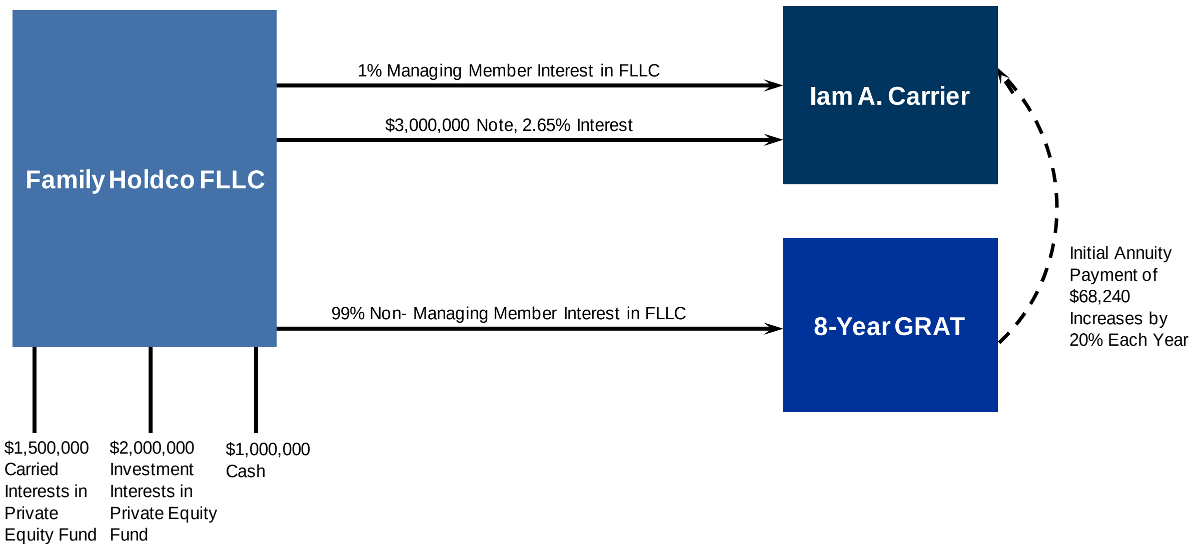


Ms. Careful believes that because of certain income tax considerations it may be prudent to use a GRAT instead of a sale to an intentionally defective grantor trust or some other estate planning technique that could be considered as involving a disposition of the carried interest.[238] Thus, she suggests to Iam A. Carrier that he transfer his 99% non-managing member interest in Holdco to an eight year near "zeroed out" GRAT in which the annuity increases 20% a year. The estate planning structure is illustrated below ("Hypothetical Technique 17b"):

---

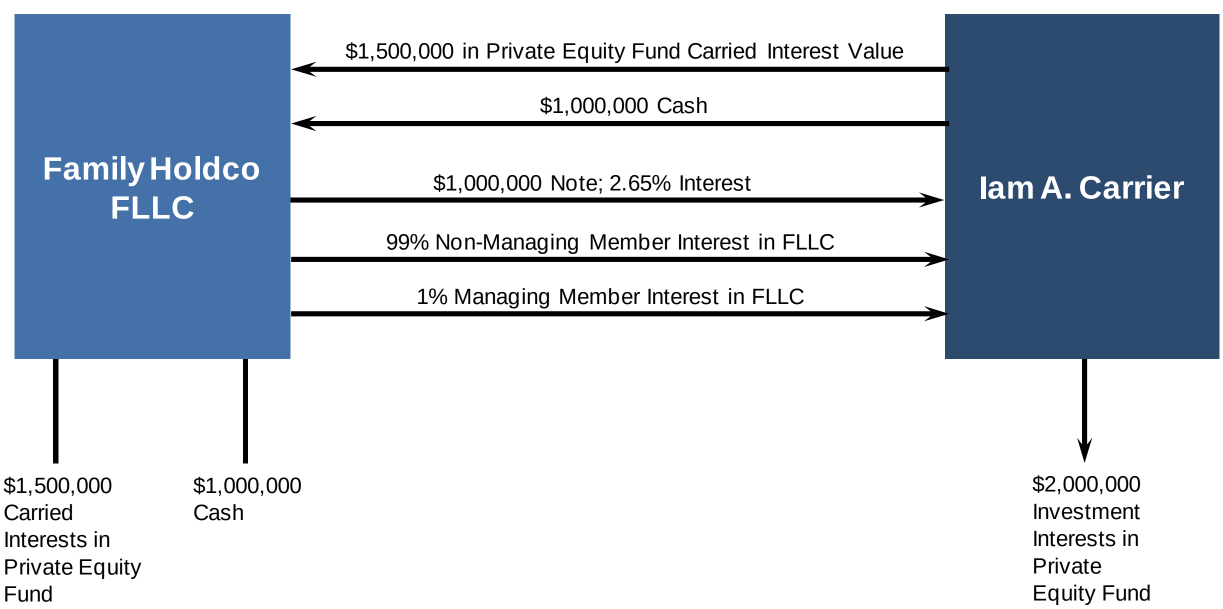
[238] Receipt of a carried interest in exchange for services provided to the managed fund held in partnership form by a fund manager is generally not a taxable event regardless of whether it is vested upon receipt, subject to compliance with Rev. Proc. 93-27, 19931933-2 C.B. 343, and 2001-43, 2001-2 C.B. 191. One of the requirements for the no income tax treatment provided for in Rev. Proc. 93-27 is that the recipient partner not dispose of the carried interest or any other profits interest within two years of receipt. A gift to a GRAT that is a grantor trust for income tax purposes should not be considered a disposition because there is no sale either for income tax purposes or property law purposes. A sale to an intentionally defective trust should not be considered a disposition for income tax purposes, but may be considered a disposition for property law purposes, which may be fatal under Rev. Proc. 93-27. *See also Diamond v. Commissioner*, 492 F.2d 286 (7th Cir. 1974),) where the receipt of profits interest was taxable because it was disposed of shortly after receipt.

Scenario 1: Hypothetical Technique 17b



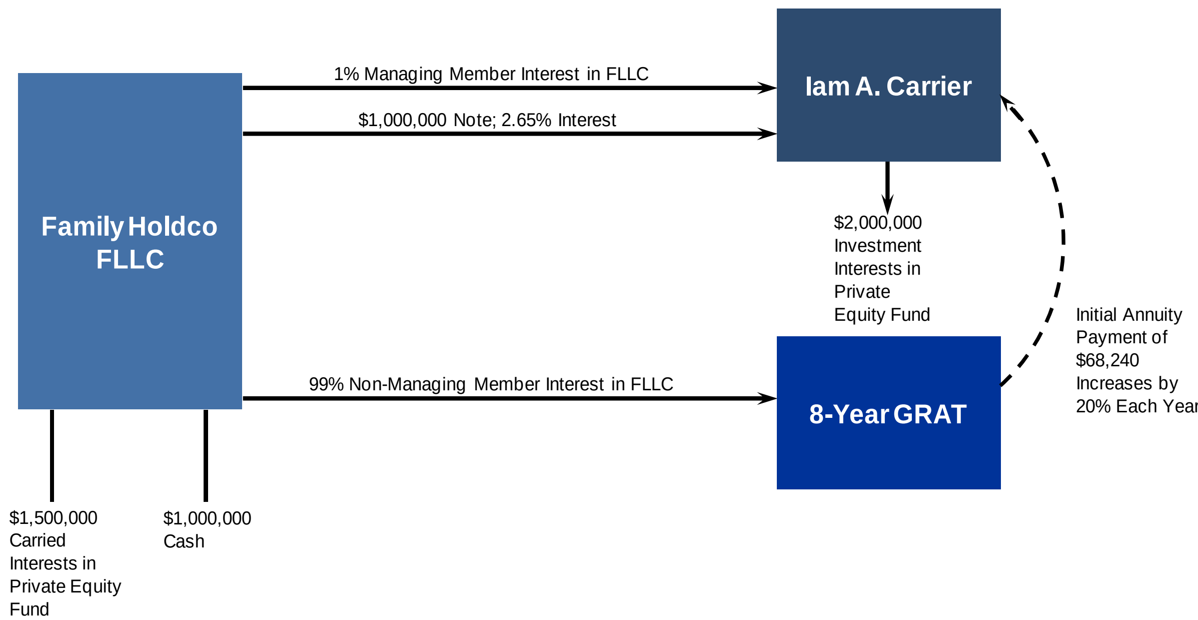
An alternative structure, which may be subject to the valuation rules under IRC Sec. 2701, would be for Iam Carrier to contribute $1,000,000 along with the carried interest to Holdco. Iam A. Carrier would continue to individually own the investment interest in the private equity fund. The structure would be similar to the illustration below ("Hypothetical Technique 17c"):

Scenario 2: Hypothetical Technique 17c



Iam A. Carrier could transfer his 99% non-managing member interest in Holdco to an eight year near "zeroed out" GRAT in which the annuity increases 20% a year. The estate planning structure is illustrated below ("Hypothetical Technique 17d"):

Scenario 2: Hypothetical Technique 17d



Under the assumptions of this example, the estate planning results of scenario one and scenario two in comparison to each other and in comparison to no further planning are delineated below (see attached Schedule 13):

Table 13

Technique	Carrier Family	IRS - Income Tax	IRS - Investment Opportunity Cost	IRS - Gift Tax (at 45%)	Total
No Further Planning; Transfers Estate to Family at the End of 8 Years	14,092,544	3,755,759	68,598	11,530,263	29,447,164
Planning Scenario #1: Iam A. Carrier Creates a FLP and Contributes $1,000,000 Cash, Carried Interest and a $2,000,000 Investment Interest in a Private Equity Fund that he Co-Manages; and the FLP Issues $3,000,000 in Notes to Iam A. Carrier with an Interest Rate Equal to the Federal Mid-Term Rate; Iam A. Carrier then Contributes FLP Interests to a GRAT; Iam A. Carrier Gives His Remaining Assets to His Family in 8 Years	24,886,627	3,769,157	68,598	722,783	29,447,164
*Planning Scenario #2: Iam A. Carrier Creates a FLP and Contributes $1,000,000 Cash and the Carried Interest; Iam A. Carrier Returns the Investment Interest in the Private Equity Fund; the FLP Issues $1,000,000 in Notes to Iam A. Carrier with an Interest Rate Equal to the Federal Mid-Term Rate; Iam A. Carrier Contributes FLP Interests to a GRAT; Iam A. Carrier Gives His Remaining Assets to His Family in 8 Years	24,447,268	3,497,229	68,598	1,434,069 *	29,447,164

* This scenario may also be subject to additional gift taxes because of the valuation rules under IRC Section 2701.

B. Observations.

Using two of the exceptions to the valuation rules of IRC Sec. 2701, (i) the proportionality exception (client contributes all of his interests (both his investment interest and his carried interest) in the private equity fund to the Holding Family Limited Partnership) and (ii) the debt exception (the investment interest is contributed in exchange for a note), in combination with a 20% annual increasing annuity GRAT, the results attained are similar to or enhanced over the results of contributing a partnership that solely owns a carried interest to a 20% annual increasing annuity GRAT, without the IRC Sec. 2701 valuation concerns.

This material represents the views of the Strategic Wealth Advisory Team ("SWAT"), which is part of the Investment Management Division of Goldman Sachs. This information is provided to private clients and their advisors solely to provide education on a variety of topics, including wealth planning, tax considerations, executive compensation, and estate, gift and philanthropic planning. The views and opinions expressed herein may differ from the views and opinions expressed by other departments or divisions of Goldman Sachs.

This material is intended for educational purposes only. While it is based on information believed to be reliable, no warranty is given as to its accuracy or completeness and it should not be relied upon as such. Information and opinions provided herein are as of the date of this material only and are subject to change without notice.

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.

Goldman, Sachs & Co. is not a licensed insurance company. Insurance products are offered through our affiliate The Ayco Company, L.P. ("Ayco"). This material is intended for educational or other purposes only and does not constitute an offer or solicitation to invest in any insurance product. While it is based on information believed to be reliable as of the date appearing on these materials, no representation or warranty is given as to its accuracy or completeness, and it should not be relied upon as such. For any questions you may have on insurance you should speak to the appropriate representative at Ayco.

Goldman Sachs does not provide accounting, tax or legal advice to its clients and all investors are strongly urged to consult with their own advisors before implementing any structure, investment plan or strategy. Notwithstanding anything in this document to the contrary, and except as required to enable compliance with applicable securities law, you may disclose to any person the US federal and state income tax treatment and tax structure of the transaction and all materials of any kind (including tax opinions and other tax analyses) that are provided to you relating to such tax treatment and tax structure, without Goldman Sachs imposing any limitation of any kind.

Information related to amounts and rates set forth under U.S. tax laws are drawn from current public sources, including the Internal Revenue Code of 1986, as amended, as well as regulations and other public pronouncements of the U.S. Treasury Department and Internal Revenue Service. Such information may be subject to change without notice. In some cases, rates may be estimated and may vary based on your particular circumstances.

SWAT services offered through Goldman, Sachs & Co. Member FINRA/SIPC.

Schedule 1
MINIMUM FAMILY
HYPOTHETICAL INTEGRATED INCOME AND ESTATE TAX PLAN COMPARISONS

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based or information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance.

	Pre-Death	Post Death	Percentage of Total
NO FURTHER PLANNING; BEQUEATHS ESTATE TO FAMILY (NO DISCOUNT)			
Mimi Minimum	70,542,566	-	0.00%
Minimum Family	-	38,798,412	19.28%
Consumption - Direct Cost	16,651,395	16,651,395	8.27%
Consumption - Investment Opportunity Cost	36,796,365	36,796,365	18.28%
IRS - Income Tax	19,551,445	19,551,445	9.71%
IRS - Investment Opportunity Costs	57,711,366	57,711,366	28.68%
IRS - Estate Tax (at 45%)	-	31,744,155	15.77%
Total	$201,253,138	$201,253,138	100.00%
NO FURTHER PLANNING; BEQUEATHS ESTATE TO FAMILY (WITH DISCOUNT)			
Mimi Minimum	70,542,566	-	0.00%
Minimum Family	-	49,908,866	24.80%
Consumption - Direct Cost	16,651,395	16,651,395	8.27%
Consumption - Investment Opportunity Cost	36,796,365	36,796,365	18.28%
IRS - Income Tax	19,551,445	19,551,445	9.71%
IRS - Investment Opportunity Costs	57,711,366	57,711,366	28.68%
IRS - Estate Tax (at 45%)	-	20,633,701	10.25%
Total	$201,253,138	$201,253,138	100.00%
HYPOTHETICAL INTEGRATED INCOME & ESTATE TAX PLAN WITH A GIFT/SALE TO A GST; BEQUEATHS ESTATE TO FAMILY			
Mimi Minimum	1,081,514	-	0.00%
Minimum Family	67,735,438	68,330,271	33.95%
Consumption - Direct Cost	16,651,395	16,651,395	8.27%
Consumption - Investment Opportunity Cost	36,796,365	36,796,365	18.28%
IRS - Income Tax	21,277,059	21,277,059	10.57%
IRS - Investment Opportunity Costs	57,711,366	57,711,366	28.68%
IRS - Estate Tax (at 45%)	-	486,681	0.24%
Total	$201,253,138	$201,253,138	100.00%
HYPOTHETICAL INTEGRATED INCOME & ESTATE TAX PLAN WITH A PARTNERSHIP AND WITH A GIFT/SALE TO A GST; BEQUEATHS ESTATE			
Mimi Minimum	218,548	-	0.00%
Minimum Family	68,477,925	68,598,127	34.09%
Consumption - Direct Cost	16,651,395	16,651,395	8.27%
Consumption - Investment Opportunity Cost	36,796,365	36,796,365	18.28%
IRS - Income Tax	21,397,537	21,397,537	10.63%
IRS - Investment Opportunity Costs	57,711,366	57,711,366	28.68%
IRS - Estate Tax (at 45%)	-	98,347	0.05%
Total	$201,253,138	$201,253,138	100.00%

Schedule 1
MINIMUM FAMILY
ASSET PAGE

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Family Limited Partnership	
Asset: Miscellaneous Assets	$18,000,000
Basis: Miscellaneous Assets	$0
Other Miscellaneous Assets	
Asset: Miscellaneous Assets	$2,000,000
Basis: Miscellaneous Assets	$0
Total Assets*	**$20,000,000**
Total Basis	**$0**

* There is not any proposed planning for Mimi Minimum's other assets

Schedule 1
MINIMUM FAMILY
NO FURTHER PLANNING; BEQUEATHS ESTATE TO FAMILY (NO DISCOUNT)

Assumptions:	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	350,000

Mimi Minimum

	Beg. of Year	Income	Growth	Income Taxes	Consumption	End of Year
Year 1	20,000,000	400,000	1,200,000	(3,411,980)	(350,000)	17,838,020
Year 2	17,838,020	356,760	1,070,281	(220,592)	(360,500)	18,683,969
Year 3	18,683,969	373,679	1,121,038	(253,075)	(371,315)	19,554,297
Year 4	19,554,297	391,086	1,173,258	(280,334)	(382,454)	20,455,852
Year 5	20,455,852	409,117	1,227,351	(304,127)	(393,928)	21,394,266
Year 6	21,394,266	427,885	1,283,656	(325,709)	(405,746)	22,374,352
Year 7	22,374,352	447,487	1,342,461	(345,978)	(417,918)	23,400,404
Year 8	23,400,404	468,008	1,404,024	(365,582)	(430,456)	24,476,399
Year 9	24,476,399	489,528	1,468,584	(384,993)	(443,370)	25,606,149
Year 10	25,606,149	512,123	1,536,369	(404,559)	(456,671)	26,793,411
Year 11	26,793,411	535,868	1,607,605	(424,544)	(470,371)	28,041,970
Year 12	28,041,970	560,839	1,682,518	(445,150)	(484,482)	29,355,695
Year 13	29,355,695	587,114	1,761,342	(466,540)	(499,016)	30,738,594
Year 14	30,738,594	614,772	1,844,316	(488,849)	(513,987)	32,194,846
Year 15	32,194,846	643,897	1,931,691	(512,192)	(529,406)	33,728,835
Year 16	33,728,835	674,577	2,023,730	(536,675)	(545,289)	35,345,178
Year 17	35,345,178	706,904	2,120,711	(562,394)	(561,647)	37,048,751
Year 18	37,048,751	740,975	2,222,925	(589,444)	(578,497)	38,844,711
Year 19	38,844,711	776,894	2,330,683	(617,918)	(595,852)	40,738,517
Year 20	40,738,517	814,770	2,444,311	(647,912)	(613,727)	42,735,960
Year 21	42,735,960	854,719	2,564,158	(679,522)	(632,139)	44,843,176
Year 22	44,843,176	896,864	2,690,591	(712,848)	(651,103)	47,066,679
Year 23	47,066,679	941,334	2,824,001	(747,996)	(670,636)	49,413,381
Year 24	49,413,381	988,268	2,964,803	(785,078)	(690,755)	51,890,618
Year 25	51,890,618	1,037,812	3,113,437	(824,208)	(711,478)	54,506,182
Year 26	54,506,182	1,090,124	3,270,371	(865,512)	(732,822)	57,268,342
Year 27	57,268,342	1,145,367	3,436,101	(909,119)	(754,807)	60,185,884
Year 28	60,185,884	1,203,718	3,611,153	(955,167)	(777,451)	63,268,136
Year 29	63,268,136	1,265,363	3,796,088	(1,003,804)	(800,775)	66,525,009
Year 30	66,525,009	1,330,500	3,991,501	(479,645)	(824,798)	70,542,566

Schedule 1
MINIMUM FAMILY
NO FURTHER PLANNING; BEQUEATHS ESTATE TO FAMILY (WITH DISCOUNT)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.
The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	350,000

Mimi Minimum

	Beg. of Year	Income	Growth	Income Taxes	Consumption	End of Year
Year 1	20,000,000	400,000	1,200,000	(3,411,980)	(350,000)	17,838,020
Year 2	17,838,020	356,760	1,070,281	(220,592)	(360,500)	18,683,969
Year 3	18,683,969	373,679	1,121,038	(253,075)	(371,315)	19,554,297
Year 4	19,554,297	391,086	1,173,258	(280,334)	(382,454)	20,455,852
Year 5	20,455,852	409,117	1,227,351	(304,127)	(393,928)	21,394,266
Year 6	21,394,266	427,885	1,283,656	(325,709)	(405,746)	22,374,352
Year 7	22,374,352	447,487	1,342,461	(345,978)	(417,918)	23,400,404
Year 8	23,400,404	468,008	1,404,024	(365,582)	(430,456)	24,476,399
Year 9	24,476,399	489,528	1,468,584	(384,993)	(443,370)	25,606,149
Year 10	25,606,149	512,123	1,536,369	(404,559)	(456,671)	26,793,411
Year 11	26,793,411	535,868	1,607,605	(424,544)	(470,371)	28,041,970
Year 12	28,041,970	560,839	1,682,518	(445,150)	(484,482)	29,355,695
Year 13	29,355,695	587,114	1,761,342	(466,540)	(499,016)	30,738,594
Year 14	30,738,594	614,772	1,844,316	(488,849)	(513,987)	32,194,846
Year 15	32,194,846	643,897	1,931,691	(512,192)	(529,406)	33,728,835
Year 16	33,728,835	674,577	2,023,730	(536,675)	(545,289)	35,345,178
Year 17	35,345,178	706,904	2,120,711	(562,394)	(561,647)	37,048,751
Year 18	37,048,751	740,975	2,222,925	(589,444)	(578,497)	38,844,711
Year 19	38,844,711	776,894	2,330,683	(617,918)	(595,852)	40,738,517
Year 20	40,738,517	814,770	2,444,311	(647,912)	(613,727)	42,735,960
Year 21	42,735,960	854,719	2,564,158	(679,522)	(632,139)	44,843,176
Year 22	44,843,176	896,864	2,690,591	(712,848)	(651,103)	47,066,679
Year 23	47,066,679	941,334	2,824,001	(747,996)	(670,636)	49,413,381
Year 24	49,413,381	988,268	2,964,803	(785,078)	(690,755)	51,890,618
Year 25	51,890,618	1,037,812	3,113,437	(824,208)	(711,478)	54,506,182
Year 26	54,506,182	1,090,124	3,270,371	(865,512)	(732,822)	57,268,342
Year 27	57,268,342	1,145,367	3,436,101	(909,119)	(754,807)	60,185,884
Year 28	60,185,884	1,203,718	3,611,153	(955,167)	(777,451)	63,268,136
Year 29	63,268,136	1,265,363	3,796,088	(1,003,804)	(800,775)	66,525,009
Year 30	66,525,009	1,330,500	3,991,501	(479,645)	(824,798)	70,542,566

Schedule 1
MINIMUM FAMILY
HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Mimi Minimum	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

Mimi Minimum

	Beginning of Year	Income	Growth	Gift to Minimum GST Grantor Trust	Note Payments	Income Taxes	Consumption	End of Year
Year 1	2,000,000	40,000	120,000	(2,000,000)	5,770,800	(3,411,980)	(350,000)	2,168,820
Year 2	2,168,820	43,376	130,129	-	1,519,560	(220,592)	(360,500)	3,280,793
Year 3	3,280,793	65,616	196,848	-	1,367,604	(253,075)	(371,315)	4,286,470
Year 4	4,286,470	85,729	257,188	-	1,230,844	(280,334)	(382,454)	5,197,444
Year 5	5,197,444	103,949	311,847	-	1,107,759	(304,127)	(393,928)	6,022,944
Year 6	6,022,944	120,459	361,377	-	996,983	(325,709)	(405,746)	6,770,308
Year 7	6,770,308	135,406	406,218	-	897,285	(345,978)	(417,918)	7,445,321
Year 8	7,445,321	148,906	446,719	-	807,556	(365,582)	(430,456)	8,052,466
Year 9	8,052,466	161,049	483,148	-	726,801	(384,993)	(443,370)	8,595,102
Year 10	8,595,102	171,902	515,706	-	654,121	(404,559)	(456,671)	9,075,601
Year 11	9,075,601	181,512	544,536	-	588,709	(424,544)	(470,371)	9,495,444
Year 12	9,495,444	189,909	569,727	-	529,838	(445,150)	(484,482)	9,855,285
Year 13	9,855,285	197,106	591,317	-	476,854	(466,540)	(499,016)	10,155,005
Year 14	10,155,005	203,100	609,300	-	429,169	(488,849)	(513,987)	10,393,738
Year 15	10,393,738	207,875	623,624	-	386,252	(512,192)	(529,406)	10,569,890
Year 16	10,569,890	211,398	634,193	-	347,627	(536,675)	(545,289)	10,681,145
Year 17	10,681,145	213,623	640,869	-	312,864	(562,394)	(561,647)	10,724,459
Year 18	10,724,459	214,489	643,468	-	281,578	(589,444)	(578,497)	10,696,052
Year 19	10,696,052	213,921	641,763	-	253,420	(617,918)	(595,852)	10,591,386
Year 20	10,591,386	211,828	635,483	-	228,078	(647,912)	(613,727)	10,405,136
Year 21	10,405,136	208,103	624,308	-	205,270	(679,522)	(632,139)	10,131,157
Year 22	10,131,157	202,623	607,869	-	184,743	(712,848)	(651,103)	9,762,441
Year 23	9,762,441	195,249	585,746	-	166,269	(747,996)	(670,636)	9,291,072
Year 24	9,291,072	185,821	557,464	-	149,642	(785,078)	(690,755)	8,708,167
Year 25	8,708,167	174,163	522,490	-	134,678	(824,208)	(711,478)	8,003,812
Year 26	8,003,812	160,076	480,229	-	121,210	(865,512)	(732,822)	7,166,992
Year 27	7,166,992	143,340	430,020	-	109,089	(909,119)	(754,807)	6,185,515
Year 28	6,185,515	123,710	371,131	-	98,180	(955,167)	(777,451)	5,045,918
Year 29	5,045,918	100,918	302,755	-	88,362	(1,003,804)	(800,775)	3,733,376
Year 30	3,733,376	74,668	224,003	-	79,526	(2,205,260)	(824,798)	1,081,514

Schedule 1
MINIMUM FAMILY
HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client’s individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Mimi Minimum	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

Minimum GST Grantor Trust

	Beginning of Year	Income	Growth	Gift From Mimi Minimum	Note Payments	Income Taxes	End of Year
Year 1	18,000,000	360,000	1,080,000	2,000,000	(5,770,800)	-	15,669,200
Year 2	15,669,200	313,384	940,152	-	(1,519,560)	-	15,403,176
Year 3	15,403,176	308,064	924,191	-	(1,367,604)	-	15,267,826
Year 4	15,267,826	305,357	916,070	-	(1,230,844)	-	15,258,409
Year 5	15,258,409	305,168	915,505	-	(1,107,759)	-	15,371,322
Year 6	15,371,322	307,426	922,279	-	(996,983)	-	15,604,044
Year 7	15,604,044	312,081	936,243	-	(897,285)	-	15,955,083
Year 8	15,955,083	319,102	957,305	-	(807,556)	-	16,423,933
Year 9	16,423,933	328,479	985,436	-	(726,801)	-	17,011,047
Year 10	17,011,047	340,221	1,020,663	-	(654,121)	-	17,717,810
Year 11	17,717,810	354,356	1,063,069	-	(588,709)	-	18,546,526
Year 12	18,546,526	370,931	1,112,792	-	(529,838)	-	19,500,410
Year 13	19,500,410	390,008	1,170,025	-	(476,854)	-	20,583,589
Year 14	20,583,589	411,672	1,235,015	-	(429,169)	-	21,801,108
Year 15	21,801,108	436,022	1,308,066	-	(386,252)	-	23,158,945
Year 16	23,158,945	463,179	1,389,537	-	(347,627)	-	24,664,034
Year 17	24,664,034	493,281	1,479,842	-	(312,864)	-	26,324,292
Year 18	26,324,292	526,486	1,579,458	-	(281,578)	-	28,148,658
Year 19	28,148,658	562,973	1,688,919	-	(253,420)	-	30,147,131
Year 20	30,147,131	602,943	1,808,828	-	(228,078)	-	32,330,824
Year 21	32,330,824	646,616	1,939,849	-	(205,270)	-	34,712,020
Year 22	34,712,020	694,240	2,082,721	-	(184,743)	-	37,304,238
Year 23	37,304,238	746,085	2,238,254	-	(166,269)	-	40,122,308
Year 24	40,122,308	802,446	2,407,339	-	(149,642)	-	43,182,451
Year 25	43,182,451	863,649	2,590,947	-	(134,678)	-	46,502,370
Year 26	46,502,370	930,047	2,790,142	-	(121,210)	-	50,101,349
Year 27	50,101,349	1,002,027	3,006,081	-	(109,089)	-	54,000,368
Year 28	54,000,368	1,080,007	3,240,022	-	(98,180)	-	58,222,218
Year 29	58,222,218	1,164,444	3,493,333	-	(88,362)	-	62,791,633
Year 30	62,791,633	1,255,833	3,767,498	-	(79,526)	-	67,735,438

Schedule 1
MINIMUM FAMILY
HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Mimi Minimum	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

Note Between Mimi Minimum and Minimum GST Grantor Trust

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	18,000,000	370,800	(5,770,800)	12,600,000
Year 2	12,600,000	259,560	(1,519,560)	11,340,000
Year 3	11,340,000	233,604	(1,367,604)	10,206,000
Year 4	10,206,000	210,244	(1,230,844)	9,185,400
Year 5	9,185,400	189,219	(1,107,759)	8,266,860
Year 6	8,266,860	170,297	(996,983)	7,440,174
Year 7	7,440,174	153,268	(897,285)	6,696,157
Year 8	6,696,157	137,941	(807,556)	6,026,541
Year 9	6,026,541	124,147	(726,801)	5,423,887
Year 10	5,423,887	111,732	(654,121)	4,881,498
Year 11	4,881,498	100,559	(588,709)	4,393,348
Year 12	4,393,348	90,503	(529,838)	3,954,014
Year 13	3,954,014	81,453	(476,854)	3,558,612
Year 14	3,558,612	73,307	(429,169)	3,202,751
Year 15	3,202,751	65,977	(386,252)	2,882,476
Year 16	2,882,476	59,379	(347,627)	2,594,228
Year 17	2,594,228	53,441	(312,864)	2,334,805
Year 18	2,334,805	48,097	(281,578)	2,101,325
Year 19	2,101,325	43,287	(253,420)	1,891,192
Year 20	1,891,192	38,959	(228,078)	1,702,073
Year 21	1,702,073	35,063	(205,270)	1,531,866
Year 22	1,531,866	31,556	(184,743)	1,378,679
Year 23	1,378,679	28,401	(166,269)	1,240,811
Year 24	1,240,811	25,561	(149,642)	1,116,730
Year 25	1,116,730	23,005	(134,678)	1,005,057
Year 26	1,005,057	20,704	(121,210)	904,551
Year 27	904,551	18,634	(109,089)	814,096
Year 28	814,096	16,770	(98,180)	732,687
Year 29	732,687	15,093	(88,362)	659,418
Year 30	659,418	13,584	(79,526)	593,476

Schedule 1

MINIMUM FAMILY

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Mimi Minimum	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

FLP	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Turnover Rate (% of Capital Gains Recognized/Ye	30.00%
Mimi Minimum's Percentage Ownership in Minimur	1.00%
GST Grantor Trust's Ownership in Minimum FLP	99.00%
Minimum FLP Valuation Discount	35.00%

Minimum FLP

	Beginning of Year	Income	Growth	Distributions	End of Year
Year 1	18,000,000	360,000	1,080,000	(4,780,782)	14,659,218
Year 2	14,659,218	293,184	879,553	(1,577,071)	14,254,885
Year 3	14,254,885	285,098	855,293	(1,553,300)	13,841,975
Year 4	13,841,975	276,840	830,519	(1,522,194)	13,427,139
Year 5	13,427,139	268,543	805,628	(1,486,363)	13,014,948
Year 6	13,014,948	260,299	780,897	(1,447,640)	12,608,503
Year 7	12,608,503	252,170	756,510	(1,407,309)	12,209,875
Year 8	12,209,875	244,197	732,592	(1,366,261)	11,820,403
Year 9	11,820,403	236,408	709,224	(1,325,116)	11,440,920
Year 10	11,440,920	228,818	686,455	(1,284,296)	11,071,898
Year 11	11,071,898	221,438	664,314	(1,244,089)	10,713,561
Year 12	10,713,561	214,271	642,814	(1,204,686)	10,365,960
Year 13	10,365,960	207,319	621,958	(1,166,209)	10,029,028
Year 14	10,029,028	200,581	601,742	(1,128,734)	9,702,616
Year 15	9,702,616	194,052	582,157	(1,092,302)	9,386,524
Year 16	9,386,524	187,730	563,191	(1,056,933)	9,080,513
Year 17	9,080,513	181,610	544,831	(1,022,628)	8,784,326
Year 18	8,784,326	175,687	527,060	(989,380)	8,497,692
Year 19	8,497,692	169,954	509,862	(957,173)	8,220,335
Year 20	8,220,335	164,407	493,220	(925,986)	7,951,976
Year 21	7,951,976	159,040	477,119	(895,794)	7,692,340
Year 22	7,692,340	153,847	461,540	(866,573)	7,441,154
Year 23	7,441,154	148,823	446,469	(838,295)	7,198,151
Year 24	7,198,151	143,963	431,889	(810,933)	6,963,070
Year 25	6,963,070	139,261	417,784	(784,459)	6,735,657
Year 26	6,735,657	134,713	404,139	(758,845)	6,515,664
Year 27	6,515,664	130,313	390,940	(734,065)	6,302,852
Year 28	6,302,852	126,057	378,171	(710,093)	6,096,987
Year 29	6,096,987	121,940	365,819	(686,902)	5,897,844
Year 30	5,897,844	117,957	353,871	(808,316)	5,561,356

Schedule 1

MINIMUM FAMILY

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

Assumptions:	
Mimi Minimum	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

FLP	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Turnover Rate (% of Capital Gains Recognized/Ye	30.00%
Mimi Minimum's Percentage Ownership in Minimur	1.00%
GST Grantor Trust's Ownership in Minimum FLP	99.00%
Minimum FLP Valuation Discount	35.00%

Mimi Minimum

	Beginning of Year	Income	Growth	Gift to Minimum GST Grantor Trust	Distribution from Partnership	Note Payments	Income Taxes	Consumption	End of Year
Year 1	2,000,000	40,000	120,000	(2,000,000)	47,808	4,732,974	(3,411,980)	(350,000)	1,178,802
Year 2	1,178,802	23,576	70,728	-	15,771	1,561,300	(220,592)	(360,500)	2,269,085
Year 3	2,269,085	45,382	136,145	-	15,533	1,537,767	(253,075)	(371,315)	3,379,521
Year 4	3,379,521	67,590	202,771	-	15,222	1,506,972	(280,334)	(382,454)	4,509,289
Year 5	4,509,289	90,186	270,557	-	14,864	1,471,499	(304,127)	(393,928)	5,658,340
Year 6	5,658,340	113,167	339,500	-	14,476	1,433,164	(325,709)	(405,746)	6,827,193
Year 7	6,827,193	136,544	409,632	-	14,073	16,375	(345,978)	(417,918)	6,639,920
Year 8	6,639,920	132,798	398,395	-	13,663	-	(99,727)	(430,456)	6,654,593
Year 9	6,654,593	133,092	399,276	-	13,251	-	(104,080)	(443,370)	6,652,762
Year 10	6,652,762	133,055	399,166	-	12,843	-	(107,015)	(456,671)	6,634,141
Year 11	6,634,141	132,683	398,048	-	12,441	-	(108,873)	(470,371)	6,598,069
Year 12	6,598,069	131,961	395,884	-	12,047	-	(109,886)	(484,482)	6,543,594
Year 13	6,543,594	130,872	392,616	-	11,662	-	(110,209)	(499,016)	6,469,518
Year 14	6,469,518	129,390	388,171	-	11,287	-	(109,946)	(513,987)	6,374,433
Year 15	6,374,433	127,489	382,466	-	10,923	-	(109,160)	(529,406)	6,256,745
Year 16	6,256,745	125,135	375,405	-	10,569	-	(107,885)	(545,289)	6,114,680
Year 17	6,114,680	122,294	366,881	-	10,226	-	(106,137)	(561,647)	5,946,296
Year 18	5,946,296	118,926	356,778	-	9,894	-	(103,916)	(578,497)	5,749,481
Year 19	5,749,481	114,990	344,969	-	9,572	-	(101,209)	(595,852)	5,521,950
Year 20	5,521,950	110,439	331,317	-	9,260	-	(97,996)	(613,727)	5,261,243
Year 21	5,261,243	105,225	315,675	-	8,958	-	(94,249)	(632,139)	4,964,712
Year 22	4,964,712	99,294	297,883	-	8,666	-	(89,935)	(651,103)	4,629,516
Year 23	4,629,516	92,590	277,771	-	8,383	-	(85,015)	(670,636)	4,252,610
Year 24	4,252,610	85,052	255,157	-	8,109	-	(79,443)	(690,755)	3,830,729
Year 25	3,830,729	76,615	229,844	-	7,845	-	(73,174)	(711,478)	3,360,380
Year 26	3,360,380	67,208	201,623	-	7,588	-	(66,153)	(732,822)	2,837,823
Year 27	2,837,823	56,756	170,269	-	7,341	-	(58,325)	(754,807)	2,259,058
Year 28	2,259,058	45,181	135,543	-	7,101	-	(49,627)	(777,451)	1,619,806
Year 29	1,619,806	32,396	97,188	-	6,869	-	(39,993)	(800,775)	915,491
Year 30	915,491	18,310	54,929	-	8,083	-	(9,081)	(824,798)	162,935

Schedule 1

MINIMUM FAMILY

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

Assumptions:	
Mimi Minimum	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

FLP	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Turnover Rate (% of Capital Gains Recognized/Ye	30.00%
Mimi Minimum's Percentage Ownership in Minimur	1.00%
GST Grantor Trust's Ownership in Minimum FLP	99.00%
Minimum FLP Valuation Discount	35.00%

Minimum GST Grantor Trust

	Beginning of Year	Income	Growth	Gift From Mimi Minimum	Distribution from Partnership	Note Payments	Income Taxes	End of Year
Year 1	-	-	-	2,000,000	4,732,974	(4,732,974)	-	2,000,000
Year 2	2,000,000	40,000	120,000	-	1,561,300	(1,561,300)	-	2,160,000
Year 3	2,160,000	43,200	129,600	-	1,537,767	(1,537,767)	-	2,332,800
Year 4	2,332,800	46,656	139,968	-	1,506,972	(1,506,972)	-	2,519,424
Year 5	2,519,424	50,388	151,165	-	1,471,499	(1,471,499)	-	2,720,978
Year 6	2,720,978	54,420	163,259	-	1,433,164	(1,433,164)	-	2,938,656
Year 7	2,938,656	58,773	176,319	-	1,393,236	(16,375)	-	4,550,610
Year 8	4,550,610	91,012	273,037	-	1,352,599	-	(265,855)	6,001,403
Year 9	6,001,403	120,028	360,084	-	1,311,864	-	(280,913)	7,512,467
Year 10	7,512,467	150,249	450,748	-	1,271,453	-	(297,544)	9,087,373
Year 11	9,087,373	181,747	545,242	-	1,231,648	-	(315,671)	10,730,340
Year 12	10,730,340	214,607	643,820	-	1,192,639	-	(335,264)	12,446,142
Year 13	12,446,142	248,923	746,768	-	1,154,547	-	(356,331)	14,240,049
Year 14	14,240,049	284,801	854,403	-	1,117,446	-	(378,903)	16,117,796
Year 15	16,117,796	322,356	967,068	-	1,081,379	-	(403,033)	18,085,566
Year 16	18,085,566	361,711	1,085,134	-	1,046,363	-	(428,790)	20,149,985
Year 17	20,149,985	403,000	1,208,999	-	1,012,402	-	(456,257)	22,318,129
Year 18	22,318,129	446,363	1,339,088	-	979,486	-	(485,528)	24,597,538
Year 19	24,597,538	491,951	1,475,852	-	947,601	-	(516,709)	26,996,232
Year 20	26,996,232	539,925	1,619,774	-	916,726	-	(549,916)	29,522,741
Year 21	29,522,741	590,455	1,771,364	-	886,836	-	(585,272)	32,186,124
Year 22	32,186,124	643,722	1,931,167	-	857,907	-	(622,913)	34,996,009
Year 23	34,996,009	699,920	2,099,761	-	829,912	-	(662,982)	37,962,620
Year 24	37,962,620	759,252	2,277,757	-	802,824	-	(705,634)	41,096,819
Year 25	41,096,819	821,936	2,465,809	-	776,614	-	(751,034)	44,410,145
Year 26	44,410,145	888,203	2,664,609	-	751,257	-	(799,358)	47,914,854
Year 27	47,914,854	958,297	2,874,891	-	726,725	-	(850,794)	51,623,973
Year 28	51,623,973	1,032,479	3,097,438	-	702,992	-	(905,540)	55,551,343
Year 29	55,551,343	1,111,027	3,333,081	-	680,033	-	(963,810)	59,711,673
Year 30	59,711,673	1,194,233	3,582,700	-	800,233	-	(2,316,657)	62,972,183

Schedule 1

MINIMUM FAMILY

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Mimi Minimum	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

FLP	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Turnover Rate (% of Capital Gains Recognized/Ye	30.00%
Mimi Minimum's Percentage Ownership in Minimur	1.00%
GST Grantor Trust's Ownership in Minimum FLP	99.00%
Minimum FLP Valuation Discount	35.00%

Note Between Mimi Minimum and Minimum GST Grantor Trust

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	11,583,000	238,610	(4,732,974)	7,088,636
Year 2	7,088,636	146,026	(1,561,300)	5,673,362
Year 3	5,673,362	116,871	(1,537,767)	4,252,465
Year 4	4,252,465	87,601	(1,506,972)	2,833,094
Year 5	2,833,094	58,362	(1,471,499)	1,419,957
Year 6	1,419,957	29,251	(1,433,164)	16,044
Year 7	16,044	331	(16,375)	-
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	-	-	-	-
Year 26	-	-	-	-
Year 27	-	-	-	-
Year 28	-	-	-	-
Year 29	-	-	-	-
Year 30	-	-	-	-

Schedule 2
MINIMUM FAMILY
HYPOTHETICAL INTEGRATED INCOME AND ESTATE TAX PLAN COMPARISONS

	Pre-Death	Post Death	Percentage of Total
NO FURTHER PLANNING; BEQUEATHS ESTATE TO FAMILY (NO DISCOUNT)			
Mimi Minimum	27,013,350	-	0.00%
Minimum Family	-	14,857,342	34.41%
Consumption - Direct Cost	4,012,358	4,012,358	9.29%
Consumption - Investment Opportunity Cost	1,692,703	1,692,703	3.92%
IRS - Income Tax	6,076,989	6,076,989	14.07%
IRS - Investment Opportunity Costs	4,383,101	4,383,101	10.15%
IRS - Estate Tax (at 45%)	-	12,156,007	28.15%
Total	$43,178,500	$43,178,500	100.00%
NO FURTHER PLANNING; BEQUEATHS ESTATE TO FAMILY (WITH DISCOUNT)			
Mimi Minimum	27,013,350	-	0.00%
Minimum Family	-	19,111,945	44.26%
Consumption - Direct Cost	4,012,358	4,012,358	9.29%
Consumption - Investment Opportunity Cost	1,692,703	1,692,703	3.92%
IRS - Income Tax	6,076,989	6,076,989	14.07%
IRS - Investment Opportunity Costs	4,383,101	4,383,101	10.15%
IRS - Estate Tax (at 45%)	-	7,901,405	18.30%
Total	$43,178,500	$43,178,500	100.00%
HYPOTHETICAL INTEGRATED INCOME & ESTATE TAX PLAN WITH A GIFT/SALE TO A GST; BEQUEATHS ESTATE TO FAMILY			
Mimi Minimum	10,861,543	-	0.00%
Minimum Family	15,447,568	21,421,417	49.61%
Consumption - Direct Cost	4,012,358	4,012,358	9.29%
Consumption - Investment Opportunity Cost	1,692,703	1,692,703	3.92%
IRS - Income Tax	6,781,228	6,781,228	15.71%
IRS - Investment Opportunity Costs	4,383,101	4,383,101	10.15%
IRS - Estate Tax (at 45%)	-	4,887,694	11.32%
Total	$43,178,500	$43,178,500	100.00%
HYPOTHETICAL INTEGRATED INCOME & ESTATE TAX PLAN WITH A PARTNERSHIP AND WITH A GIFT/SALE TO A GST; BEQUEATHS ESTATE TO FAMILY			
Mimi Minimum	5,503,634	-	0.00%
Minimum Family	20,959,574	23,986,573	55.55%
Consumption - Direct Cost	4,012,358	4,012,358	9.29%
Consumption - Investment Opportunity Cost	1,692,703	1,692,703	3.92%
IRS - Income Tax	6,627,131	6,627,131	15.35%
IRS - Investment Opportunity Costs	4,383,101	4,383,101	10.15%
IRS - Estate Tax (at 45%)	-	2,476,635	5.74%
Total	$43,178,500	$43,178,500	100.00%

Schedule 2
MINIMUM FAMILY
ASSET PAGE

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Family Limited Partnership	
Asset: Miscellaneous Assets	$18,000,000
Basis: Miscellaneous Assets	$0
Other Miscellaneous Assets	
Asset: Miscellaneous Assets	$2,000,000
Basis: Miscellaneous Assets	$0
Total Assets*	**$20,000,000**
Total Basis	**$0**

* There is not any proposed planning for Mimi Minimum's other assets

Schedule 2
MINIMUM FAMILY
NO FURTHER PLANNING; BEQUEATHS ESTATE TO FAMILY (NO DISCOUNT)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	350,000

Mimi Minimum

	Beg. of Year	Income	Growth	Income Taxes	Consumption	End of Year
Year 1	20,000,000	400,000	1,200,000	(3,411,980)	(350,000)	17,838,020
Year 2	17,838,020	356,760	1,070,281	(220,592)	(360,500)	18,683,969
Year 3	18,683,969	373,679	1,121,038	(253,075)	(371,315)	19,554,297
Year 4	19,554,297	391,086	1,173,258	(280,334)	(382,454)	20,455,852
Year 5	20,455,852	409,117	1,227,351	(304,127)	(393,928)	21,394,266
Year 6	21,394,266	427,885	1,283,656	(325,709)	(405,746)	22,374,352
Year 7	22,374,352	447,487	1,342,461	(345,978)	(417,918)	23,400,404
Year 8	23,400,404	468,008	1,404,024	(365,582)	(430,456)	24,476,399
Year 9	24,476,399	489,528	1,468,584	(384,993)	(443,370)	25,606,149
Year 10	25,606,149	512,123	1,536,369	(184,620)	(456,671)	27,013,350

Schedule 2
MINIMUM FAMILY
NO FURTHER PLANNING; BEQUEATHS ESTATE TO FAMILY (WITH DISCOUNT)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates

Assumptions:	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	350,000

Mimi Minimum

	Beg. of Year	Income	Growth	Income Taxes	Consumption	End of Year
Year 1	20,000,000	400,000	1,200,000	(3,411,980)	(350,000)	17,838,020
Year 2	17,838,020	356,760	1,070,281	(220,592)	(360,500)	18,683,969
Year 3	18,683,969	373,679	1,121,038	(253,075)	(371,315)	19,554,297
Year 4	19,554,297	391,086	1,173,258	(280,334)	(382,454)	20,455,852
Year 5	20,455,852	409,117	1,227,351	(304,127)	(393,928)	21,394,266
Year 6	21,394,266	427,885	1,283,656	(325,709)	(405,746)	22,374,352
Year 7	22,374,352	447,487	1,342,461	(345,978)	(417,918)	23,400,404
Year 8	23,400,404	468,008	1,404,024	(365,582)	(430,456)	24,476,399
Year 9	24,476,399	489,528	1,468,584	(384,993)	(443,370)	25,606,149
Year 10	25,606,149	512,123	1,536,369	(184,620)	(456,671)	27,013,350

Schedule 2

MINIMUM FAMILY

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.
The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to

Assumptions - Mimi Minimum	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

Mimi Minimum

	Beginning of Year	Income	Growth	Gift to Minimum GST Grantor Trust	Note Payments	Income Taxes	Consumption	End of Year
Year 1	2,000,000	40,000	120,000	(2,000,000)	4,870,800	(3,411,980)	(350,000)	1,268,820
Year 2	1,268,820	25,376	76,129	-	561,600	(220,592)	(360,500)	1,350,833
Year 3	1,350,833	27,017	81,050	-	549,806	(253,075)	(371,315)	1,384,316
Year 4	1,384,316	27,686	83,059	-	538,260	(280,334)	(382,454)	1,370,534
Year 5	1,370,534	27,411	82,232	-	526,957	(304,127)	(393,928)	1,309,079
Year 6	1,309,079	26,182	78,545	-	515,891	(325,709)	(405,746)	1,198,241
Year 7	1,198,241	23,965	71,894	-	505,057	(345,978)	(417,918)	1,035,262
Year 8	1,035,262	20,705	62,116	-	494,451	(365,582)	(430,456)	816,496
Year 9	816,496	16,330	48,990	-	484,068	(384,993)	(443,370)	537,521
Year 10	537,521	10,750	32,251	-	11,626,550	(888,859)	(456,671)	10,861,543

Minimum GST Grantor Trust

	Beginning of Year	Income	Growth	Gift From Mimi Minimum	Note Payments	Income Taxes	End of Year
Year 1	18,000,000	360,000	1,080,000	2,000,000	(4,870,800)	-	16,569,200
Year 2	16,569,200	331,384	994,152	-	(561,600)	-	17,333,136
Year 3	17,333,136	346,663	1,039,988	-	(549,806)	-	18,169,980
Year 4	18,169,980	363,400	1,090,199	-	(538,260)	-	19,085,318
Year 5	19,085,318	381,706	1,145,119	-	(526,957)	-	20,085,187
Year 6	20,085,187	401,704	1,205,111	-	(515,891)	-	21,176,111
Year 7	21,176,111	423,522	1,270,567	-	(505,057)	-	22,365,143
Year 8	22,365,143	447,303	1,341,909	-	(494,451)	-	23,659,903
Year 9	23,659,903	473,198	1,419,594	-	(484,068)	-	25,068,628
Year 10	25,068,628	501,373	1,504,118	-	(11,626,550)	-	15,447,568

Schedule 2
MINIMUM FAMILY
HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.
The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to

Assumptions - Mimi Minimum	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

Note Between Mimi Minimum and Minimum GST Grantor Trust

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	18,000,000	370,800	(4,870,800)	13,500,000
Year 2	13,500,000	278,100	(561,600)	13,216,500
Year 3	13,216,500	272,260	(549,806)	12,938,954
Year 4	12,938,954	266,542	(538,260)	12,667,235
Year 5	12,667,235	260,945	(526,957)	12,401,224
Year 6	12,401,224	255,465	(515,891)	12,140,798
Year 7	12,140,798	250,100	(505,057)	11,885,841
Year 8	11,885,841	244,848	(494,451)	11,636,238
Year 9	11,636,238	239,707	(484,068)	11,391,877
Year 10	11,391,877	234,673	(11,626,550)	-

Schedule 2
MINIMUM FAMILY
HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions Mimi Minimum:	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

FLP	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Mimi Minimum's Percentage Ownership in Minimum FLP	1.00%
GST Grantor Trust's Ownership in Minimum FLP	99.00%
Minimum FLP Valuation Discount	35.00%

Minimum FLP

	Beginning of Year	Income	Growth	Distributions	End of Year
Year 1	18,000,000	360,000	1,080,000	(4,780,782)	14,659,218
Year 2	14,659,218	293,184	879,553	(1,577,071)	14,254,885
Year 3	14,254,885	285,098	855,293	(1,553,300)	13,841,975
Year 4	13,841,975	276,840	830,519	(1,522,194)	13,427,139
Year 5	13,427,139	268,543	805,628	(1,486,363)	13,014,948
Year 6	13,014,948	260,299	780,897	(1,447,640)	12,608,503
Year 7	12,608,503	252,170	756,510	(1,407,309)	12,209,875
Year 8	12,209,875	244,197	732,592	(1,366,261)	11,820,403
Year 9	11,820,403	236,408	709,224	(1,325,116)	11,440,920
Year 10	11,440,920	228,818	686,455	(1,552,441)	10,803,753

Mimi Minimum

	Beginning of Year	Income	Growth	Gift to Minimum GST Grantor Trust	Distribution from Partnership	Note Payments	Income Taxes	Consumption	End of Year
Year 1	2,000,000	40,000	120,000	(2,000,000)	47,808	4,732,974	(3,411,980)	(350,000)	1,178,802
Year 2	1,178,802	23,576	70,728	-	15,771	1,561,300	(220,592)	(360,500)	2,269,085
Year 3	2,269,085	45,382	136,145	-	15,533	1,537,767	(253,075)	(371,315)	3,379,521
Year 4	3,379,521	67,590	202,771	-	15,222	1,506,972	(280,334)	(382,454)	4,509,289
Year 5	4,509,289	90,186	270,557	-	14,864	1,471,499	(304,127)	(393,928)	5,658,340
Year 6	5,658,340	113,167	339,500	-	14,476	1,433,164	(325,709)	(405,746)	6,827,193
Year 7	6,827,193	136,544	409,632	-	14,073	16,375	(345,978)	(417,918)	6,639,920
Year 8	6,639,920	132,798	398,395	-	13,663	-	(365,582)	(430,456)	6,388,738
Year 9	6,388,738	127,775	383,324	-	13,251	-	(384,993)	(443,370)	6,084,727
Year 10	6,084,727	121,695	365,084	-	15,524	-	(734,762)	(456,671)	5,395,596

Schedule 2
MINIMUM FAMILY
HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Assumptions Mimi Minimum:	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Long-Term Capital Gain Tax Rate	16.05%
Ordinary Tax Rate	36.05%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	350,000
Intra-Family Note Interest Percentage	2.06%

FLP	
Rate of Return Taxed at Ordinary Rates	2.00%
Rate of Return Taxed at Capital Gains Rates	6.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Mimi Minimum's Percentage Ownership in Minimum FLP	1.00%
GST Grantor Trust's Ownership in Minimum FLP	99.00%
Minimum FLP Valuation Discount	35.00%

Minimum GST Grantor Trust

	Beginning of Year	Income	Growth	Gift From Mimi Minimum	Distribution from Partnership	Note Payments	Income Taxes	End of Year
Year 1	-	-	-	2,000,000	4,732,974	(4,732,974)	-	2,000,000
Year 2	2,000,000	40,000	120,000	-	1,561,300	(1,561,300)	-	2,160,000
Year 3	2,160,000	43,200	129,600	-	1,537,767	(1,537,767)	-	2,332,800
Year 4	2,332,800	46,656	139,968	-	1,506,972	(1,506,972)	-	2,519,424
Year 5	2,519,424	50,388	151,165	-	1,471,499	(1,471,499)	-	2,720,978
Year 6	2,720,978	54,420	163,259	-	1,433,164	(1,433,164)	-	2,938,656
Year 7	2,938,656	58,773	176,319	-	1,393,236	(16,375)	-	4,550,610
Year 8	4,550,610	91,012	273,037	-	1,352,599	-	-	6,267,257
Year 9	6,267,257	125,345	376,035	-	1,311,864	-	-	8,080,502
Year 10	8,080,502	161,610	484,830	-	1,536,916	-	-	10,263,859

Note Between Mimi Minimum and Minimum GST Grantor Trust

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	11,583,000	238,610	(4,732,974)	7,088,636
Year 2	7,088,636	146,026	(1,561,300)	5,673,362
Year 3	5,673,362	116,871	(1,537,767)	4,252,465
Year 4	4,252,465	87,601	(1,506,972)	2,833,094
Year 5	2,833,094	58,362	(1,471,499)	1,419,957
Year 6	1,419,957	29,251	(1,433,164)	16,044
Year 7	16,044	331	(16,375)	-
Year 8	-	-	-	-
Year 9	-	-	-	-
Year 10	-	-	-	-

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Cam Compatible is 60 years of age)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Pre-Death	Post Death	Present Values (Discounted at 3%)	Percentage of Total
No Further Planning: Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	77,473,004	-	-	0.00%
Compatible Children	-	42,888,402	20,483,740	21.36%
Compatible Children and Grandchildren	27,137,163	33,129,497	15,822,832	16.50%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	34,998,199	34,998,199	16,715,335	17.43%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	28,592,268	13,655,826	14.24%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%
Hypothetical Technique #1a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	13,596,777	-	-	0.00%
Compatible Children	-	4,642,641	2,217,351	2.31%
Compatible Children and Grandchildren	73,304,449	79,296,783	37,872,585	39.49%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	52,707,141	52,707,141	25,173,224	26.25%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	2,961,802	1,414,573	1.47%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%
Hypothetical Technique #2a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	10,997,100	-	-	0.00%
Compatible Children	-	3,082,835	1,472,379	1.54%
Compatible Children and Grandchildren	75,800,268	81,792,602	39,064,602	40.73%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	52,810,999	52,810,999	25,222,827	26.30%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	1,921,931	917,925	0.96%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Cam Compatible is 60 years of age)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Pre-Death	Post Death	Present Values (Discounted at 3%)	Percentage of Total
No Further Planning: Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	77,473,004	-	-	0.00%
Compatible Children	-	42,888,402	20,483,740	21.36%
Compatible Children and Grandchildren	27,137,163	33,129,497	15,822,832	16.50%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	34,998,199	34,998,199	16,715,335	17.43%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	28,592,268	13,655,826	14.24%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%
Hypothetical Technique #3a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	50,723,718	-	-	0.00%
Compatible Children	-	33,510,288	16,004,700	16.69%
Compatible Children and Grandchildren	46,710,196	52,702,530	25,171,022	26.24%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	42,174,453	42,174,453	20,142,754	21.00%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	11,221,096	5,359,258	5.59%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%
Hypothetical Technique #4a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	11,337,132	-	-	0.00%
Compatible Children	-	3,206,879	1,531,623	1.60%
Compatible Children and Grandchildren	87,686,770	93,679,104	44,741,662	46.65%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	40,584,465	40,584,465	19,383,367	20.21%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	2,137,919	1,021,082	1.06%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%

Schedule 3 - Scenario A
Cam Compatible
Asset Page

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Cam Compatible	Existing GST Exempt Grantor Trust
Assets*		
FMV: Financial Assets	$7,000,000	$5,000,000
Basis: Financial Assets	$7,000,000	$5,000,000
FMV: Compatible, FLLC	$25,000,000	$0
FMV: Compatible, FLLC	$2,500,000	$0
Total Assets:	**$32,000,000**	**$5,000,000**
Total Basis:	**$9,500,000**	**$5,000,000**

* Information provided by client. There is no proposed planning for Mr. Compatible's other assets.

Schedule 3 - Scenario A
Cam Compatible
No Further Planning: Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%

Cam Compatible

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Consumption	Income Taxes	End of Year Financial Assets
Year 1	7,000,000	210,000	280,000	750,000	(250,000)	(606,060)	7,383,940
Year 2	7,383,940	221,518	295,358	780,000	(257,500)	(712,162)	7,711,154
Year 3	7,711,154	231,335	308,446	811,200	(265,225)	(798,722)	7,998,187
Year 4	7,998,187	239,946	319,927	843,648	(273,182)	(871,984)	8,256,543
Year 5	8,256,543	247,696	330,262	877,394	(281,377)	(936,375)	8,494,142
Year 6	8,494,142	254,824	339,766	912,490	(289,819)	(995,047)	8,716,355
Year 7	8,716,355	261,491	348,654	948,989	(298,513)	(1,050,248)	8,926,728
Year 8	8,926,728	267,802	357,069	986,949	(307,468)	(1,103,590)	9,127,490
Year 9	9,127,490	273,825	365,100	1,026,427	(316,693)	(1,156,238)	9,319,910
Year 10	9,319,910	279,597	372,796	1,067,484	(326,193)	(1,209,041)	9,504,553
Year 11	9,504,553	285,137	380,182	1,110,183	(335,979)	(1,262,630)	9,681,446
Year 12	9,681,446	290,443	387,258	1,154,591	(346,058)	(1,317,476)	9,850,204
Year 13	9,850,204	295,506	394,008	1,200,774	(356,440)	(1,373,947)	10,010,105
Year 14	10,010,105	300,303	400,404	1,248,805	(367,133)	(1,432,333)	10,160,150
Year 15	10,160,150	304,805	406,406	1,298,757	(378,147)	(1,492,875)	10,299,095
Year 16	10,299,095	308,973	411,964	1,350,708	(389,492)	(1,555,778)	10,425,469
Year 17	10,425,469	312,764	417,019	1,404,736	(401,177)	(1,621,224)	10,537,587
Year 18	10,537,587	316,128	421,503	1,460,925	(413,212)	(1,689,382)	10,633,550
Year 19	10,633,550	319,007	425,342	1,519,362	(425,608)	(1,760,410)	10,711,243
Year 20	10,711,243	321,337	428,450	1,580,137	(438,377)	(1,834,464)	10,768,326
Year 21	10,768,326	323,050	430,733	1,643,342	(451,528)	(1,911,700)	10,802,224
Year 22	10,802,224	324,067	432,089	1,709,076	(465,074)	(1,992,273)	10,810,108
Year 23	10,810,108	324,303	432,404	1,777,439	(479,026)	(2,076,343)	10,788,887
Year 24	10,788,887	323,667	431,555	1,848,537	(493,397)	(2,164,073)	10,735,176
Year 25	10,735,176	322,055	429,407	1,922,478	(508,199)	(2,073,822)	10,827,096

Schedule 3 - Scenario A
Cam Compatible
No Further Planning: Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%

Compatible, FLLC

	Beginning of Year Financial Assets	Income	Growth	Distributions	End of Year Financial Assets	Ownership: Cam Compatible
Year 1	25,000,000	750,000	1,000,000	(750,000)	26,000,000	100.00%
Year 2	26,000,000	780,000	1,040,000	(780,000)	27,040,000	100.00%
Year 3	27,040,000	811,200	1,081,600	(811,200)	28,121,600	100.00%
Year 4	28,121,600	843,648	1,124,864	(843,648)	29,246,464	100.00%
Year 5	29,246,464	877,394	1,169,859	(877,394)	30,416,323	100.00%
Year 6	30,416,323	912,490	1,216,653	(912,490)	31,632,975	100.00%
Year 7	31,632,975	948,989	1,265,319	(948,989)	32,898,294	100.00%
Year 8	32,898,294	986,949	1,315,932	(986,949)	34,214,226	100.00%
Year 9	34,214,226	1,026,427	1,368,569	(1,026,427)	35,582,795	100.00%
Year 10	35,582,795	1,067,484	1,423,312	(1,067,484)	37,006,107	100.00%
Year 11	37,006,107	1,110,183	1,480,244	(1,110,183)	38,486,351	100.00%
Year 12	38,486,351	1,154,591	1,539,454	(1,154,591)	40,025,805	100.00%
Year 13	40,025,805	1,200,774	1,601,032	(1,200,774)	41,626,838	100.00%
Year 14	41,626,838	1,248,805	1,665,074	(1,248,805)	43,291,911	100.00%
Year 15	43,291,911	1,298,757	1,731,676	(1,298,757)	45,023,588	100.00%
Year 16	45,023,588	1,350,708	1,800,944	(1,350,708)	46,824,531	100.00%
Year 17	46,824,531	1,404,736	1,872,981	(1,404,736)	48,697,512	100.00%
Year 18	48,697,512	1,460,925	1,947,900	(1,460,925)	50,645,413	100.00%
Year 19	50,645,413	1,519,362	2,025,817	(1,519,362)	52,671,229	100.00%
Year 20	52,671,229	1,580,137	2,106,849	(1,580,137)	54,778,079	100.00%
Year 21	54,778,079	1,643,342	2,191,123	(1,643,342)	56,969,202	100.00%
Year 22	56,969,202	1,709,076	2,278,768	(1,709,076)	59,247,970	100.00%
Year 23	59,247,970	1,777,439	2,369,919	(1,777,439)	61,617,889	100.00%
Year 24	61,617,889	1,848,537	2,464,716	(1,848,537)	64,082,604	100.00%
Year 25	64,082,604	1,922,478	2,563,304	(1,922,478)	66,645,908	100.00%

Schedule 3 - Scenario A
Cam Compatible
No Further Planning: Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%

Existing GST Exempt Grantor Trust for the Benefit of the Compatible's Descendants

	Beginning of Year Financial Assets	Income	Growth	Income Taxes	End of Year Financial Assets
Year 1	5,000,000	150,000	200,000	-	5,350,000
Year 2	5,350,000	160,500	214,000	-	5,724,500
Year 3	5,724,500	171,735	228,980	-	6,125,215
Year 4	6,125,215	183,756	245,009	-	6,553,980
Year 5	6,553,980	196,619	262,159	-	7,012,759
Year 6	7,012,759	210,383	280,510	-	7,503,652
Year 7	7,503,652	225,110	300,146	-	8,028,907
Year 8	8,028,907	240,867	321,156	-	8,590,931
Year 9	8,590,931	257,728	343,637	-	9,192,296
Year 10	9,192,296	275,769	367,692	-	9,835,757
Year 11	9,835,757	295,073	393,430	-	10,524,260
Year 12	10,524,260	315,728	420,970	-	11,260,958
Year 13	11,260,958	337,829	450,438	-	12,049,225
Year 14	12,049,225	361,477	481,969	-	12,892,671
Year 15	12,892,671	386,780	515,707	-	13,795,158
Year 16	13,795,158	413,855	551,806	-	14,760,819
Year 17	14,760,819	442,825	590,433	-	15,794,076
Year 18	15,794,076	473,822	631,763	-	16,899,661
Year 19	16,899,661	506,990	675,986	-	18,082,638
Year 20	18,082,638	542,479	723,306	-	19,348,422
Year 21	19,348,422	580,453	773,937	-	20,702,812
Year 22	20,702,812	621,084	828,112	-	22,152,009
Year 23	22,152,009	664,560	886,080	-	23,702,649
Year 24	23,702,649	711,079	948,106	-	25,361,835
Year 25	25,361,835	760,855	1,014,473	-	27,137,163

Schedule 3 - Scenario A

Cam Compatible

Hypothetical Technique #1a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Cam Compatible

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Proceeds from Sale	Note Payments	Consumption	Income Taxes	End of Year Financial Assets
Year 1	7,000,000	210,000	280,000	7,500	5,000,000	849,728	(250,000)	(606,060)	12,491,168
Year 2	12,491,168	374,735	499,647	7,800	-	872,968	(257,500)	(712,162)	13,276,655
Year 3	13,276,655	398,300	531,066	8,112	-	897,138	(265,225)	(798,722)	14,047,323
Year 4	14,047,323	421,420	561,893	8,436	-	887,063	(273,182)	(871,984)	14,780,969
Year 5	14,780,969	443,429	591,239	8,774	-	880,103	(281,377)	(936,375)	15,486,761
Year 6	15,486,761	464,603	619,470	9,125	-	873,143	(289,819)	(995,047)	16,168,236
Year 7	16,168,236	485,047	646,729	9,490	-	866,183	(298,513)	(1,050,248)	16,826,924
Year 8	16,826,924	504,808	673,077	9,869	-	859,223	(307,468)	(1,103,590)	17,462,842
Year 9	17,462,842	523,885	698,514	10,264	-	852,263	(316,693)	(1,156,238)	18,074,838
Year 10	18,074,838	542,245	722,994	10,675	-	845,303	(326,193)	(1,209,041)	18,660,819
Year 11	18,660,819	559,825	746,433	11,102	-	838,343	(335,979)	(1,262,630)	19,217,912
Year 12	19,217,912	576,537	768,716	11,546	-	831,383	(346,058)	(1,317,476)	19,742,560
Year 13	19,742,560	592,277	789,702	12,008	-	824,423	(356,440)	(1,373,947)	20,230,583
Year 14	20,230,583	606,917	809,223	12,488	-	817,463	(367,133)	(1,432,333)	20,677,208
Year 15	20,677,208	620,316	827,088	12,988	-	810,503	(378,147)	(1,492,875)	21,077,080
Year 16	21,077,080	632,312	843,083	13,507	-	410,755	(389,492)	(1,555,778)	21,031,467
Year 17	21,031,467	630,944	841,259	14,047	-	-	(401,177)	(1,621,224)	20,495,316
Year 18	20,495,316	614,859	819,813	14,609	-	-	(413,212)	(1,689,382)	19,842,004
Year 19	19,842,004	595,260	793,680	15,194	-	-	(425,608)	(1,760,410)	19,060,120
Year 20	19,060,120	571,804	762,405	15,801	-	-	(438,377)	(1,834,464)	18,137,289
Year 21	18,137,289	544,119	725,492	16,433	-	-	(451,528)	(1,911,700)	17,060,104
Year 22	17,060,104	511,803	682,404	17,091	-	-	(465,074)	(1,992,273)	15,814,056
Year 23	15,814,056	474,422	632,562	17,774	-	-	(479,026)	(2,076,343)	14,383,445
Year 24	14,383,445	431,503	575,338	18,485	-	-	(493,397)	(2,164,073)	12,751,303
Year 25	12,751,303	382,539	510,052	19,225	-	-	(508,199)	(224,602)	12,930,318

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #1a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Compatible, FLLC

	Beginning of Year Financial Assets	Income	Growth	Distributions	End of Year Financial Assets
Year 1	25,000,000	750,000	1,000,000	(750,000)	26,000,000
Year 2	26,000,000	780,000	1,040,000	(780,000)	27,040,000
Year 3	27,040,000	811,200	1,081,600	(811,200)	28,121,600
Year 4	28,121,600	843,648	1,124,864	(843,648)	29,246,464
Year 5	29,246,464	877,394	1,169,859	(877,394)	30,416,323
Year 6	30,416,323	912,490	1,216,653	(912,490)	31,632,975
Year 7	31,632,975	948,989	1,265,319	(948,989)	32,898,294
Year 8	32,898,294	986,949	1,315,932	(986,949)	34,214,226
Year 9	34,214,226	1,026,427	1,368,569	(1,026,427)	35,582,795
Year 10	35,582,795	1,067,484	1,423,312	(1,067,484)	37,006,107
Year 11	37,006,107	1,110,183	1,480,244	(1,110,183)	38,486,351
Year 12	38,486,351	1,154,591	1,539,454	(1,154,591)	40,025,805
Year 13	40,025,805	1,200,774	1,601,032	(1,200,774)	41,626,838
Year 14	41,626,838	1,248,805	1,665,074	(1,248,805)	43,291,911
Year 15	43,291,911	1,298,757	1,731,676	(1,298,757)	45,023,588
Year 16	45,023,588	1,350,708	1,800,944	(1,350,708)	46,824,531
Year 17	46,824,531	1,404,736	1,872,981	(1,404,736)	48,697,512
Year 18	48,697,512	1,460,925	1,947,900	(1,460,925)	50,645,413
Year 19	50,645,413	1,519,362	2,025,817	(1,519,362)	52,671,229
Year 20	52,671,229	1,580,137	2,106,849	(1,580,137)	54,778,079
Year 21	54,778,079	1,643,342	2,191,123	(1,643,342)	56,969,202
Year 22	56,969,202	1,709,076	2,278,768	(1,709,076)	59,247,970
Year 23	59,247,970	1,777,439	2,369,919	(1,777,439)	61,617,889
Year 24	61,617,889	1,848,537	2,464,716	(1,848,537)	64,082,604
Year 25	64,082,604	1,922,478	2,563,304	(1,922,478)	66,645,908

Ownership	
Cam Compatible	GST Exempt Grantor Trust
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #1a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Existing GST Exempt Grantor Trust for the Benefit of the Compatible's Descendants

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Portion of Sale	Note Payments	Income Taxes	End of Year Financial Assets
Year 1	5,000,000	150,000	200,000	742,500	(5,000,000)	(849,728)	-	242,773
Year 2	242,773	7,283	9,711	772,200	-	(872,968)	-	158,999
Year 3	158,999	4,770	6,360	803,088	-	(897,138)	-	76,079
Year 4	76,079	2,282	3,043	835,212	-	(887,063)	-	29,553
Year 5	29,553	887	1,182	868,620	-	(880,103)	-	20,139
Year 6	20,139	604	806	903,365	-	(873,143)	-	51,771
Year 7	51,771	1,553	2,071	939,499	-	(866,183)	-	128,712
Year 8	128,712	3,861	5,148	977,079	-	(859,223)	-	255,578
Year 9	255,578	7,667	10,223	1,016,163	-	(852,263)	-	437,369
Year 10	437,369	13,121	17,495	1,056,809	-	(845,303)	-	679,491
Year 11	679,491	20,385	27,180	1,099,081	-	(838,343)	-	987,794
Year 12	987,794	29,634	39,512	1,143,045	-	(831,383)	-	1,368,601
Year 13	1,368,601	41,058	54,744	1,188,766	-	(824,423)	-	1,828,747
Year 14	1,828,747	54,862	73,150	1,236,317	-	(817,463)	-	2,375,613
Year 15	2,375,613	71,268	95,025	1,285,770	-	(810,503)	-	3,017,173
Year 16	3,017,173	90,515	120,687	1,337,201	-	(410,755)	-	4,154,821
Year 17	4,154,821	124,645	166,193	1,390,689	-	-	-	5,836,347
Year 18	5,836,347	175,090	233,454	1,446,316	-	-	-	7,691,208
Year 19	7,691,208	230,736	307,648	1,504,169	-	-	-	9,733,761
Year 20	9,733,761	292,013	389,350	1,564,336	-	-	-	11,979,460
Year 21	11,979,460	359,384	479,178	1,626,909	-	-	-	14,444,931
Year 22	14,444,931	433,348	577,797	1,691,985	-	-	-	17,148,061
Year 23	17,148,061	514,442	685,922	1,759,665	-	-	-	20,108,090
Year 24	20,108,090	603,243	804,324	1,830,051	-	-	-	23,345,708
Year 25	23,345,708	700,371	933,828	1,903,253	-	-	(19,558,162)	7,324,999

Schedule 3 - Scenario A

Cam Compatible

Hypothetical Technique #1a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Note Payable Between Cam Compatible and the Existing GST Exempt Grantor Trust for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	12,325,000	107,228	(849,728)	11,582,500
Year 2	11,582,500	100,768	(872,968)	10,810,300
Year 3	10,810,300	94,050	(897,138)	10,007,212
Year 4	10,007,212	87,063	(887,063)	9,207,212
Year 5	9,207,212	80,103	(880,103)	8,407,212
Year 6	8,407,212	73,143	(873,143)	7,607,212
Year 7	7,607,212	66,183	(866,183)	6,807,212
Year 8	6,807,212	59,223	(859,223)	6,007,212
Year 9	6,007,212	52,263	(852,263)	5,207,212
Year 10	5,207,212	45,303	(845,303)	4,407,212
Year 11	4,407,212	38,343	(838,343)	3,607,212
Year 12	3,607,212	31,383	(831,383)	2,807,212
Year 13	2,807,212	24,423	(824,423)	2,007,212
Year 14	2,007,212	17,463	(817,463)	1,207,212
Year 15	1,207,212	10,503	(810,503)	407,212
Year 16	407,212	3,543	(410,755)	-
Year 17	-	-	-	-
Year 18	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #2a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Cam Compatible

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Proceeds from Sale	Note and Annuity Payments	Consumption	Income Taxes	End of Year Financial Assets
Year 1	7,000,000	210,000	280,000	7,500	5,000,000	849,728	(250,000)	(606,060)	12,491,168
Year 2	12,491,168	374,735	499,647	7,800	-	872,968	(257,500)	(712,162)	13,276,655
Year 3	13,276,655	398,300	531,066	8,112	-	897,138	(265,225)	(798,722)	14,047,323
Year 4	14,047,323	421,420	561,893	8,436	-	887,063	(273,182)	(871,984)	14,780,969
Year 5	14,780,969	443,429	591,239	8,774	-	558,826	(281,377)	(936,375)	15,165,484
Year 6	15,165,484	454,965	606,619	9,125	-	558,826	(289,819)	(995,047)	15,510,153
Year 7	15,510,153	465,305	620,406	9,490	-	558,826	(298,513)	(1,050,248)	15,815,418
Year 8	15,815,418	474,463	632,617	9,869	-	558,826	(307,468)	(1,103,590)	16,080,135
Year 9	16,080,135	482,404	643,205	10,264	-	558,826	(316,693)	(1,156,238)	16,301,904
Year 10	16,301,904	489,057	652,076	10,675	-	558,826	(326,193)	(1,209,041)	16,477,303
Year 11	16,477,303	494,319	659,092	11,102	-	558,826	(335,979)	(1,262,630)	16,602,034
Year 12	16,602,034	498,061	664,081	11,546	-	558,826	(346,058)	(1,317,476)	16,671,013
Year 13	16,671,013	500,130	666,841	12,008	-	558,826	(356,440)	(1,373,947)	16,678,431
Year 14	16,678,431	500,353	667,137	12,488	-	558,826	(367,133)	(1,432,333)	16,617,768
Year 15	16,617,768	498,533	664,711	12,988	-	558,826	(378,147)	(1,492,875)	16,481,803
Year 16	16,481,803	494,454	659,272	13,507	-	558,826	(389,492)	(1,555,778)	16,262,592
Year 17	16,262,592	487,878	650,504	14,047	-	558,826	(401,177)	(1,621,224)	15,951,446
Year 18	15,951,446	478,543	638,058	14,609	-	558,826	(413,212)	(1,689,382)	15,538,889
Year 19	15,538,889	466,167	621,556	15,194	-	558,826	(425,608)	(1,760,410)	15,014,612
Year 20	15,014,612	450,438	600,584	15,801	-	558,826	(438,377)	(1,834,464)	14,367,422
Year 21	14,367,422	431,023	574,697	16,433	-	558,826	(451,528)	(1,911,700)	13,585,173
Year 22	13,585,173	407,555	543,407	17,091	-	558,826	(465,074)	(1,992,273)	12,654,705
Year 23	12,654,705	379,641	506,188	17,774	-	558,826	(479,026)	(2,076,343)	11,561,766
Year 24	11,561,766	346,853	462,471	18,485	-	558,826	(493,397)	(2,164,073)	10,290,932
Year 25	10,290,932	308,728	411,637	19,225	-	-	(508,199)	(191,682)	10,330,641

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #2a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Compatible, FLLC

	Beginning of Year Financial Assets	Income	Growth	Distributions	End of Year Financial Assets	Ownership: Cam Compatible	Ownership: GST Exempt Grantor Trust
Year 1	25,000,000	750,000	1,000,000	(750,000)	26,000,000	1.00%	99.00%
Year 2	26,000,000	780,000	1,040,000	(780,000)	27,040,000	1.00%	99.00%
Year 3	27,040,000	811,200	1,081,600	(811,200)	28,121,600	1.00%	99.00%
Year 4	28,121,600	843,648	1,124,864	(843,648)	29,246,464	1.00%	99.00%
Year 5	29,246,464	877,394	1,169,859	(877,394)	30,416,323	1.00%	99.00%
Year 6	30,416,323	912,490	1,216,653	(912,490)	31,632,975	1.00%	99.00%
Year 7	31,632,975	948,989	1,265,319	(948,989)	32,898,294	1.00%	99.00%
Year 8	32,898,294	986,949	1,315,932	(986,949)	34,214,226	1.00%	99.00%
Year 9	34,214,226	1,026,427	1,368,569	(1,026,427)	35,582,795	1.00%	99.00%
Year 10	35,582,795	1,067,484	1,423,312	(1,067,484)	37,006,107	1.00%	99.00%
Year 11	37,006,107	1,110,183	1,480,244	(1,110,183)	38,486,351	1.00%	99.00%
Year 12	38,486,351	1,154,591	1,539,454	(1,154,591)	40,025,805	1.00%	99.00%
Year 13	40,025,805	1,200,774	1,601,032	(1,200,774)	41,626,838	1.00%	99.00%
Year 14	41,626,838	1,248,805	1,665,074	(1,248,805)	43,291,911	1.00%	99.00%
Year 15	43,291,911	1,298,757	1,731,676	(1,298,757)	45,023,588	1.00%	99.00%
Year 16	45,023,588	1,350,708	1,800,944	(1,350,708)	46,824,531	1.00%	99.00%
Year 17	46,824,531	1,404,736	1,872,981	(1,404,736)	48,697,512	1.00%	99.00%
Year 18	48,697,512	1,460,925	1,947,900	(1,460,925)	50,645,413	1.00%	99.00%
Year 19	50,645,413	1,519,362	2,025,817	(1,519,362)	52,671,229	1.00%	99.00%
Year 20	52,671,229	1,580,137	2,106,849	(1,580,137)	54,778,079	1.00%	99.00%
Year 21	54,778,079	1,643,342	2,191,123	(1,643,342)	56,969,202	1.00%	99.00%
Year 22	56,969,202	1,709,076	2,278,768	(1,709,076)	59,247,970	1.00%	99.00%
Year 23	59,247,970	1,777,439	2,369,919	(1,777,439)	61,617,889	1.00%	99.00%
Year 24	61,617,889	1,848,537	2,464,716	(1,848,537)	64,082,604	1.00%	99.00%
Year 25	64,082,604	1,922,478	2,563,304	(1,922,478)	66,645,908	1.00%	99.00%

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #2a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Existing GST Exempt Grantor Trust for the Benefit of the Compatible's Descendants

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Portion of Sale	Note and Annuity Payments	Income Taxes	End of Year Financial Assets
Year 1	5,000,000	150,000	200,000	742,500	(5,000,000)	(849,728)	-	242,773
Year 2	242,773	7,283	9,711	772,200	-	(872,968)	-	158,999
Year 3	158,999	4,770	6,360	803,088	-	(897,138)	-	76,079
Year 4	76,079	2,282	3,043	835,212	-	(887,063)	-	29,553
Year 5	29,553	887	1,182	868,620	-	(558,826)	-	341,416
Year 6	341,416	10,242	13,657	903,365	-	(558,826)	-	709,854
Year 7	709,854	21,296	28,394	939,499	-	(558,826)	-	1,140,217
Year 8	1,140,217	34,207	45,609	977,079	-	(558,826)	-	1,638,286
Year 9	1,638,286	49,149	65,531	1,016,163	-	(558,826)	-	2,210,302
Year 10	2,210,302	66,309	88,412	1,056,809	-	(558,826)	-	2,863,006
Year 11	2,863,006	85,890	114,520	1,099,081	-	(558,826)	-	3,603,672
Year 12	3,603,672	108,110	144,147	1,143,045	-	(558,826)	-	4,440,148
Year 13	4,440,148	133,204	177,606	1,188,766	-	(558,826)	-	5,380,899
Year 14	5,380,899	161,427	215,236	1,236,317	-	(558,826)	-	6,435,053
Year 15	6,435,053	193,052	257,402	1,285,770	-	(558,826)	-	7,612,450
Year 16	7,612,450	228,374	304,498	1,337,201	-	(558,826)	-	8,923,696
Year 17	8,923,696	267,711	356,948	1,390,689	-	(558,826)	-	10,380,218
Year 18	10,380,218	311,407	415,209	1,446,316	-	(558,826)	-	11,994,323
Year 19	11,994,323	359,830	479,773	1,504,169	-	(558,826)	-	13,779,268
Year 20	13,779,268	413,378	551,171	1,564,336	-	(558,826)	-	15,749,327
Year 21	15,749,327	472,480	629,973	1,626,909	-	(558,826)	-	17,919,863
Year 22	17,919,863	537,596	716,795	1,691,985	-	(558,826)	-	20,307,412
Year 23	20,307,412	609,222	812,296	1,759,665	-	(558,826)	-	22,929,770
Year 24	22,929,770	687,893	917,191	1,830,051	-	(558,826)	-	25,806,079
Year 25	25,806,079	774,182	1,032,243	1,903,253	-	-	(19,694,939)	9,820,818

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #2a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Note Payable Between Cam Compatible and the Existing GST Exempt Grantor Trust for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal	Annuity Payments
Year 1	12,325,000	107,228	(849,728)	11,582,500	-
Year 2	11,582,500	100,768	(872,968)	10,810,300	-
Year 3	10,810,300	94,050	(897,138)	10,007,212	-
Year 4	10,007,212	87,063	(887,063)	9,207,212	-
Year 5	-	-	-	-	(558,826)
Year 6	-	-	-	-	(558,826)
Year 7	-	-	-	-	(558,826)
Year 8	-	-	-	-	(558,826)
Year 9	-	-	-	-	(558,826)
Year 10	-	-	-	-	(558,826)
Year 11	-	-	-	-	(558,826)
Year 12	-	-	-	-	(558,826)
Year 13	-	-	-	-	(558,826)
Year 14	-	-	-	-	(558,826)
Year 15	-	-	-	-	(558,826)
Year 16	-	-	-	-	(558,826)
Year 17	-	-	-	-	(558,826)
Year 18	-	-	-	-	(558,826)
Year 19	-	-	-	-	(558,826)
Year 20	-	-	-	-	(558,826)
Year 21	-	-	-	-	(558,826)
Year 22	-	-	-	-	(558,826)
Year 23	-	-	-	-	(558,826)
Year 24	-	-	-	-	(558,826)
Year 25	-	-	-	-	-

Schedule 3 - Scenario A

Cam Compatible

Hypothetical Technique #3a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Cam Compatible

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Proceeds from Sale	Note Payments from Grantor Trust	Note Payments to Grantor Trust	Consumption	Income Taxes	End of Year Financial Assets
Year 1	7,000,000	210,000	280,000	7,500	5,000,000	107,228	-	(250,000)	(606,060)	11,748,668
Year 2	11,748,668	352,460	469,947	7,800	-	107,228	-	(257,500)	(712,162)	11,716,440
Year 3	11,716,440	351,493	468,658	8,112	-	107,228	-	(265,225)	(798,722)	11,587,983
Year 4	11,587,983	347,639	463,519	8,436	-	107,228	-	(273,182)	(871,984)	11,369,640
Year 5	11,369,640	341,089	454,786	754,559	-	107,228	(355,365)	(281,377)	(936,375)	11,454,183
Year 6	11,454,183	343,625	458,167	784,741	-	107,228	(355,365)	(289,819)	(995,047)	11,507,713
Year 7	11,507,713	345,231	460,309	816,131	-	-	(355,365)	(298,513)	(1,050,248)	11,425,257
Year 8	11,425,257	342,758	457,010	848,776	-	-	(355,365)	(307,468)	(1,103,590)	11,307,377
Year 9	11,307,377	339,221	452,295	882,727	-	-	(355,365)	(316,693)	(1,156,238)	11,153,325
Year 10	11,153,325	334,600	446,133	918,036	-	-	(355,365)	(326,193)	(1,209,041)	10,961,494
Year 11	10,961,494	328,845	438,460	954,758	-	-	(355,365)	(335,979)	(1,262,630)	10,729,582
Year 12	10,729,582	321,887	429,183	992,948	-	-	(355,365)	(346,058)	(1,317,476)	10,454,701
Year 13	10,454,701	313,641	418,188	1,032,666	-	-	(355,365)	(356,440)	(1,373,947)	10,133,444
Year 14	10,133,444	304,003	405,338	1,073,972	-	-	(355,365)	(367,133)	(1,432,333)	9,761,925
Year 15	9,761,925	292,858	390,477	1,116,931	-	-	(355,365)	(378,147)	(1,492,875)	9,335,803
Year 16	9,335,803	280,074	373,432	1,161,609	-	-	(355,365)	(389,492)	(1,555,778)	8,850,282
Year 17	8,850,282	265,508	354,011	1,208,073	-	-	(355,365)	(401,177)	(1,621,224)	8,300,109
Year 18	8,300,109	249,003	332,004	1,256,396	-	-	(355,365)	(413,212)	(1,689,382)	7,679,554
Year 19	7,679,554	230,387	307,182	1,306,652	-	-	(355,365)	(425,608)	(1,760,410)	6,982,391
Year 20	6,982,391	209,472	279,296	1,358,918	-	-	(355,365)	(438,377)	(1,834,464)	6,201,870
Year 21	6,201,870	186,056	248,075	1,413,274	-	-	(355,365)	(451,528)	(1,911,700)	5,330,682
Year 22	5,330,682	159,920	213,227	1,469,805	-	-	(355,365)	(465,074)	(1,992,273)	4,360,923
Year 23	4,360,923	130,828	174,437	1,528,598	-	-	(355,365)	(479,026)	(2,076,343)	3,284,052
Year 24	3,284,052	98,522	131,362	1,589,742	-	-	(355,365)	(493,397)	(2,164,073)	2,090,842
Year 25	2,090,842	62,725	83,634	3,373,331	-	-	(355,365)	(508,199)	(4,542,086)	204,883

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #3a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Compatible, FLLC

	Beginning of Year Financial Assets	Income	Growth	Distributions	End of Year Financial Assets	Ownership: Cam Compatible	Ownership: GST Exempt Grantor Trust
Year 1	25,000,000	750,000	1,000,000	(750,000)	26,000,000	1.00%	99.00%
Year 2	26,000,000	780,000	1,040,000	(780,000)	27,040,000	1.00%	99.00%
Year 3	27,040,000	811,200	1,081,600	(811,200)	28,121,600	1.00%	99.00%
Year 4	28,121,600	843,648	1,124,864	(843,648)	29,246,464	1.00%	99.00%
Year 5	29,246,464	877,394	1,169,859	(877,394)	30,416,323	86.00%	14.00%
Year 6	30,416,323	912,490	1,216,653	(912,490)	31,632,975	86.00%	14.00%
Year 7	31,632,975	948,989	1,265,319	(948,989)	32,898,294	86.00%	14.00%
Year 8	32,898,294	986,949	1,315,932	(986,949)	34,214,226	86.00%	14.00%
Year 9	34,214,226	1,026,427	1,368,569	(1,026,427)	35,582,795	86.00%	14.00%
Year 10	35,582,795	1,067,484	1,423,312	(1,067,484)	37,006,107	86.00%	14.00%
Year 11	37,006,107	1,110,183	1,480,244	(1,110,183)	38,486,351	86.00%	14.00%
Year 12	38,486,351	1,154,591	1,539,454	(1,154,591)	40,025,805	86.00%	14.00%
Year 13	40,025,805	1,200,774	1,601,032	(1,200,774)	41,626,838	86.00%	14.00%
Year 14	41,626,838	1,248,805	1,665,074	(1,248,805)	43,291,911	86.00%	14.00%
Year 15	43,291,911	1,298,757	1,731,676	(1,298,757)	45,023,588	86.00%	14.00%
Year 16	45,023,588	1,350,708	1,800,944	(1,350,708)	46,824,531	86.00%	14.00%
Year 17	46,824,531	1,404,736	1,872,981	(1,404,736)	48,697,512	86.00%	14.00%
Year 18	48,697,512	1,460,925	1,947,900	(1,460,925)	50,645,413	86.00%	14.00%
Year 19	50,645,413	1,519,362	2,025,817	(1,519,362)	52,671,229	86.00%	14.00%
Year 20	52,671,229	1,580,137	2,106,849	(1,580,137)	54,778,079	86.00%	14.00%
Year 21	54,778,079	1,643,342	2,191,123	(1,643,342)	56,969,202	86.00%	14.00%
Year 22	56,969,202	1,709,076	2,278,768	(1,709,076)	59,247,970	86.00%	14.00%
Year 23	59,247,970	1,777,439	2,369,919	(1,777,439)	61,617,889	86.00%	14.00%
Year 24	61,617,889	1,848,537	2,464,716	(1,848,537)	64,082,604	86.00%	14.00%
Year 25	64,082,604	1,922,478	2,563,304	(3,922,478)	64,645,908	86.00%	14.00%

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #3a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Existing GST Exempt Grantor Trust for the Benefit of the Compatible's Descendants

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Note Payments from Cam Compatible	Cash Portion of Sale	Note Payments to Cam Compatible	Income Taxes	End of Year Financial Assets
Year 1	5,000,000	150,000	200,000	742,500	-	(5,000,000)	(107,228)	-	985,273
Year 2	985,273	29,558	39,411	772,200	-	-	(107,228)	-	1,719,214
Year 3	1,719,214	51,576	68,769	803,088	-	-	(107,228)	-	2,535,420
Year 4	2,535,420	76,063	101,417	835,212	-	-	(107,228)	-	3,440,883
Year 5	3,440,883	103,226	137,635	122,835	355,365	-	(107,228)	-	4,052,718
Year 6	4,052,718	121,582	162,109	127,749	355,365	-	(107,228)	-	4,712,294
Year 7	4,712,294	141,369	188,492	132,858	355,365	-	-	-	5,530,378
Year 8	5,530,378	165,911	221,215	138,173	355,365	-	-	-	6,411,043
Year 9	6,411,043	192,331	256,442	143,700	355,365	-	-	-	7,358,881
Year 10	7,358,881	220,766	294,355	149,448	355,365	-	-	-	8,378,816
Year 11	8,378,816	251,364	335,153	155,426	355,365	-	-	-	9,476,124
Year 12	9,476,124	284,284	379,045	161,643	355,365	-	-	-	10,656,460
Year 13	10,656,460	319,694	426,258	168,108	355,365	-	-	-	11,925,886
Year 14	11,925,886	357,777	477,035	174,833	355,365	-	-	-	13,290,896
Year 15	13,290,896	398,727	531,636	181,826	355,365	-	-	-	14,758,450
Year 16	14,758,450	442,753	590,338	189,099	355,365	-	-	-	16,336,006
Year 17	16,336,006	490,080	653,440	196,663	355,365	-	-	-	18,031,554
Year 18	18,031,554	540,947	721,262	204,530	355,365	-	-	-	19,853,658
Year 19	19,853,658	595,610	794,146	212,711	355,365	-	-	-	21,811,490
Year 20	21,811,490	654,345	872,460	221,219	355,365	-	-	-	23,914,879
Year 21	23,914,879	717,446	956,595	230,068	355,365	-	-	-	26,174,353
Year 22	26,174,353	785,231	1,046,974	239,271	355,365	-	-	-	28,601,194
Year 23	28,601,194	858,036	1,144,048	248,841	355,365	-	-	-	31,207,484
Year 24	31,207,484	936,225	1,248,299	258,795	355,365	-	-	-	34,006,168
Year 25	34,006,168	1,020,185	1,360,247	549,147	355,365	-	-	(4,707,990)	32,583,122

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #3a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Note #1 Between Cam Compatible & Existing GST Exempt Grantor Trust for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	12,325,000	107,228	(107,228)	12,325,000
Year 2	12,325,000	107,228	(107,228)	12,325,000
Year 3	12,325,000	107,228	(107,228)	12,325,000
Year 4	12,325,000	107,228	(107,228)	12,325,000
Year 5	12,325,000	107,228	(107,228)	12,325,000
Year 6	12,325,000	107,228	(107,228)	12,325,000
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	-	-	-	-

Note #2 Between Existing GST Exempt Grantor Trust & Cam Compatible for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	-	-	-	-
Year 5	5,076,646	355,365	(355,365)	5,076,646
Year 6	5,076,646	355,365	(355,365)	5,076,646
Year 7	5,076,646	355,365	(355,365)	5,076,646
Year 8	5,076,646	355,365	(355,365)	5,076,646
Year 9	5,076,646	355,365	(355,365)	5,076,646
Year 10	5,076,646	355,365	(355,365)	5,076,646
Year 11	5,076,646	355,365	(355,365)	5,076,646
Year 12	5,076,646	355,365	(355,365)	5,076,646
Year 13	5,076,646	355,365	(355,365)	5,076,646
Year 14	5,076,646	355,365	(355,365)	5,076,646
Year 15	5,076,646	355,365	(355,365)	5,076,646
Year 16	5,076,646	355,365	(355,365)	5,076,646
Year 17	5,076,646	355,365	(355,365)	5,076,646
Year 18	5,076,646	355,365	(355,365)	5,076,646
Year 19	5,076,646	355,365	(355,365)	5,076,646
Year 20	5,076,646	355,365	(355,365)	5,076,646
Year 21	5,076,646	355,365	(355,365)	5,076,646
Year 22	5,076,646	355,365	(355,365)	5,076,646
Year 23	5,076,646	355,365	(355,365)	5,076,646
Year 24	5,076,646	355,365	(355,365)	5,076,646
Year 25	5,076,646	355,365	(355,365)	5,076,646

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #4a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Cam Compatible

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Proceeds from Sale	Note Payments from Grantor Trust	Note Payments to Grantor Trust	Consumption	Income Taxes	End of Year Financial Assets
Year 1	7,000,000	210,000	280,000	7,500	5,000,000	107,228	-	(250,000)	(606,060)	11,748,668
Year 2	11,748,668	352,460	469,947	7,800	-	107,228	-	(257,500)	(712,162)	11,716,440
Year 3	11,716,440	351,493	468,658	8,112	-	107,228	-	(265,225)	(798,722)	11,587,983
Year 4	11,587,983	347,639	463,519	8,436	-	107,228	-	(273,182)	(871,984)	11,369,640
Year 5	11,369,640	341,089	454,786	8,774	-	107,228	-	(281,377)	(936,375)	11,063,763
Year 6	11,063,763	331,913	442,551	9,125	-	107,228	-	(289,819)	(995,047)	10,669,713
Year 7	10,669,713	320,091	426,789	9,490	-	107,228	-	(298,513)	(1,050,248)	10,184,549
Year 8	10,184,549	305,536	407,382	9,869	-	107,228	-	(307,468)	(1,103,590)	9,603,506
Year 9	9,603,506	288,105	384,140	10,264	-	107,228	-	(316,693)	(1,156,238)	8,920,313
Year 10	8,920,313	267,609	356,813	10,675	-	107,228	-	(326,193)	(1,209,041)	8,127,402
Year 11	8,127,402	243,822	325,096	11,102	-	107,228	-	(335,979)	(1,262,630)	7,216,041
Year 12	7,216,041	216,481	288,642	11,546	-	107,228	-	(346,058)	(1,317,476)	6,176,403
Year 13	6,176,403	185,292	247,056	12,008	-	107,228	-	(356,440)	(1,373,947)	4,997,599
Year 14	4,997,599	149,928	199,904	12,488	-	107,228	-	(367,133)	(1,432,333)	3,667,680
Year 15	3,667,680	110,030	146,707	12,988	-	107,228	-	(378,147)	(1,492,875)	2,173,609
Year 16	2,173,609	65,208	86,944	13,507	-	107,228	-	(389,492)	(1,555,778)	501,226
Year 17	501,226	15,037	20,049	14,047	-	1,607,228	-	(401,177)	(1,621,224)	135,186
Year 18	135,186	4,056	5,407	14,609	-	2,094,178	-	(413,212)	(1,689,382)	150,842
Year 19	150,842	4,525	6,034	15,194	-	2,076,778	-	(425,608)	(1,760,410)	67,355
Year 20	67,355	2,021	2,694	15,801	-	2,559,378	-	(438,377)	(1,834,464)	374,407
Year 21	374,407	11,232	14,976	3,993,274	-	-	(1,978,757)	(451,528)	(1,911,700)	51,906
Year 22	51,906	1,557	2,076	4,402,405	-	-	(1,978,757)	(465,074)	(1,992,273)	21,841
Year 23	21,841	655	874	4,797,802	-	-	(1,978,757)	(479,026)	(2,076,343)	287,046
Year 24	287,046	8,611	11,482	4,748,914	-	-	(1,978,757)	(493,397)	(2,164,073)	419,826
Year 25	419,826	12,595	16,793	5,558,070	-	-	(1,978,757)	(508,199)	(3,228,341)	291,987

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #4a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Compatible, FLLC

	Beginning of Year Financial Assets	Income	Growth	Distributions	End of Year Financial Assets	Ownership: Cam Compatible	Ownership: GST Exempt Grantor Trust
Year 1	25,000,000	750,000	1,000,000	(750,000)	26,000,000	1.00%	99.00%
Year 2	26,000,000	780,000	1,040,000	(780,000)	27,040,000	1.00%	99.00%
Year 3	27,040,000	811,200	1,081,600	(811,200)	28,121,600	1.00%	99.00%
Year 4	28,121,600	843,648	1,124,864	(843,648)	29,246,464	1.00%	99.00%
Year 5	29,246,464	877,394	1,169,859	(877,394)	30,416,323	1.00%	99.00%
Year 6	30,416,323	912,490	1,216,653	(912,490)	31,632,975	1.00%	99.00%
Year 7	31,632,975	948,989	1,265,319	(948,989)	32,898,294	1.00%	99.00%
Year 8	32,898,294	986,949	1,315,932	(986,949)	34,214,226	1.00%	99.00%
Year 9	34,214,226	1,026,427	1,368,569	(1,026,427)	35,582,795	1.00%	99.00%
Year 10	35,582,795	1,067,484	1,423,312	(1,067,484)	37,006,107	1.00%	99.00%
Year 11	37,006,107	1,110,183	1,480,244	(1,110,183)	38,486,351	1.00%	99.00%
Year 12	38,486,351	1,154,591	1,539,454	(1,154,591)	40,025,805	1.00%	99.00%
Year 13	40,025,805	1,200,774	1,601,032	(1,200,774)	41,626,838	1.00%	99.00%
Year 14	41,626,838	1,248,805	1,665,074	(1,248,805)	43,291,911	1.00%	99.00%
Year 15	43,291,911	1,298,757	1,731,676	(1,298,757)	45,023,588	1.00%	99.00%
Year 16	45,023,588	1,350,708	1,800,944	(1,350,708)	46,824,531	1.00%	99.00%
Year 17	46,824,531	1,404,736	1,872,981	(1,404,736)	48,697,512	1.00%	99.00%
Year 18	48,697,512	1,460,925	1,947,900	(1,460,925)	50,645,413	1.00%	99.00%
Year 19	50,645,413	1,519,362	2,025,817	(1,519,362)	52,671,229	1.00%	99.00%
Year 20	52,671,229	1,580,137	2,106,849	(1,580,137)	54,778,079	1.00%	99.00%
Year 21	54,778,079	1,643,342	2,191,123	(4,643,342)	53,969,202	86.00%	14.00%
Year 22	53,969,202	1,619,076	2,158,768	(5,119,076)	52,627,970	86.00%	14.00%
Year 23	52,627,970	1,578,839	2,105,119	(5,578,839)	50,733,089	86.00%	14.00%
Year 24	50,733,089	1,521,993	2,029,324	(5,521,993)	48,762,412	86.00%	14.00%
Year 25	48,762,412	1,462,872	1,950,496	(6,462,872)	45,712,909	86.00%	14.00%

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #4a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Existing GST Exempt Grantor Trust for the Benefit of the Compatible's Descendants

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Note Payments from Cam Compatible	Cash Portion of Sale	Note Payments to Cam Compatible	Income Taxes	End of Year Financial Assets
Year 1	5,000,000	150,000	200,000	742,500	-	(5,000,000)	(107,228)	-	985,273
Year 2	985,273	29,558	39,411	772,200	-	-	(107,228)	-	1,719,214
Year 3	1,719,214	51,576	68,769	803,088	-	-	(107,228)	-	2,535,420
Year 4	2,535,420	76,063	101,417	835,212	-	-	(107,228)	-	3,440,883
Year 5	3,440,883	103,226	137,635	868,620	-	-	(107,228)	-	4,443,137
Year 6	4,443,137	133,294	177,725	903,365	-	-	(107,228)	-	5,550,294
Year 7	5,550,294	166,509	222,012	939,499	-	-	(107,228)	-	6,771,087
Year 8	6,771,087	203,133	270,843	977,079	-	-	(107,228)	-	8,114,914
Year 9	8,114,914	243,447	324,597	1,016,163	-	-	(107,228)	-	9,591,894
Year 10	9,591,894	287,757	383,676	1,056,809	-	-	(107,228)	-	11,212,908
Year 11	11,212,908	336,387	448,516	1,099,081	-	-	(107,228)	-	12,989,665
Year 12	12,989,665	389,690	519,587	1,143,045	-	-	(107,228)	-	14,934,759
Year 13	14,934,759	448,043	597,390	1,188,766	-	-	(107,228)	-	17,061,731
Year 14	17,061,731	511,852	682,469	1,236,317	-	-	(107,228)	-	19,385,141
Year 15	19,385,141	581,554	775,406	1,285,770	-	-	(107,228)	-	21,920,644
Year 16	21,920,644	657,619	876,826	1,337,201	-	-	(107,228)	-	24,685,062
Year 17	24,685,062	740,552	987,402	1,390,689	-	-	(1,607,228)	-	26,196,477
Year 18	26,196,477	785,894	1,047,859	1,446,316	-	-	(2,094,178)	-	27,382,369
Year 19	27,382,369	821,471	1,095,295	1,504,169	-	-	(2,076,778)	-	28,726,526
Year 20	28,726,526	861,796	1,149,061	1,564,336	-	-	(2,559,378)	-	29,742,341
Year 21	29,742,341	892,270	1,189,694	650,068	1,978,757	-	-	-	34,453,130
Year 22	34,453,130	1,033,594	1,378,125	716,671	1,978,757	-	-	-	39,560,277
Year 23	39,560,277	1,186,808	1,582,411	781,037	1,978,757	-	-	-	45,089,290
Year 24	45,089,290	1,352,679	1,803,572	773,079	1,978,757	-	-	-	50,997,377
Year 25	50,997,377	1,529,921	2,039,895	904,802	1,978,757	-	-	(4,431,747)	53,019,006

Schedule 3 - Scenario A
Cam Compatible
Hypothetical Technique #4a: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Note #1 Between Cam Compatible & Existing GST Exempt Grantor Trust for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	12,325,000	107,228	(107,228)	12,325,000
Year 2	12,325,000	107,228	(107,228)	12,325,000
Year 3	12,325,000	107,228	(107,228)	12,325,000
Year 4	12,325,000	107,228	(107,228)	12,325,000
Year 5	12,325,000	107,228	(107,228)	12,325,000
Year 6	12,325,000	107,228	(107,228)	12,325,000
Year 7	12,325,000	107,228	(107,228)	12,325,000
Year 8	12,325,000	107,228	(107,228)	12,325,000
Year 9	12,325,000	107,228	(107,228)	12,325,000
Year 10	12,325,000	107,228	(107,228)	12,325,000
Year 11	12,325,000	107,228	(107,228)	12,325,000
Year 12	12,325,000	107,228	(107,228)	12,325,000
Year 13	12,325,000	107,228	(107,228)	12,325,000
Year 14	12,325,000	107,228	(107,228)	12,325,000
Year 15	12,325,000	107,228	(107,228)	12,325,000
Year 16	12,325,000	107,228	(107,228)	12,325,000
Year 17	12,325,000	107,228	(1,607,228)	10,825,000
Year 18	10,825,000	94,178	(2,094,178)	8,825,000
Year 19	8,825,000	76,778	(2,076,778)	6,825,000
Year 20	6,825,000	59,378	(2,559,378)	4,325,000
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-

Note #2 Between Existing GST Exempt Grantor Trust & Cam Compatible for the Purchase of Non-Managing Member Interests

	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	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-
Year 21	28,267,957	1,978,757	(1,978,757)	28,267,957
Year 22	28,267,957	1,978,757	(1,978,757)	28,267,957
Year 23	28,267,957	1,978,757	(1,978,757)	28,267,957
Year 24	28,267,957	1,978,757	(1,978,757)	28,267,957
Year 25	28,267,957	1,978,757	(1,978,757)	28,267,957

Schedule 3 - Scenario B

Cam Compatible

Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Cam Compatible is 60 years of age)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Pre-Death	Post Death	Present Values (Discounted at 3%)	Percentage of Total
No Further Planning: Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	77,473,004	-	-	0.00%
Compatible Children	-	42,888,402	20,483,740	21.36%
Compatible Children and Grandchildren	27,137,163	33,129,497	15,822,832	16.50%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	34,998,199	34,998,199	16,715,335	17.43%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	28,592,268	13,655,826	14.24%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%
Hypothetical Technique #1b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	13,613,652	-	-	0.00%
Compatible Children	-	4,652,766	2,222,187	2.32%
Compatible Children and Grandchildren	78,873,199	84,865,533	40,532,251	42.26%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	47,121,516	47,121,516	22,505,498	23.47%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	2,968,552	1,417,797	1.48%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%
Hypothetical Technique #2b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	11,013,975	-	-	0.00%
Compatible Children	-	3,092,960	1,477,215	1.54%
Compatible Children and Grandchildren	81,369,018	87,361,352	41,724,268	43.50%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	47,225,374	47,225,374	22,555,102	23.52%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	1,928,681	921,149	0.96%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Cam Compatible is 60 years of age)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Pre-Death	Post Death	Present Values (Discounted at 3%)	Percentage of Total
No Further Planning: Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	77,473,004	-	-	0.00%
Compatible Children	-	42,888,402	20,483,740	21.36%
Compatible Children and Grandchildren	27,137,163	33,129,497	15,822,832	16.50%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	34,998,199	34,998,199	16,715,335	17.43%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	28,592,268	13,655,826	14.24%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%
Hypothetical Technique #3b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	52,174,968	-	-	0.00%
Compatible Children	-	34,381,038	16,420,575	17.12%
Compatible Children and Grandchildren	47,497,696	53,490,030	25,547,136	26.64%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	39,935,703	39,935,703	19,073,514	19.89%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	11,801,596	5,636,508	5.88%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%
Hypothetical Technique #4b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)				
Mr. and Mrs. Cam Compatible	12,723,882	-	-	0.00%
Compatible Children	-	4,038,929	1,929,015	2.01%
Compatible Children and Grandchildren	88,439,270	94,431,604	45,101,060	47.02%
Consumption - Direct Cost	9,114,816	9,114,816	4,353,287	4.54%
Consumption - Investment Opportunity Cost	11,720,526	11,720,526	5,597,788	5.84%
IRS - Income Tax	38,445,215	38,445,215	18,361,649	19.14%
IRS - Investment Opportunity Costs	40,371,299	40,371,299	19,281,557	20.10%
IRS - Estate Tax (at 40.0%)	-	2,692,619	1,286,010	1.34%
Total	$200,815,008	$200,815,008	$95,910,366	100.00%

Schedule 3 - Scenario B
Cam Compatible
Asset Page

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Cam Compatible	Existing GST Exempt Grantor Trust
Assets*		
FMV: Financial Assets	$7,000,000	$5,000,000
Basis: Financial Assets	$7,000,000	$5,000,000
FMV: Compatible, FLLC	$25,000,000	$0
FMV: Compatible, FLLC	$25,000,000	$0
Total Assets:	**$32,000,000**	**$5,000,000**
Total Basis:	**$32,000,000**	**$5,000,000**

* Information provided by client. There is no proposed planning for Mr. Compatible's other assets.

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #1b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Cam Compatible

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Proceeds from Sale	Note Payments	Consumption	Income Taxes	End of Year Financial Assets
Year 1	7,000,000	210,000	280,000	7,500	5,000,000	849,728	(250,000)	(606,060)	12,491,168
Year 2	12,491,168	374,735	499,647	7,800	-	872,968	(257,500)	(712,162)	13,276,655
Year 3	13,276,655	398,300	531,066	8,112	-	897,138	(265,225)	(798,722)	14,047,323
Year 4	14,047,323	421,420	561,893	8,436	-	887,063	(273,182)	(871,984)	14,780,969
Year 5	14,780,969	443,429	591,239	8,774	-	880,103	(281,377)	(936,375)	15,486,761
Year 6	15,486,761	464,603	619,470	9,125	-	873,143	(289,819)	(995,047)	16,168,236
Year 7	16,168,236	485,047	646,729	9,490	-	866,183	(298,513)	(1,050,248)	16,826,924
Year 8	16,826,924	504,808	673,077	9,869	-	859,223	(307,468)	(1,103,590)	17,462,842
Year 9	17,462,842	523,885	698,514	10,264	-	852,263	(316,693)	(1,156,238)	18,074,838
Year 10	18,074,838	542,245	722,994	10,675	-	845,303	(326,193)	(1,209,041)	18,660,819
Year 11	18,660,819	559,825	746,433	11,102	-	838,343	(335,979)	(1,262,630)	19,217,912
Year 12	19,217,912	576,537	768,716	11,546	-	831,383	(346,058)	(1,317,476)	19,742,560
Year 13	19,742,560	592,277	789,702	12,008	-	824,423	(356,440)	(1,373,947)	20,230,583
Year 14	20,230,583	606,917	809,223	12,488	-	817,463	(367,133)	(1,432,333)	20,677,208
Year 15	20,677,208	620,316	827,088	12,988	-	810,503	(378,147)	(1,492,875)	21,077,080
Year 16	21,077,080	632,312	843,083	13,507	-	410,755	(389,492)	(1,555,778)	21,031,467
Year 17	21,031,467	630,944	841,259	14,047	-	-	(401,177)	(1,621,224)	20,495,316
Year 18	20,495,316	614,859	819,813	14,609	-	-	(413,212)	(1,689,382)	19,842,004
Year 19	19,842,004	595,260	793,680	15,194	-	-	(425,608)	(1,760,410)	19,060,120
Year 20	19,060,120	571,804	762,405	15,801	-	-	(438,377)	(1,834,464)	18,137,289
Year 21	18,137,289	544,119	725,492	16,433	-	-	(451,528)	(1,911,700)	17,060,104
Year 22	17,060,104	511,803	682,404	17,091	-	-	(465,074)	(1,992,273)	15,814,056
Year 23	15,814,056	474,422	632,562	17,774	-	-	(479,026)	(2,076,343)	14,383,445
Year 24	14,383,445	431,503	575,338	18,485	-	-	(493,397)	(2,164,073)	12,751,303
Year 25	12,751,303	382,539	510,052	19,225	-	-	(508,199)	(207,727)	12,947,193

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #1b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Compatible, FLLC

	Beginning of Year Financial Assets	Income	Growth	Distributions	End of Year Financial Assets
Year 1	25,000,000	750,000	1,000,000	(750,000)	26,000,000
Year 2	26,000,000	780,000	1,040,000	(780,000)	27,040,000
Year 3	27,040,000	811,200	1,081,600	(811,200)	28,121,600
Year 4	28,121,600	843,648	1,124,864	(843,648)	29,246,464
Year 5	29,246,464	877,394	1,169,859	(877,394)	30,416,323
Year 6	30,416,323	912,490	1,216,653	(912,490)	31,632,975
Year 7	31,632,975	948,989	1,265,319	(948,989)	32,898,294
Year 8	32,898,294	986,949	1,315,932	(986,949)	34,214,226
Year 9	34,214,226	1,026,427	1,368,569	(1,026,427)	35,582,795
Year 10	35,582,795	1,067,484	1,423,312	(1,067,484)	37,006,107
Year 11	37,006,107	1,110,183	1,480,244	(1,110,183)	38,486,351
Year 12	38,486,351	1,154,591	1,539,454	(1,154,591)	40,025,805
Year 13	40,025,805	1,200,774	1,601,032	(1,200,774)	41,626,838
Year 14	41,626,838	1,248,805	1,665,074	(1,248,805)	43,291,911
Year 15	43,291,911	1,298,757	1,731,676	(1,298,757)	45,023,588
Year 16	45,023,588	1,350,708	1,800,944	(1,350,708)	46,824,531
Year 17	46,824,531	1,404,736	1,872,981	(1,404,736)	48,697,512
Year 18	48,697,512	1,460,925	1,947,900	(1,460,925)	50,645,413
Year 19	50,645,413	1,519,362	2,025,817	(1,519,362)	52,671,229
Year 20	52,671,229	1,580,137	2,106,849	(1,580,137)	54,778,079
Year 21	54,778,079	1,643,342	2,191,123	(1,643,342)	56,969,202
Year 22	56,969,202	1,709,076	2,278,768	(1,709,076)	59,247,970
Year 23	59,247,970	1,777,439	2,369,919	(1,777,439)	61,617,889
Year 24	61,617,889	1,848,537	2,464,716	(1,848,537)	64,082,604
Year 25	64,082,604	1,922,478	2,563,304	(1,922,478)	66,645,908

Ownership	
Cam Compatible	GST Exempt Grantor Trust
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%

Schedule 3 - Scenario B

Cam Compatible

Hypothetical Technique #1b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Existing GST Exempt Grantor Trust for the Benefit of the Compatible's Descendants

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Portion of Sale	Note Payments	Income Taxes	End of Year Financial Assets
Year 1	5,000,000	150,000	200,000	742,500	(5,000,000)	(849,728)	-	242,773
Year 2	242,773	7,283	9,711	772,200	-	(872,968)	-	158,999
Year 3	158,999	4,770	6,360	803,088	-	(897,138)	-	76,079
Year 4	76,079	2,282	3,043	835,212	-	(887,063)	-	29,553
Year 5	29,553	887	1,182	868,620	-	(880,103)	-	20,139
Year 6	20,139	604	806	903,365	-	(873,143)	-	51,771
Year 7	51,771	1,553	2,071	939,499	-	(866,183)	-	128,712
Year 8	128,712	3,861	5,148	977,079	-	(859,223)	-	255,578
Year 9	255,578	7,667	10,223	1,016,163	-	(852,263)	-	437,369
Year 10	437,369	13,121	17,495	1,056,809	-	(845,303)	-	679,491
Year 11	679,491	20,385	27,180	1,099,081	-	(838,343)	-	987,794
Year 12	987,794	29,634	39,512	1,143,045	-	(831,383)	-	1,368,601
Year 13	1,368,601	41,058	54,744	1,188,766	-	(824,423)	-	1,828,747
Year 14	1,828,747	54,862	73,150	1,236,317	-	(817,463)	-	2,375,613
Year 15	2,375,613	71,268	95,025	1,285,770	-	(810,503)	-	3,017,173
Year 16	3,017,173	90,515	120,687	1,337,201	-	(410,755)	-	4,154,821
Year 17	4,154,821	124,645	166,193	1,390,689	-	-	-	5,836,347
Year 18	5,836,347	175,090	233,454	1,446,316	-	-	-	7,691,208
Year 19	7,691,208	230,736	307,648	1,504,169	-	-	-	9,733,761
Year 20	9,733,761	292,013	389,350	1,564,336	-	-	-	11,979,460
Year 21	11,979,460	359,384	479,178	1,626,909	-	-	-	14,444,931
Year 22	14,444,931	433,348	577,797	1,691,985	-	-	-	17,148,061
Year 23	17,148,061	514,442	685,922	1,759,665	-	-	-	20,108,090
Year 24	20,108,090	603,243	804,324	1,830,051	-	-	-	23,345,708
Year 25	23,345,708	700,371	933,828	1,903,253	-	-	(13,989,412)	12,893,749

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #1b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Note Payable Between Cam Compatible and the Existing GST Exempt Grantor Trust for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	12,325,000	107,228	(849,728)	11,582,500
Year 2	11,582,500	100,768	(872,968)	10,810,300
Year 3	10,810,300	94,050	(897,138)	10,007,212
Year 4	10,007,212	87,063	(887,063)	9,207,212
Year 5	9,207,212	80,103	(880,103)	8,407,212
Year 6	8,407,212	73,143	(873,143)	7,607,212
Year 7	7,607,212	66,183	(866,183)	6,807,212
Year 8	6,807,212	59,223	(859,223)	6,007,212
Year 9	6,007,212	52,263	(852,263)	5,207,212
Year 10	5,207,212	45,303	(845,303)	4,407,212
Year 11	4,407,212	38,343	(838,343)	3,607,212
Year 12	3,607,212	31,383	(831,383)	2,807,212
Year 13	2,807,212	24,423	(824,423)	2,007,212
Year 14	2,007,212	17,463	(817,463)	1,207,212
Year 15	1,207,212	10,503	(810,503)	407,212
Year 16	407,212	3,543	(410,755)	-
Year 17	-	-	-	-
Year 18	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #2b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Cam Compatible

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Proceeds from Sale	Note and Annuity Payments	Consumption	Income Taxes	End of Year Financial Assets
Year 1	7,000,000	210,000	280,000	7,500	5,000,000	849,728	(250,000)	(606,060)	12,491,168
Year 2	12,491,168	374,735	499,647	7,800	-	872,968	(257,500)	(712,162)	13,276,655
Year 3	13,276,655	398,300	531,066	8,112	-	897,138	(265,225)	(798,722)	14,047,323
Year 4	14,047,323	421,420	561,893	8,436	-	887,063	(273,182)	(871,984)	14,780,969
Year 5	14,780,969	443,429	591,239	8,774	-	558,826	(281,377)	(936,375)	15,165,484
Year 6	15,165,484	454,965	606,619	9,125	-	558,826	(289,819)	(995,047)	15,510,153
Year 7	15,510,153	465,305	620,406	9,490	-	558,826	(298,513)	(1,050,248)	15,815,418
Year 8	15,815,418	474,463	632,617	9,869	-	558,826	(307,468)	(1,103,590)	16,080,135
Year 9	16,080,135	482,404	643,205	10,264	-	558,826	(316,693)	(1,156,238)	16,301,904
Year 10	16,301,904	489,057	652,076	10,675	-	558,826	(326,193)	(1,209,041)	16,477,303
Year 11	16,477,303	494,319	659,092	11,102	-	558,826	(335,979)	(1,262,630)	16,602,034
Year 12	16,602,034	498,061	664,081	11,546	-	558,826	(346,058)	(1,317,476)	16,671,013
Year 13	16,671,013	500,130	666,841	12,008	-	558,826	(356,440)	(1,373,947)	16,678,431
Year 14	16,678,431	500,353	667,137	12,488	-	558,826	(367,133)	(1,432,333)	16,617,768
Year 15	16,617,768	498,533	664,711	12,988	-	558,826	(378,147)	(1,492,875)	16,481,803
Year 16	16,481,803	494,454	659,272	13,507	-	558,826	(389,492)	(1,555,778)	16,262,592
Year 17	16,262,592	487,878	650,504	14,047	-	558,826	(401,177)	(1,621,224)	15,951,446
Year 18	15,951,446	478,543	638,058	14,609	-	558,826	(413,212)	(1,689,382)	15,538,889
Year 19	15,538,889	466,167	621,556	15,194	-	558,826	(425,608)	(1,760,410)	15,014,612
Year 20	15,014,612	450,438	600,584	15,801	-	558,826	(438,377)	(1,834,464)	14,367,422
Year 21	14,367,422	431,023	574,697	16,433	-	558,826	(451,528)	(1,911,700)	13,585,173
Year 22	13,585,173	407,555	543,407	17,091	-	558,826	(465,074)	(1,992,273)	12,654,705
Year 23	12,654,705	379,641	506,188	17,774	-	558,826	(479,026)	(2,076,343)	11,561,766
Year 24	11,561,766	346,853	462,471	18,485	-	558,826	(493,397)	(2,164,073)	10,290,932
Year 25	10,290,932	308,728	411,637	19,225	-	-	(508,199)	(174,807)	10,347,516

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #2b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Compatible, FLLC

	Beginning of Year Financial Assets	Income	Growth	Distributions	End of Year Financial Assets
Year 1	25,000,000	750,000	1,000,000	(750,000)	26,000,000
Year 2	26,000,000	780,000	1,040,000	(780,000)	27,040,000
Year 3	27,040,000	811,200	1,081,600	(811,200)	28,121,600
Year 4	28,121,600	843,648	1,124,864	(843,648)	29,246,464
Year 5	29,246,464	877,394	1,169,859	(877,394)	30,416,323
Year 6	30,416,323	912,490	1,216,653	(912,490)	31,632,975
Year 7	31,632,975	948,989	1,265,319	(948,989)	32,898,294
Year 8	32,898,294	986,949	1,315,932	(986,949)	34,214,226
Year 9	34,214,226	1,026,427	1,368,569	(1,026,427)	35,582,795
Year 10	35,582,795	1,067,484	1,423,312	(1,067,484)	37,006,107
Year 11	37,006,107	1,110,183	1,480,244	(1,110,183)	38,486,351
Year 12	38,486,351	1,154,591	1,539,454	(1,154,591)	40,025,805
Year 13	40,025,805	1,200,774	1,601,032	(1,200,774)	41,626,838
Year 14	41,626,838	1,248,805	1,665,074	(1,248,805)	43,291,911
Year 15	43,291,911	1,298,757	1,731,676	(1,298,757)	45,023,588
Year 16	45,023,588	1,350,708	1,800,944	(1,350,708)	46,824,531
Year 17	46,824,531	1,404,736	1,872,981	(1,404,736)	48,697,512
Year 18	48,697,512	1,460,925	1,947,900	(1,460,925)	50,645,413
Year 19	50,645,413	1,519,362	2,025,817	(1,519,362)	52,671,229
Year 20	52,671,229	1,580,137	2,106,849	(1,580,137)	54,778,079
Year 21	54,778,079	1,643,342	2,191,123	(1,643,342)	56,969,202
Year 22	56,969,202	1,709,076	2,278,768	(1,709,076)	59,247,970
Year 23	59,247,970	1,777,439	2,369,919	(1,777,439)	61,617,889
Year 24	61,617,889	1,848,537	2,464,716	(1,848,537)	64,082,604
Year 25	64,082,604	1,922,478	2,563,304	(1,922,478)	66,645,908

Ownership	
Cam Compatible	**GST Exempt Grantor Trust**
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%

Schedule 3 - Scenario B

Cam Compatible

Hypothetical Technique #2b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Existing GST Exempt Grantor Trust for the Benefit of the Compatible's Descendants

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Portion of Sale	Note and Annuity Payments	Income Taxes	End of Year Financial Assets
Year 1	5,000,000	150,000	200,000	742,500	(5,000,000)	(849,728)	-	242,773
Year 2	242,773	7,283	9,711	772,200	-	(872,968)	-	158,999
Year 3	158,999	4,770	6,360	803,088	-	(897,138)	-	76,079
Year 4	76,079	2,282	3,043	835,212	-	(887,063)	-	29,553
Year 5	29,553	887	1,182	868,620	-	(558,826)	-	341,416
Year 6	341,416	10,242	13,657	903,365	-	(558,826)	-	709,854
Year 7	709,854	21,296	28,394	939,499	-	(558,826)	-	1,140,217
Year 8	1,140,217	34,207	45,609	977,079	-	(558,826)	-	1,638,286
Year 9	1,638,286	49,149	65,531	1,016,163	-	(558,826)	-	2,210,302
Year 10	2,210,302	66,309	88,412	1,056,809	-	(558,826)	-	2,863,006
Year 11	2,863,006	85,890	114,520	1,099,081	-	(558,826)	-	3,603,672
Year 12	3,603,672	108,110	144,147	1,143,045	-	(558,826)	-	4,440,148
Year 13	4,440,148	133,204	177,606	1,188,766	-	(558,826)	-	5,380,899
Year 14	5,380,899	161,427	215,236	1,236,317	-	(558,826)	-	6,435,053
Year 15	6,435,053	193,052	257,402	1,285,770	-	(558,826)	-	7,612,450
Year 16	7,612,450	228,374	304,498	1,337,201	-	(558,826)	-	8,923,696
Year 17	8,923,696	267,711	356,948	1,390,689	-	(558,826)	-	10,380,218
Year 18	10,380,218	311,407	415,209	1,446,316	-	(558,826)	-	11,994,323
Year 19	11,994,323	359,830	479,773	1,504,169	-	(558,826)	-	13,779,268
Year 20	13,779,268	413,378	551,171	1,564,336	-	(558,826)	-	15,749,327
Year 21	15,749,327	472,480	629,973	1,626,909	-	(558,826)	-	17,919,863
Year 22	17,919,863	537,596	716,795	1,691,985	-	(558,826)	-	20,307,412
Year 23	20,307,412	609,222	812,296	1,759,665	-	(558,826)	-	22,929,770
Year 24	22,929,770	687,893	917,191	1,830,051	-	(558,826)	-	25,806,079
Year 25	25,806,079	774,182	1,032,243	1,903,253	-	-	(14,126,189)	15,389,568

Schedule 3 - Scenario B

Cam Compatible

Hypothetical Technique #2b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Note Converts to a Private Annuity After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%

Note Payable Between Cam Compatible and the Existing GST Exempt Grantor Trust for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal	Annuity Payments
Year 1	12,325,000	107,228	(849,728)	11,582,500	-
Year 2	11,582,500	100,768	(872,968)	10,810,300	-
Year 3	10,810,300	94,050	(897,138)	10,007,212	-
Year 4	10,007,212	87,063	(887,063)	9,207,212	-
Year 5	-	-	-	-	(558,826)
Year 6	-	-	-	-	(558,826)
Year 7	-	-	-	-	(558,826)
Year 8	-	-	-	-	(558,826)
Year 9	-	-	-	-	(558,826)
Year 10	-	-	-	-	(558,826)
Year 11	-	-	-	-	(558,826)
Year 12	-	-	-	-	(558,826)
Year 13	-	-	-	-	(558,826)
Year 14	-	-	-	-	(558,826)
Year 15	-	-	-	-	(558,826)
Year 16	-	-	-	-	(558,826)
Year 17	-	-	-	-	(558,826)
Year 18	-	-	-	-	(558,826)
Year 19	-	-	-	-	(558,826)
Year 20	-	-	-	-	(558,826)
Year 21	-	-	-	-	(558,826)
Year 22	-	-	-	-	(558,826)
Year 23	-	-	-	-	(558,826)
Year 24	-	-	-	-	(558,826)
Year 25	-	-	-	-	-

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #3b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm estate tax exemption available)

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Cam Compatible

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Proceeds from Sale	Note Payments from Grantor Trust	Note Payments to Grantor Trust	Consumption	Income Taxes	End of Year Financial Assets
Year 1	7,000,000	210,000	280,000	7,500	5,000,000	107,228	-	(250,000)	(606,060)	11,748,668
Year 2	11,748,668	352,460	469,947	7,800	-	107,228	-	(257,500)	(712,162)	11,716,440
Year 3	11,716,440	351,493	468,658	8,112	-	107,228	-	(265,225)	(798,722)	11,587,983
Year 4	11,587,983	347,639	463,519	8,436	-	107,228	-	(273,182)	(871,984)	11,369,640
Year 5	11,369,640	341,089	454,786	754,559	-	107,228	(355,365)	(281,377)	(936,375)	11,454,183
Year 6	11,454,183	343,625	458,167	784,741	-	107,228	(355,365)	(289,819)	(995,047)	11,507,713
Year 7	11,507,713	345,231	460,309	816,131	-	-	(355,365)	(298,513)	(1,050,248)	11,425,257
Year 8	11,425,257	342,758	457,010	848,776	-	-	(355,365)	(307,468)	(1,103,590)	11,307,377
Year 9	11,307,377	339,221	452,295	882,727	-	-	(355,365)	(316,693)	(1,156,238)	11,153,325
Year 10	11,153,325	334,600	446,133	918,036	-	-	(355,365)	(326,193)	(1,209,041)	10,961,494
Year 11	10,961,494	328,845	438,460	954,758	-	-	(355,365)	(335,979)	(1,262,630)	10,729,582
Year 12	10,729,582	321,887	429,183	992,948	-	-	(355,365)	(346,058)	(1,317,476)	10,454,701
Year 13	10,454,701	313,641	418,188	1,032,666	-	-	(355,365)	(356,440)	(1,373,947)	10,133,444
Year 14	10,133,444	304,003	405,338	1,073,972	-	-	(355,365)	(367,133)	(1,432,333)	9,761,925
Year 15	9,761,925	292,858	390,477	1,116,931	-	-	(355,365)	(378,147)	(1,492,875)	9,335,803
Year 16	9,335,803	280,074	373,432	1,161,609	-	-	(355,365)	(389,492)	(1,555,778)	8,850,282
Year 17	8,850,282	265,508	354,011	1,208,073	-	-	(355,365)	(401,177)	(1,621,224)	8,300,109
Year 18	8,300,109	249,003	332,004	1,256,396	-	-	(355,365)	(413,212)	(1,689,382)	7,679,554
Year 19	7,679,554	230,387	307,182	1,306,652	-	-	(355,365)	(425,608)	(1,760,410)	6,982,391
Year 20	6,982,391	209,472	279,296	1,358,918	-	-	(355,365)	(438,377)	(1,834,464)	6,201,870
Year 21	6,201,870	186,056	248,075	1,413,274	-	-	(355,365)	(451,528)	(1,911,700)	5,330,682
Year 22	5,330,682	159,920	213,227	1,469,805	-	-	(355,365)	(465,074)	(1,992,273)	4,360,923
Year 23	4,360,923	130,828	174,437	1,528,598	-	-	(355,365)	(479,026)	(2,076,343)	3,284,052
Year 24	3,284,052	98,522	131,362	1,589,742	-	-	(355,365)	(493,397)	(2,164,073)	2,090,842
Year 25	2,090,842	62,725	83,634	3,373,331	-	-	(355,365)	(508,199)	(3,090,836)	1,656,133

Schedule 3 - Scenario B

Cam Compatible

Hypothetical Technique #3b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Compatible, FLLC

	Beginning of Year Financial Assets	Income	Growth	Distributions	End of Year Financial Assets	Ownership: Cam Compatible	Ownership: GST Exempt Grantor Trust
Year 1	25,000,000	750,000	1,000,000	(750,000)	26,000,000	1.00%	99.00%
Year 2	26,000,000	780,000	1,040,000	(780,000)	27,040,000	1.00%	99.00%
Year 3	27,040,000	811,200	1,081,600	(811,200)	28,121,600	1.00%	99.00%
Year 4	28,121,600	843,648	1,124,864	(843,648)	29,246,464	1.00%	99.00%
Year 5	29,246,464	877,394	1,169,859	(877,394)	30,416,323	86.00%	14.00%
Year 6	30,416,323	912,490	1,216,653	(912,490)	31,632,975	86.00%	14.00%
Year 7	31,632,975	948,989	1,265,319	(948,989)	32,898,294	86.00%	14.00%
Year 8	32,898,294	986,949	1,315,932	(986,949)	34,214,226	86.00%	14.00%
Year 9	34,214,226	1,026,427	1,368,569	(1,026,427)	35,582,795	86.00%	14.00%
Year 10	35,582,795	1,067,484	1,423,312	(1,067,484)	37,006,107	86.00%	14.00%
Year 11	37,006,107	1,110,183	1,480,244	(1,110,183)	38,486,351	86.00%	14.00%
Year 12	38,486,351	1,154,591	1,539,454	(1,154,591)	40,025,805	86.00%	14.00%
Year 13	40,025,805	1,200,774	1,601,032	(1,200,774)	41,626,838	86.00%	14.00%
Year 14	41,626,838	1,248,805	1,665,074	(1,248,805)	43,291,911	86.00%	14.00%
Year 15	43,291,911	1,298,757	1,731,676	(1,298,757)	45,023,588	86.00%	14.00%
Year 16	45,023,588	1,350,708	1,800,944	(1,350,708)	46,824,531	86.00%	14.00%
Year 17	46,824,531	1,404,736	1,872,981	(1,404,736)	48,697,512	86.00%	14.00%
Year 18	48,697,512	1,460,925	1,947,900	(1,460,925)	50,645,413	86.00%	14.00%
Year 19	50,645,413	1,519,362	2,025,817	(1,519,362)	52,671,229	86.00%	14.00%
Year 20	52,671,229	1,580,137	2,106,849	(1,580,137)	54,778,079	86.00%	14.00%
Year 21	54,778,079	1,643,342	2,191,123	(1,643,342)	56,969,202	86.00%	14.00%
Year 22	56,969,202	1,709,076	2,278,768	(1,709,076)	59,247,970	86.00%	14.00%
Year 23	59,247,970	1,777,439	2,369,919	(1,777,439)	61,617,889	86.00%	14.00%
Year 24	61,617,889	1,848,537	2,464,716	(1,848,537)	64,082,604	86.00%	14.00%
Year 25	64,082,604	1,922,478	2,563,304	(3,922,478)	64,645,908	86.00%	14.00%

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #3b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Existing GST Exempt Grantor Trust for the Benefit of the Compatible's Descendants

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Note Payments from Cam Compatible	Cash Portion of Sale	Note Payments to Cam Compatible	Income Taxes	End of Year Financial Assets
Year 1	5,000,000	150,000	200,000	742,500	-	(5,000,000)	(107,228)	-	985,273
Year 2	985,273	29,558	39,411	772,200	-	-	(107,228)	-	1,719,214
Year 3	1,719,214	51,576	68,769	803,088	-	-	(107,228)	-	2,535,420
Year 4	2,535,420	76,063	101,417	835,212	-	-	(107,228)	-	3,440,883
Year 5	3,440,883	103,226	137,635	122,835	355,365	-	(107,228)	-	4,052,718
Year 6	4,052,718	121,582	162,109	127,749	355,365	-	(107,228)	-	4,712,294
Year 7	4,712,294	141,369	188,492	132,858	355,365	-	-	-	5,530,378
Year 8	5,530,378	165,911	221,215	138,173	355,365	-	-	-	6,411,043
Year 9	6,411,043	192,331	256,442	143,700	355,365	-	-	-	7,358,881
Year 10	7,358,881	220,766	294,355	149,448	355,365	-	-	-	8,378,816
Year 11	8,378,816	251,364	335,153	155,426	355,365	-	-	-	9,476,124
Year 12	9,476,124	284,284	379,045	161,643	355,365	-	-	-	10,656,460
Year 13	10,656,460	319,694	426,258	168,108	355,365	-	-	-	11,925,886
Year 14	11,925,886	357,777	477,035	174,833	355,365	-	-	-	13,290,896
Year 15	13,290,896	398,727	531,636	181,826	355,365	-	-	-	14,758,450
Year 16	14,758,450	442,753	590,338	189,099	355,365	-	-	-	16,336,006
Year 17	16,336,006	490,080	653,440	196,663	355,365	-	-	-	18,031,554
Year 18	18,031,554	540,947	721,262	204,530	355,365	-	-	-	19,853,658
Year 19	19,853,658	595,610	794,146	212,711	355,365	-	-	-	21,811,490
Year 20	21,811,490	654,345	872,460	221,219	355,365	-	-	-	23,914,879
Year 21	23,914,879	717,446	956,595	230,068	355,365	-	-	-	26,174,353
Year 22	26,174,353	785,231	1,046,974	239,271	355,365	-	-	-	28,601,194
Year 23	28,601,194	858,036	1,144,048	248,841	355,365	-	-	-	31,207,484
Year 24	31,207,484	936,225	1,248,299	258,795	355,365	-	-	-	34,006,168
Year 25	34,006,168	1,020,185	1,360,247	549,147	355,365	-	-	(3,920,490)	33,370,622

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #3b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 4; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Note #1 Between Cam Compatible & Existing GST Exempt Grantor Trust for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	12,325,000	107,228	(107,228)	12,325,000
Year 2	12,325,000	107,228	(107,228)	12,325,000
Year 3	12,325,000	107,228	(107,228)	12,325,000
Year 4	12,325,000	107,228	(107,228)	12,325,000
Year 5	12,325,000	107,228	(107,228)	12,325,000
Year 6	12,325,000	107,228	(107,228)	12,325,000
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	-	-	-	-

Note #2 Between Existing GST Exempt Grantor Trust & Cam Compatible for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	-	-	-	-
Year 5	5,076,646	355,365	(355,365)	5,076,646
Year 6	5,076,646	355,365	(355,365)	5,076,646
Year 7	5,076,646	355,365	(355,365)	5,076,646
Year 8	5,076,646	355,365	(355,365)	5,076,646
Year 9	5,076,646	355,365	(355,365)	5,076,646
Year 10	5,076,646	355,365	(355,365)	5,076,646
Year 11	5,076,646	355,365	(355,365)	5,076,646
Year 12	5,076,646	355,365	(355,365)	5,076,646
Year 13	5,076,646	355,365	(355,365)	5,076,646
Year 14	5,076,646	355,365	(355,365)	5,076,646
Year 15	5,076,646	355,365	(355,365)	5,076,646
Year 16	5,076,646	355,365	(355,365)	5,076,646
Year 17	5,076,646	355,365	(355,365)	5,076,646
Year 18	5,076,646	355,365	(355,365)	5,076,646
Year 19	5,076,646	355,365	(355,365)	5,076,646
Year 20	5,076,646	355,365	(355,365)	5,076,646
Year 21	5,076,646	355,365	(355,365)	5,076,646
Year 22	5,076,646	355,365	(355,365)	5,076,646
Year 23	5,076,646	355,365	(355,365)	5,076,646
Year 24	5,076,646	355,365	(355,365)	5,076,646
Year 25	5,076,646	355,365	(355,365)	5,076,646

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #4b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Cam Compatible

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Cash Proceeds from Sale	Note Payments from Grantor Trust	Note Payments to Grantor Trust	Consumption	Income Taxes	End of Year Financial Assets
Year 1	7,000,000	210,000	280,000	7,500	5,000,000	107,228	-	(250,000)	(606,060)	11,748,668
Year 2	11,748,668	352,460	469,947	7,800	-	107,228	-	(257,500)	(712,162)	11,716,440
Year 3	11,716,440	351,493	468,658	8,112	-	107,228	-	(265,225)	(798,722)	11,587,983
Year 4	11,587,983	347,639	463,519	8,436	-	107,228	-	(273,182)	(871,984)	11,369,640
Year 5	11,369,640	341,089	454,786	8,774	-	107,228	-	(281,377)	(936,375)	11,063,763
Year 6	11,063,763	331,913	442,551	9,125	-	107,228	-	(289,819)	(995,047)	10,669,713
Year 7	10,669,713	320,091	426,789	9,490	-	107,228	-	(298,513)	(1,050,248)	10,184,549
Year 8	10,184,549	305,536	407,382	9,869	-	107,228	-	(307,468)	(1,103,590)	9,603,506
Year 9	9,603,506	288,105	384,140	10,264	-	107,228	-	(316,693)	(1,156,238)	8,920,313
Year 10	8,920,313	267,609	356,813	10,675	-	107,228	-	(326,193)	(1,209,041)	8,127,402
Year 11	8,127,402	243,822	325,096	11,102	-	107,228	-	(335,979)	(1,262,630)	7,216,041
Year 12	7,216,041	216,481	288,642	11,546	-	107,228	-	(346,058)	(1,317,476)	6,176,403
Year 13	6,176,403	185,292	247,056	12,008	-	107,228	-	(356,440)	(1,373,947)	4,997,599
Year 14	4,997,599	149,928	199,904	12,488	-	107,228	-	(367,133)	(1,432,333)	3,667,680
Year 15	3,667,680	110,030	146,707	12,988	-	107,228	-	(378,147)	(1,492,875)	2,173,609
Year 16	2,173,609	65,208	86,944	13,507	-	107,228	-	(389,492)	(1,555,778)	501,226
Year 17	501,226	15,037	20,049	14,047	-	1,607,228	-	(401,177)	(1,621,224)	135,186
Year 18	135,186	4,056	5,407	14,609	-	2,094,178	-	(413,212)	(1,689,382)	150,842
Year 19	150,842	4,525	6,034	15,194	-	2,076,778	-	(425,608)	(1,760,410)	67,355
Year 20	67,355	2,021	2,694	15,801	-	2,559,378	-	(438,377)	(1,834,464)	374,407
Year 21	374,407	11,232	14,976	3,993,274	-	-	(1,978,757)	(451,528)	(1,911,700)	51,906
Year 22	51,906	1,557	2,076	4,402,405	-	-	(1,978,757)	(465,074)	(1,992,273)	21,841
Year 23	21,841	655	874	4,797,802	-	-	(1,978,757)	(479,026)	(2,076,343)	287,046
Year 24	287,046	8,611	11,482	4,748,914	-	-	(1,978,757)	(493,397)	(2,164,073)	419,826
Year 25	419,826	12,595	16,793	4,698,070	-	-	(1,978,757)	(508,199)	(1,841,591)	818,737

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #4b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Compatible, FLLC

	Beginning of Year Financial Assets	Income	Growth	Distributions	End of Year Financial Assets	Ownership: Cam Compatible	Ownership: GST Exempt Grantor Trust
Year 1	25,000,000	750,000	1,000,000	(750,000)	26,000,000	1.00%	99.00%
Year 2	26,000,000	780,000	1,040,000	(780,000)	27,040,000	1.00%	99.00%
Year 3	27,040,000	811,200	1,081,600	(811,200)	28,121,600	1.00%	99.00%
Year 4	28,121,600	843,648	1,124,864	(843,648)	29,246,464	1.00%	99.00%
Year 5	29,246,464	877,394	1,169,859	(877,394)	30,416,323	1.00%	99.00%
Year 6	30,416,323	912,490	1,216,653	(912,490)	31,632,975	1.00%	99.00%
Year 7	31,632,975	948,989	1,265,319	(948,989)	32,898,294	1.00%	99.00%
Year 8	32,898,294	986,949	1,315,932	(986,949)	34,214,226	1.00%	99.00%
Year 9	34,214,226	1,026,427	1,368,569	(1,026,427)	35,582,795	1.00%	99.00%
Year 10	35,582,795	1,067,484	1,423,312	(1,067,484)	37,006,107	1.00%	99.00%
Year 11	37,006,107	1,110,183	1,480,244	(1,110,183)	38,486,351	1.00%	99.00%
Year 12	38,486,351	1,154,591	1,539,454	(1,154,591)	40,025,805	1.00%	99.00%
Year 13	40,025,805	1,200,774	1,601,032	(1,200,774)	41,626,838	1.00%	99.00%
Year 14	41,626,838	1,248,805	1,665,074	(1,248,805)	43,291,911	1.00%	99.00%
Year 15	43,291,911	1,298,757	1,731,676	(1,298,757)	45,023,588	1.00%	99.00%
Year 16	45,023,588	1,350,708	1,800,944	(1,350,708)	46,824,531	1.00%	99.00%
Year 17	46,824,531	1,404,736	1,872,981	(1,404,736)	48,697,512	1.00%	99.00%
Year 18	48,697,512	1,460,925	1,947,900	(1,460,925)	50,645,413	1.00%	99.00%
Year 19	50,645,413	1,519,362	2,025,817	(1,519,362)	52,671,229	1.00%	99.00%
Year 20	52,671,229	1,580,137	2,106,849	(1,580,137)	54,778,079	1.00%	99.00%
Year 21	54,778,079	1,643,342	2,191,123	(4,643,342)	53,969,202	86.00%	14.00%
Year 22	53,969,202	1,619,076	2,158,768	(5,119,076)	52,627,970	86.00%	14.00%
Year 23	52,627,970	1,578,839	2,105,119	(5,578,839)	50,733,089	86.00%	14.00%
Year 24	50,733,089	1,521,993	2,029,324	(5,521,993)	48,762,412	86.00%	14.00%
Year 25	48,762,412	1,462,872	1,950,496	(5,462,872)	46,712,909	86.00%	14.00%

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #4b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Existing GST Exempt Grantor Trust for the Benefit of the Compatible's Descendants

	Beginning of Year Financial Assets	Income	Growth	Compatible, FLLC Distributions	Note Payments from Cam Compatible	Cash Portion of Sale	Note Payments to Cam Compatible	Income Taxes	End of Year Financial Assets
Year 1	5,000,000	150,000	200,000	742,500	-	(5,000,000)	(107,228)	-	985,273
Year 2	985,273	29,558	39,411	772,200	-	-	(107,228)	-	1,719,214
Year 3	1,719,214	51,576	68,769	803,088	-	-	(107,228)	-	2,535,420
Year 4	2,535,420	76,063	101,417	835,212	-	-	(107,228)	-	3,440,883
Year 5	3,440,883	103,226	137,635	868,620	-	-	(107,228)	-	4,443,137
Year 6	4,443,137	133,294	177,725	903,365	-	-	(107,228)	-	5,550,294
Year 7	5,550,294	166,509	222,012	939,499	-	-	(107,228)	-	6,771,087
Year 8	6,771,087	203,133	270,843	977,079	-	-	(107,228)	-	8,114,914
Year 9	8,114,914	243,447	324,597	1,016,163	-	-	(107,228)	-	9,591,894
Year 10	9,591,894	287,757	383,676	1,056,809	-	-	(107,228)	-	11,212,908
Year 11	11,212,908	336,387	448,516	1,099,081	-	-	(107,228)	-	12,989,665
Year 12	12,989,665	389,690	519,587	1,143,045	-	-	(107,228)	-	14,934,759
Year 13	14,934,759	448,043	597,390	1,188,766	-	-	(107,228)	-	17,061,731
Year 14	17,061,731	511,852	682,469	1,236,317	-	-	(107,228)	-	19,385,141
Year 15	19,385,141	581,554	775,406	1,285,770	-	-	(107,228)	-	21,920,644
Year 16	21,920,644	657,619	876,826	1,337,201	-	-	(107,228)	-	24,685,062
Year 17	24,685,062	740,552	987,402	1,390,689	-	-	(1,607,228)	-	26,196,477
Year 18	26,196,477	785,894	1,047,859	1,446,316	-	-	(2,094,178)	-	27,382,369
Year 19	27,382,369	821,471	1,095,295	1,504,169	-	-	(2,076,778)	-	28,726,526
Year 20	28,726,526	861,796	1,149,061	1,564,336	-	-	(2,559,378)	-	29,742,341
Year 21	29,742,341	892,270	1,189,694	650,068	1,978,757	-	-	-	34,453,130
Year 22	34,453,130	1,033,594	1,378,125	716,671	1,978,757	-	-	-	39,560,277
Year 23	39,560,277	1,186,808	1,582,411	781,037	1,978,757	-	-	-	45,089,290
Year 24	45,089,290	1,352,679	1,803,572	773,079	1,978,757	-	-	-	50,997,377
Year 25	50,997,377	1,529,921	2,039,895	764,802	1,978,757	-	-	(3,679,247)	53,631,506

Schedule 3 - Scenario B
Cam Compatible
Hypothetical Technique #4b: Sale of FLLC Non-Managing Member Interests to the Existing GST Exempt Grantor Trust; Purchases 85% of Non-Managing Member Interests from Trust After Year 20; Bequeaths Estate to Family (assumes $6.0mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$250,000

Assumptions (continued):	
Compatible, FLLC Distributions	3.00%
Compatible, FLLC Valuation Discount	30.00%
Intra-Family Interest Rate (mid-term)	0.87%
IRS 7520 Rate	1.00%
Interest Rate on Note #2	7.00%

Note #1 Between Cam Compatible & Existing GST Exempt Grantor Trust for the Purchase of Non-Managing Member Interests

	Beginning of Year Principal	Interest	Note Payments	End of Year Principal
Year 1	12,325,000	107,228	(107,228)	12,325,000
Year 2	12,325,000	107,228	(107,228)	12,325,000
Year 3	12,325,000	107,228	(107,228)	12,325,000
Year 4	12,325,000	107,228	(107,228)	12,325,000
Year 5	12,325,000	107,228	(107,228)	12,325,000
Year 6	12,325,000	107,228	(107,228)	12,325,000
Year 7	12,325,000	107,228	(107,228)	12,325,000
Year 8	12,325,000	107,228	(107,228)	12,325,000
Year 9	12,325,000	107,228	(107,228)	12,325,000
Year 10	12,325,000	107,228	(107,228)	12,325,000
Year 11	12,325,000	107,228	(107,228)	12,325,000
Year 12	12,325,000	107,228	(107,228)	12,325,000
Year 13	12,325,000	107,228	(107,228)	12,325,000
Year 14	12,325,000	107,228	(107,228)	12,325,000
Year 15	12,325,000	107,228	(107,228)	12,325,000
Year 16	12,325,000	107,228	(107,228)	12,325,000
Year 17	12,325,000	107,228	(1,607,228)	10,825,000
Year 18	10,825,000	94,178	(2,094,178)	8,825,000
Year 19	8,825,000	76,778	(2,076,778)	6,825,000
Year 20	6,825,000	59,378	(2,559,378)	4,325,000
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-

Note #2 Between Existing GST Exempt Grantor Trust & Cam Compatible for the Purchase of Non-Managing Member Interests

	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	-	-	-	-
Year 19	-	-	-	-
Year 20	-	-	-	-
Year 21	28,267,957	1,978,757	(1,978,757)	28,267,957
Year 22	28,267,957	1,978,757	(1,978,757)	28,267,957
Year 23	28,267,957	1,978,757	(1,978,757)	28,267,957
Year 24	28,267,957	1,978,757	(1,978,757)	28,267,957
Year 25	28,267,957	1,978,757	(1,978,757)	28,267,957

Schedule 4 - Financial Assets Earn 1.4% Annually and Alternative Investments Earn 1.4% Annuall

Neal and Nancy Navigator

Hypothetical Integrated Income and Estate Tax Plan Comparisons (2 Year Future Values)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and c not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	2-Year Future Values	Present Values (Discounted at 3%)	Percentage of Total
No Further Planning			
Mr. Neal Navigator	32,721,231	30,842,898	99.45%
Navigator Children	-	-	0.00%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	179,906	169,578	0.55%
IRS - Investment Opportunity Costs	1,135	1,070	0.00%
Total	$32,902,272	$31,013,547	100.00%
Contribution of Assets to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust			
Mr. Neal Navigator	32,569,515	30,699,892	98.99%
Navigator Children	151,716	143,007	0.46%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	179,906	169,578	0.55%
IRS - Investment Opportunity Costs	1,135	1,070	0.00%
Total	$32,902,272	$31,013,547	100.00%
Hypothetical Technique #5a: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust			
Mr. Neal Navigator	32,087,571	30,245,613	97.52%
Navigator Children	633,660	597,285	1.93%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	179,906	169,578	0.55%
IRS - Investment Opportunity Costs	1,135	1,070	0.00%
Total	$32,902,272	$31,013,547	100.00%
Hypothetical Technique #6a: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust			
Mr. Neal Navigator	25,876,883	24,391,444	78.65%
Navigator Children	6,844,348	6,451,455	20.80%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	179,906	169,578	0.55%
IRS - Investment Opportunity Costs	1,135	1,070	0.00%
Total	$32,902,272	$31,013,547	100.00%

Schedule 4 - Financial Assets Earn 1.4% Annually and Alternative Investments Earn 1.4% Annually
Neal and Nancy Navigator
Asset Page*

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Neal and Nancy Navigator	
FMV: Financial Assets	$27,000,000
Basis: Financial Assets	$27,000,000
FMV: Alternative Investments	$5,000,000
Basis: Alterntative Investments	$5,000,000
Total Assets:**	**$32,000,000**
Total Basis:	**$32,000,000**

* Information provided by client.

Schedule 4 - Financial Assets Earn 1.4% Annually and Alternative Investments Earn 1.4% Annually
Neal and Nancy Navigator
No Further Planning

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

*The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	1.40%
Rate of Return Taxed at Ordinary Rates - Financial Assets	0.40%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	1.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	1.40%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	0.40%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%

Mr. Neal Navigator

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	Consumption	Income Taxes	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	End of Year - Alternative Investments	End of Year - Financial & Other Assets
	27,000,000	108,000	270,000	20,000	-	(81,088)	27,316,912	5,000,000	50,000	5,050,000	32,366,912
Year 2	27,316,912	109,268	273,169	20,200	-	(98,818)	27,620,731	5,050,000	50,500	5,100,500	32,721,231

Schedule 4 - Financial Assets Earn 1.4% Annually and Alternative Investments Earn 1.4% Annually

Neal and Nancy Navigator

Contribution of Assets to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

*The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	1.40%
Rate of Return Taxed at Ordinary Rates - Financial Assets	0.40%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	1.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013)	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013)	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	1.40%
Rate of Return Taxed at Ordinary Rates - Alternative Inv	0.40%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%
Financial Assets, FLP Valuation Discoun	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discoun	20.00%
Holdco, FLLC Distributions	10.00%
GRAT Annual Annuity	$12,687,778
IRS 7520 Rate	1.00%

Neal and Nancy Navigator

	Beginning of Year - Financial Assets	Income	Growth	Annuity Payments	Trust Distributions	Consumption	Income Taxes	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	Annuity Payments	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	7,000,000	28,000	70,000	12,687,778	-	-	(81,088)	19,704,690	-	-	-	-	19,704,690
Year 2	19,704,690	78,819	197,047	7,738,994	-	-	(98,818)	27,620,731	-	-	4,948,784	4,948,784	32,569,515

2-Year Grantor Retained Annuity Trust

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	Annuity Payments	GRAT Terminates	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	Annuity Payments	GRAT Terminates	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	20,000,000	80,000	200,000	20,000	(12,687,778)	-	7,612,223	5,000,000	50,000	-	-	5,050,000	12,662,223
Year 2	7,612,223	30,449	76,122	20,200	(7,738,994)	-	-	5,050,000	50,500	(4,948,784)	(151,716)	-	-

Non-GST Grantor Trusts #1 Created by Neal Navigator for the Benefit of Nancy Navigator and their Descendants (Remanider of 2-Year GRAT)

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	GRAT Terminates	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	GRAT Terminates	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-	-	-	151,716	151,716	151,716

Schedule 4 - Financial Assets Earn 1.4% Annually and Alternative Investments Earn 1.4% Annually

Neal and Nancy Navigator

Hypothetical Technique #5a: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

*The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	1.40%
Rate of Return Taxed at Ordinary Rates - Financial Assets	0.40%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	1.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013)	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013)	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	1.40%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	0.40%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)	2.00%
GRAT Annual Annuity	$7,580,754
IRS 7520 Rate	1.00%

Neal and Nancy Navigator

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets Distributions	Holdco Distributions	Cash Annuity Payments	Trust Distributions	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	7,000,000	28,000	70,000	8,000	4,960	491,040	-	-	(81,088)	7,520,912
Year 2	7,520,912	30,084	75,209	7,792	237,996	255,028	-	-	(98,818)	8,028,203

Financial Assets, FLP

	Beginning of Year - Financial Assets	Income	Growth	Distributions	End of Year - Financial Assets
Year 1	20,000,000	80,000	200,000	(800,000)	19,480,000
Year 2	19,480,000	77,920	194,800	(779,200)	18,973,520

Ownership	
Neal Navigator	Holdco, FLLC
1.00%	99.00%
1.00%	99.00%

Holdco, FLLC

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets, FLLC Distributions	Alternative Investments Income	Distributions	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	-	-	-	792,000	20,000	(496,000)	316,000	5,000,000	50,000	5,050,000	5,366,000
Year 2	316,000	1,264	3,160	771,408	20,200	(493,024)	619,008	5,050,000	50,500	5,100,500	5,719,508

Ownership	
Neal Navigator	GRAT & Grantor Trust #1
48.27%	51.73%
97.41%	2.59%

2-Year Grantor Retained Annuity Trust

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Cash Annuity Payments	GRAT Terminates	End of Year - Financial Assets
Year 1	-	-	-	491,040	(491,040)	-	-
Year 2	-	-	-	255,028	(255,028)	-	-

In-Kind Annuity Payments with Holdco Units	Holdco %
11,653,294	47.27%
12,041,225	49.14%

New Non-GST Grantor Trusts #1 Created by Neal Navigator for the Benefit of Nancy Navigator and their Children (Remanider of 2-Year GRAT)

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-

Schedule 4 - Financial Assets Earn 1.4% Annually and Alternative Investments Earn 1.4% Annually

Neal and Nancy Navigator

Hypothetical Technique #6a: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	1.40%
Rate of Return Taxed at Ordinary Rates - Financial Assets	0.40%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	1.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	1.40%
Rate of Return Taxed at Ordinary Rates - Alternative Inv	0.40%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, LP Distributions	2.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)-after yr 2	0.00%
GRAT Annual Annuity	$761,267
IRS 7520 Rate	1.00%

Neal and Nancy Navigator

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets Distributions	Holdco Distributions	Annuity Payments	Note Payments	Trust Distributions	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	7,000,000	28,000	70,000	8,000	7,690	761,267	35,272	-	-	(81,088)	7,829,141
Year 2	7,829,141	31,317	78,291	8,000	7,690	761,267	35,272	-	-	(98,818)	8,652,160

Financial Assets, FLP

	Beginning of Year - Financial Assets	Income	Growth	Distributions	End of Year - Financial Assets
Year 1	20,000,000	80,000	200,000	(800,000)	19,480,000
Year 2	19,480,000	77,920	194,800	(800,000)	18,952,720

Ownership	
Neal Navigator	Holdco, FLLC
1.00%	99.00%
1.00%	99.00%

Holdco, FLLC

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets, FLLC Distributions	Alternative Investments Income	Note Payments	Distributions	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	-	-	-	792,000	20,000	(35,272)	(768,957)	7,771	5,000,000	50,000	5,050,000	5,057,771
Year 2	7,771	31	78	792,000	20,200	(35,272)	(768,957)	15,851	5,050,000	50,500	5,100,500	5,116,351

Ownership	
Neal Navigator	GRAT & Grantor Trust #1
1.00%	99.00%
1.00%	99.00%

Schedule 4 - Financial Assets Earn 1.4% Annually and Alternative Investments Earn 1.4% Annually

Neal and Nancy Navigator

Hypothetical Technique #6a: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	1.40%
Rate of Return Taxed at Ordinary Rates - Financial Assets	0.40%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	1.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	1.40%
Rate of Return Taxed at Ordinary Rates - Alternative Inv	0.40%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, LP Distributions	2.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)-after yr 2	0.00%
GRAT Annual Annuity	$761,267
IRS 7520 Rate	1.00%

2-Year Grantor Retained Annuity Trust

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Annuity Payments	GRAT Terminates	End of Year - Financial Assets
Year 1	-	-	-	761,267	(761,267)	-	-
Year 2	-	-	-	761,267	(761,267)	-	-

New Non-GST Grantor Trusts #1 Created by Neal Navigator for the Benefit of Nancy Navigator and their Children (Remainder of 2-Year GRAT)

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-

Note #1 Between Neal Navigator and Holdco, FLLC for the Purchase of Non-Managing Member Interests

	Beginning of Year - Principal	Interest	Note Payments	End of Year - Principal
Year 1	16,796,400	35,272	(35,272)	16,796,400
Year 2	16,796,400	35,272	(35,272)	16,796,400

Schedule 4 - Financial Assets Earn 7.5% Annually and Alternative Investments Earn 8.0% Annuall

Neal and Nancy Navigator

Hypothetical Integrated Income and Estate Tax Plan Comparisons (2 Year Future Values)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and c not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	2-Year Future Values	Present Values (Discounted at 3%)	Percentage of Total
No Further Planning			
Neal Navigator	35,664,191	33,616,921	96.31%
Navigator Children	-	-	0.00%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	1,322,016	1,246,127	3.57%
IRS - Investment Opportunity Costs	45,918	43,282	0.12%
Total	$37,032,125	$34,906,330	100.00%
Contribution of Assets to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust			
Neal Navigator	33,048,580	31,151,456	89.24%
Navigator Children	2,615,612	2,465,465	7.06%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	1,322,016	1,246,127	3.57%
IRS - Investment Opportunity Costs	45,918	43,282	0.12%
Total	$37,032,125	$34,906,330	100.00%
Hypothetical Technique #5b: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust			
Neal Navigator	32,582,731	30,712,349	87.99%
Navigator Children	3,081,460	2,904,571	8.32%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	1,322,016	1,246,127	3.57%
IRS - Investment Opportunity Costs	45,918	43,282	0.12%
Total	$37,032,125	$34,906,330	100.00%
Hypothetical Technique #6b: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust			
Neal Navigator	25,688,170	24,213,564	69.37%
Navigator Children	9,976,021	9,403,357	26.94%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	1,322,016	1,246,127	3.57%
IRS - Investment Opportunity Costs	45,918	43,282	0.12%
Total	$37,032,125	$34,906,330	100.00%

Schedule 4 - Financial Assets Earn 7.5% Annually and Alternative Investments Earn 8.0% Annually
Neal and Nancy Navigator
No Further Planning

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

*The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.50%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.50%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	8.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	7.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%

Neal Navigator

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	Consumption	Income Taxes	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	27,000,000	810,000	1,215,000	350,000	-	(612,235)	28,762,765	5,000,000	50,000	5,050,000	33,812,765
Year 2	28,762,765	862,883	1,294,324	353,500	-	(709,781)	30,563,691	5,050,000	50,500	5,100,500	35,664,191

Schedule 4 - Financial Assets Earn 7.5% Annually and Alternative Investments Earn 8.0% Annually
Neal and Nancy Navigator
Contribution of Assets to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

*The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.50%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.50%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013)	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013)	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	8.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	7.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	3.50%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (after year 3)	7.00%
GRAT Annual Annuity	$12,687,778
IRS 7520 Rate	1.00%

Neal and Nancy Navigator

	Beginning of Year - Financial Assets	Income	Growth	Annuity Payments	Trust Distributions	Consumption	Income Taxes	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	Annuity Payments	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	7,000,000	210,000	315,000	12,687,778	-	-	(612,235)	19,600,543	-	-	-	-	19,600,543
Year 2	19,600,543	588,016	882,024	10,202,889	-	-	(709,781)	30,563,691	-	-	2,484,888	2,484,888	33,048,580

2-Year Grantor Retained Annuity Trust

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	Annuity Payments	GRAT Terminates	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	Annuity Payments	GRAT Terminates	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	20,000,000	600,000	900,000	350,000	(12,687,778)	-	9,162,223	5,000,000	50,000	-	-	5,050,000	14,212,223
Year 2	9,162,223	274,867	412,300	353,500	(10,202,889)	-	-	5,050,000	50,500	(2,484,888)	(2,615,612)	-	-

Non-GST Grantor Trusts #1 Created by Neal Navigator for the Benefit of Nancy Navigator and their Children (Remanider of 2-Year GRAT)

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	GRAT Terminates	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	GRAT Terminates	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-	-	-	2,615,612	2,615,612	2,615,612

Schedule 4 - Financial Assets Earn 7.5% Annually and Alternative Investments Earn 8.0% Annually
Neal and Nancy Navigator
Hypothetical Technique #5b: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

*The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.50%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.50%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013)	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013)	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	8.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	7.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)	2.00%
GRAT Annual Annuity	$7,580,754
IRS 7520 Rate	1.00%

Neal and Nancy Navigator

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets Distributions	Holdco Distributions	Cash Annuity Payments	Trust Distributions	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	7,000,000	210,000	315,000	8,000	4,960	491,040	-	-	(612,235)	7,416,765
Year 2	7,416,765	222,503	333,754	8,280	238,304	285,476	-	-	(709,781)	7,795,301

Financial Assets, FLP

	Beginning of Year - Financial Assets	Income	Growth	Distributions	End of Year - Financial Assets
Year 1	20,000,000	600,000	900,000	(800,000)	20,700,000
Year 2	20,700,000	621,000	931,500	(828,000)	21,424,500

Ownership	
Neal Navigator	Holdco, FLLC
1.00%	99.00%
1.00%	99.00%

Holdco, FLLC

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets, FLLC Distributions	Alternative Investments Income	Distributions	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	-	-	-	792,000	350,000	(496,000)	646,000	5,000,000	50,000	5,050,000	5,696,000
Year 2	646,000	19,380	29,070	819,720	353,500	(523,780)	1,343,890	5,050,000	50,500	5,100,500	6,444,390

Ownership	
Neal Navigator	GRAT & Grantor Trust #1
45.50%	54.50%
88.86%	11.14%

2-Year Grantor Retained Annuity Trust

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Cash Annuity Payments	GRAT Terminates	End of Year - Financial Assets
Year 1	-	-	-	491,040	(491,040)	-	-
Year 2	-	-	-	285,476	(285,476)	-	-

In-Kind Annuity Payments with Holdco Units	Holdco %
11,653,294	44.50%
11,991,178	43.36%

New Non-GST Grantor Trusts #1 Created by Neal Navigator for the Benefit of Nancy Navigator and their Children (Remainder of 2-Year GRAT)

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-

Schedule 4 - Financial Assets Earn 7.5% Annually and Alternative Investments Earn 8.0% Annually
Neal and Nancy Navigator
Hypothetical Technique #6b: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

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

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.50%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.50%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013)	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013)	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	8.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	7.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)-after yr 2	2.00%
GRAT Annual Annuity	$761,267
IRS 7520 Rate	1.00%

Neal and Nancy Navigator

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets Distributions	Holdco Distributions	Annuity Payments	Note Payments	Trust Distributions	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	7,000,000	210,000	315,000	8,000	7,690	761,267	35,272	-	-	(612,235)	7,724,994
Year 2	7,724,994	231,750	347,625	8,280	7,690	761,267	35,272	-	-	(709,781)	8,407,096

Financial Assets, FLP

	Beginning of Year - Financial Assets	Income	Growth	Distributions	End of Year - Financial Assets
Year 1	20,000,000	600,000	900,000	(800,000)	20,700,000
Year 2	20,700,000	621,000	931,500	(828,000)	21,424,500

Ownership	
Neal Navigator	Holdco, FLLC
1.00%	99.00%
1.00%	99.00%

Holdco, FLLC

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets, FLLC Distributions	Alternative Investments Income	Note Payments	Distributions	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	-	-	-	792,000	350,000	(35,272)	(768,957)	337,771	5,000,000	50,000	5,050,000	5,387,771
Year 2	337,771	10,133	15,200	819,720	353,500	(35,272)	(768,957)	732,095	5,050,000	50,500	5,100,500	5,832,595

Ownership	
Neal Navigator	GRAT & Grantor Trust #1
1.00%	99.00%
1.00%	99.00%

Schedule 4 - Financial Assets Earn 7.5% Annually and Alternative Investments Earn 8.0% Annually
Neal and Nancy Navigator
Hypothetical Technique #6b: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.50%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.50%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013)	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013)	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	8.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	7.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	1.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)-after yr 2	2.00%
GRAT Annual Annuity	$761,267
IRS 7520 Rate	1.00%

2-Year Grantor Retained Annuity Trust

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Annuity Payments	GRAT Terminates	End of Year - Financial Assets
Year 1	-	-	-	761,267	(761,267)	-	-
Year 2	-	-	-	761,267	(761,267)	-	-

New Non-GST Grantor Trusts #1 Created by Neal Navigator for the Benefit of Nancy Navigator and their Descendants (Remanider of 2-Year GRAT)

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-

Note #1 Between Neal Navigator and Holdco, FLLC for the Purchase of Non-Managing Member Interests

	Beginning of Year - Principal	Interest	Note Payments	End of Year - Principal
Year 1	16,796,400	35,272	(35,272)	16,796,400
Year 2	16,796,400	35,272	(35,272)	16,796,400

Schedule 4 - Financial Assets Earn 10% Annually and Alternative Investments Earn 10% Annually
Neal and Nancy Navigator
Hypothetical Integrated Income and Estate Tax Plan Comparisons (2 Year Future Values)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	2-Year Future Values	Present Values (Discounted at 3%)	Percentage of Total
No Further Planning			
Mr. Neal Navigator	36,917,288	34,798,085	95.34%
Navigator Children	-	-	0.00%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	1,723,804	1,624,851	4.45%
IRS - Investment Opportunity Costs	78,908	74,378	0.20%
Total	$38,720,000	$36,497,314	100.00%
Contribution of Assets to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust			
Mr. Neal Navigator	33,311,621	31,399,397	86.03%
Navigator Children	3,605,667	3,398,687	9.31%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	1,723,804	1,624,851	4.45%
IRS - Investment Opportunity Costs	78,908	74,378	0.20%
Total	$38,720,000	$36,497,314	100.00%
Hypothetical Technique #5c: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust			
Mr. Neal Navigator	33,263,285	31,353,837	85.91%
Navigator Children	3,654,003	3,444,248	9.44%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	1,723,804	1,624,851	4.45%
IRS - Investment Opportunity Costs	78,908	74,378	0.20%
Total	$38,720,000	$36,497,314	100.00%
Hypothetical Technique #6c: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust			
Mr. Neal Navigator	25,677,760	24,203,752	66.32%
Navigator Children	11,239,528	10,594,333	29.03%
Navigator Children and Grandchildren	-	-	0.00%
IRS - Income Tax	1,723,804	1,624,851	4.45%
IRS - Investment Opportunity Costs	78,908	74,378	0.20%
Total	$38,720,000	$36,497,314	100.00%

Schedule 4 - Financial Assets Earn 10% Annually and Alternative Investments Earn 10% Annually
Neal and Nancy Navigator
No Further Planning

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

*The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	10.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	4.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	6.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	10.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	8.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	2.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%

Mr. Neal Navigator

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	Consumption	Income Taxes	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	27,000,000	1,080,000	1,620,000	400,000	-	(789,080)	29,310,920	5,000,000	100,000	5,100,000	34,410,920
Year 2	29,310,920	1,172,437	1,758,655	408,000	-	(934,724)	31,715,288	5,100,000	102,000	5,202,000	36,917,288

Schedule 4 - Financial Assets Earn 10% Annually and Alternative Investments Earn 10% Annually

Neal and Nancy Navigator

Contribution of Assets to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

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

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	10.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	4.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	6.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013)	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013)	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	10.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	8.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	2.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions	10.00%
GRAT Annual Annuity	$12,687,778
IRS 7520 Rate	1.00%

Neal and Nancy Navigator

	Beginning of Year - Financial Assets	Income	Growth	Annuity Payments	Trust Distributions	Consumption	Income Taxes	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	Annuity Payments	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	7,000,000	280,000	420,000	12,687,778	-	-	(789,080)	19,598,698	-	-	-	-	19,598,698
Year 2	19,598,698	783,948	1,175,922	11,091,445	-	-	(934,724)	31,715,288	-	-	1,596,333	1,596,333	33,311,621

2-Year Grantor Retained Annuity Trust

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	Annuity Payments	GRAT Terminates	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	Annuity Payments	GRAT Terminates	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	20,000,000	800,000	1,200,000	400,000	(12,687,778)	-	9,712,223	5,000,000	100,000	-	-	5,100,000	14,812,223
Year 2	9,712,223	388,489	582,733	408,000	(11,091,445)	-	-	5,100,000	102,000	(1,596,333)	(3,605,667)	-	-

Non-GST Grantor Trusts #1 Created by Neal Navigator for the Benefit of Nancy Navigator and their Descendants (Remanider of 2-Year GRAT)

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	GRAT Terminates	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	GRAT Terminates	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	-	-	-	-	-	-	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-	-	-	-	3,605,667	3,605,667	3,605,667

Schedule 4 - Financial Assets Earn 10% Annually and Alternative Investments Earn 10% Annually

Neal and Nancy Navigator

Hypothetical Technique #5c: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	10.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	4.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	6.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013)	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013)	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	10.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	8.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	2.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)	2.00%
GRAT Annual Annuity	$7,580,754
IRS 7520 Rate	1.00%

Neal and Nancy Navigator

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets Distributions	Holdco Distributions	Cash Annuity Payments	Trust Distributions	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	7,000,000	280,000	420,000	8,000	1,000	99,000	-	-	(789,080)	7,018,920
Year 2	7,018,920	280,757	421,135	8,480	57,270	66,570	-	-	(934,724)	6,918,408

Financial Assets, FLP

	Beginning of Year - Financial Assets	Income	Growth	Distributions	End of Year - Financial Assets
Year 1	20,000,000	800,000	1,200,000	(800,000)	21,200,000
Year 2	21,200,000	848,000	1,272,000	(848,000)	22,472,000

Ownership	
Neal Navigator	Holdco, FLLC
1.00%	99.00%
1.00%	99.00%

Holdco, FLLC

	Beginning of Year - Financial Assets	Income	Growth	Alternative Investments Income	Financial Assets, LLC Distributions	Distributions	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	-	-	-	400,000	792,000	(100,000)	1,092,000	5,000,000	100,000	5,100,000	6,192,000
Year 2	1,092,000	43,680	65,520	408,000	839,520	(123,840)	2,324,880	5,100,000	102,000	5,202,000	7,526,880

Ownership	
Neal Navigator	GRAT & Grantor Trust #1
46.25%	53.75%
87.73%	12.27%

Schedule 4 - Financial Assets Earn 10% Annually and Alternative Investments Earn 10% Annually
Neal and Nancy Navigator
Hypothetical Technique #5c: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests (No Leverage); Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

*The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	10.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	4.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	6.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013)	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013)	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	10.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv.	8.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv.	2.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year)	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)	2.00%
GRAT Annual Annuity	$7,580,754
IRS 7520 Rate	1.00%

2-Year Grantor Retained Annuity Trust

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Cash Annuity Payments	GRAT Terminates	End of Year - Financial Assets
Year 1	-	-	-	99,000	(99,000)	-	-
Year 2	-	-	-	66,570	(66,570)	-	-

In-Kind Annuity Payments with Holdco Units	Holdco %
12,297,687	45.25%
12,350,992	41.48%

New Non-GST Grantor Trusts #1 Created by Neal Navigator for the Benefit of Nancy Navigator and their Children (Remanider of 2-Year GRAT)

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-

Schedule 4 - Financial Assets Earn 10% Annually and Alternative Investments Earn 10% Annually

Neal and Nancy Navigator

Hypothetical Technique #6c: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	10.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	4.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	6.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	10.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv	8.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv	2.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)-after yr 2	2.00%
GRAT Annual Annuity	$761,267
IRS 7520 Rate	1.00%

Neal and Nancy Navigator

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets Distributions	Holdco Distributions	Annuity Payments	Note Payments	Trust Distributions	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	7,000,000	280,000	420,000	8,000	7,690	761,267	35,272	-	-	(789,080)	7,723,149
Year 2	7,723,149	308,926	463,389	8,480	7,690	761,267	35,272	-	-	(934,724)	8,373,449

Financial Assets, FLP

	Beginning of Year - Financial Assets	Income	Growth	Distributions	End of Year - Financial Assets
Year 1	20,000,000	800,000	1,200,000	(800,000)	21,200,000
Year 2	21,200,000	848,000	1,272,000	(848,000)	22,472,000

Ownership	
Neal Navigator	Holdco, FLLC
1.00%	99.00%
1.00%	99.00%

Holdco, FLLC

	Beginning of Year - Financial Assets	Income	Growth	Financial Assets, LLC Distributions	Alternative Investments Income	Note Payments	Distributions	End of Year - Financial Assets	Beginning of Year - Alternative Investments	Growth	End of Year - Alternative Investments	End of Year - Financial & Other Assets
Year 1	-	-	-	792,000	400,000	(35,272)	(768,957)	387,771	5,000,000	100,000	5,100,000	5,487,771
Year 2	387,771	15,511	23,266	839,520	408,000	(35,272)	(768,957)	869,839	5,100,000	102,000	5,202,000	6,071,839

Ownership	
Neal Navigator	GRAT & Grantor Trust #1
1.00%	99.00%
1.00%	99.00%

Schedule 4 - Financial Assets Earn 10% Annually and Alternative Investments Earn 10% Annually

Neal and Nancy Navigator

Hypothetical Technique #6c: Creation of a FLP; Contribution of FLP Interests and Alternative Investments to a New FLLC (Holdco, FLLC) in Return for Managing and Non-Managing Member Interests and a Note; Contribution of Non-Managing Member Interests in Holdco to a 2-Year GRAT; Remaindermen of GRAT is a Non-GST Grantor Trust

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	10.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	4.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	6.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption (increasing 3% per year)	$0
Intra-Family Interest Rate (Short-Term Jan. 2013	0.21%
Intra-Family Interest Rate (Mid-Term Jan. 2013	0.87%

Assumptions (continued):	
Total Estimated Rate of Return - Alternative Inv.*	10.00%
Rate of Return Taxed at Ordinary Rates - Alternative Inv	8.00%
Rate of Return Taxed at Capital Gains Rates - Alternative Inv	2.00%
Turnover Rate - Alternative Inv. (% of Capital Gains Recognized/Year	30.00%
Financial Assets, FLP Valuation Discount	30.00%
Financial Assets, FLP Distributions	4.00%
Holdco, FLLC Valuation Discount	20.00%
Holdco, FLLC Distributions (as a % of assets it owns directly or indirectly)-after yr 2	2.00%
GRAT Annual Annuity	$761,267
IRS 7520 Rate	1.00%

2-Year Grantor Retained Annuity Trust

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Annuity Payments	GRAT Terminates	End of Year - Financial Assets
Year 1	-	-	-	761,267	(761,267)	-	-
Year 2	-	-	-	761,267	(761,267)	-	-

New Non-GST Grantor Trusts #1 Created by Neal Navigator for the Benefit of Nancy Navigator and their Children (Remainder of 2-Year GRAT)

	Beginning of Year - Financial Assets	Income	Growth	Holdco, FLLC Distributions	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-

Note #1 Between Neal Navigator and Holdco, FLLC for the Purchase of Non-Managing Member Interests

	Beginning of Year - Principal	Interest	Note Payments	End of Year - Principal
Year 1	16,796,400	35,272	(35,272)	16,796,400
Year 2	16,796,400	35,272	(35,272)	16,796,400

Schedule 5
Navigator Family
Hypothetical Integrated Income and Estate Tax Plan Comparisons - 20 Year Term Scenario

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Pre-Death	Post-Death	Present Value (Discounted at 3%)	Percentage of Total
No Further Planning; Bequeaths Estate to Family (assumes $16.96mm estate tax exemption available)				
Neal Navigator	82,863,009	-	-	0.00%
Navigator Children	-	39,539,304	21,891,954	26.99%
Navigator GST Exempt Trust	11,056,242	28,020,410	15,514,222	19.13%
Consumption - Direct Cost	2,687,037	2,687,037	1,487,747	1.83%
Consumption - Investment Opportunity Cost	2,471,896	2,471,896	1,368,629	1.69%
IRS - Income Tax	25,853,747	25,853,747	14,314,593	17.65%
IRS - Investment Opportunity Costs	21,563,267	21,563,267	11,939,058	14.72%
IRS - Estate Tax (at 40%)	-	26,359,536	14,594,636	17.99%
Total	$146,495,198	$146,495,198	$81,110,839	100.00%
Hypothetical Technique #8a: 20 Year Term Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm estate tax exemption available)				
Neal Navigator	3,977,723	-	-	0.00%
Navigator Children	-	3,977,723	2,202,369	2.72%
Navigator GST Exempt Trust	87,649,731	87,649,731	48,529,531	59.83%
Consumption - Direct Cost	2,687,037	2,687,037	1,487,747	1.83%
Consumption - Investment Opportunity Cost	2,471,896	2,471,896	1,368,629	1.69%
IRS - Income Tax	28,145,543	28,145,543	15,583,505	19.21%
IRS - Investment Opportunity Costs	21,563,267	21,563,267	11,939,058	14.72%
IRS - Estate Tax (at 40%)	-	-	-	0.00%
Total	$146,495,198	$146,495,198	$81,110,839	100.00%
Hypothetical Technique #8b: Shorter of Neal Navigator's Death or 20 Years Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm estate tax exemption available)				
Neal Navigator	8,218,735	-	-	0.00%
Navigator Children	-	8,218,735	4,550,515	5.61%
Navigator GST Exempt Trust	83,488,658	83,488,658	46,225,646	56.99%
Consumption - Direct Cost	2,687,037	2,687,037	1,487,747	1.83%
Consumption - Investment Opportunity Cost	2,471,896	2,471,896	1,368,629	1.69%
IRS - Income Tax	28,065,604	28,065,604	15,539,244	19.16%
IRS - Investment Opportunity Costs	21,563,267	21,563,267	11,939,058	14.72%
IRS - Estate Tax (at 40%)	-	-	-	0.00%
Total	$146,495,198	$146,495,198	$81,110,839	100.00%

Schedule 5
Navigator Family
Asset Page

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Neal Navigator	Existing GST Exempt Grantor Trust
Assets		
Asset: Miscellaneous Investments	$30,000,000	$0
Basis: Miscellaneous Investments	$30,000,000	$0
Asset: Cash	$5,000,000	$2,857,143
Basis: Cash	$5,000,000	$2,857,143
Total Assets*	**$35,000,000**	**$2,857,143**
Total Basis	**$35,000,000**	**$2,857,143**

* There is not any proposed planning for Neal Navigator's other assets

Schedule 5
Navigator Family
No Further Planning; Bequeaths Estate to Family (assumes $16.96mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	$100,000

Neal Navigator

	Beginning of Year - Financial Assets	Income	Growth	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	35,000,000	1,050,000	1,400,000	(100,000)	(620,100)	36,729,900
Year 2	36,729,900	1,101,897	1,469,196	(103,000)	(731,212)	38,466,781
Year 3	38,466,781	1,154,003	1,538,671	(106,090)	(822,870)	40,230,496
Year 4	40,230,496	1,206,915	1,609,220	(109,273)	(901,399)	42,035,959
Year 5	42,035,959	1,261,079	1,681,438	(112,551)	(971,293)	43,894,632
Year 6	43,894,632	1,316,839	1,755,785	(115,927)	(1,035,753)	45,815,577
Year 7	45,815,577	1,374,467	1,832,623	(119,405)	(1,097,071)	47,806,191
Year 8	47,806,191	1,434,186	1,912,248	(122,987)	(1,156,897)	49,872,740
Year 9	49,872,740	1,496,182	1,994,910	(126,677)	(1,216,431)	52,020,723
Year 10	52,020,723	1,560,622	2,080,829	(130,477)	(1,276,554)	54,255,142
Year 11	54,255,142	1,627,654	2,170,206	(134,392)	(1,337,927)	56,580,684
Year 12	56,580,684	1,697,421	2,263,227	(138,423)	(1,401,053)	59,001,855
Year 13	59,001,855	1,770,056	2,360,074	(142,576)	(1,466,329)	61,523,080
Year 14	61,523,080	1,845,692	2,460,923	(146,853)	(1,534,079)	64,148,762
Year 15	64,148,762	1,924,463	2,565,950	(151,259)	(1,604,575)	66,883,342
Year 16	66,883,342	2,006,500	2,675,334	(155,797)	(1,678,055)	69,731,324
Year 17	69,731,324	2,091,940	2,789,253	(160,471)	(1,754,738)	72,697,307
Year 18	72,697,307	2,180,919	2,907,892	(165,285)	(1,834,828)	75,786,007
Year 19	75,786,007	2,273,580	3,031,440	(170,243)	(1,918,522)	79,002,262
Year 20	79,002,262	2,370,068	3,160,090	(175,351)	(1,494,061)	82,863,009

Schedule 5
Navigator Family
No Further Planning; Bequeaths Estate to Family (assumes $16.96mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	$100,000

Navigator GST Trust

	Beginning of Year - Financial Assets	Income	Growth	Income Taxes	End of Year - Financial Assets
Year 1	2,857,143	85,714	114,286	-	3,057,143
Year 2	3,057,143	91,714	122,286	-	3,271,143
Year 3	3,271,143	98,134	130,846	-	3,500,123
Year 4	3,500,123	105,004	140,005	-	3,745,132
Year 5	3,745,132	112,354	149,805	-	4,007,291
Year 6	4,007,291	120,219	160,292	-	4,287,801
Year 7	4,287,801	128,634	171,512	-	4,587,947
Year 8	4,587,947	137,638	183,518	-	4,909,104
Year 9	4,909,104	147,273	196,364	-	5,252,741
Year 10	5,252,741	157,582	210,110	-	5,620,433
Year 11	5,620,433	168,613	224,817	-	6,013,863
Year 12	6,013,863	180,416	240,555	-	6,434,833
Year 13	6,434,833	193,045	257,393	-	6,885,272
Year 14	6,885,272	206,558	275,411	-	7,367,241
Year 15	7,367,241	221,017	294,690	-	7,882,948
Year 16	7,882,948	236,488	315,318	-	8,434,754
Year 17	8,434,754	253,043	337,390	-	9,025,187
Year 18	9,025,187	270,756	361,007	-	9,656,950
Year 19	9,656,950	289,708	386,278	-	10,332,936
Year 20	10,332,936	309,988	413,317	-	11,056,242

Schedule 5

Navigator Family

Hypothetical Technique #8a: 20 Year Term Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Neal Navigator:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$100,000
Intra-Family Note Interest Percentage (mid-term)	0.87%
7520 Rate	1.00%

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Neal Navigator Ownership in Navigator FLP	8.70%
GRAT Ownership in Navigator FLP	91.30%
GRAT Annuity* (20% Increasing Annuity)	$107,268
Navigator FLP Valuation Discount	30.00%

* based on nominal amount of $21,000,000 [$30,000,000 * (1-30%)]

Navigator FLP

	Beginning of Year - Financial Assets	Income	Growth	Distributions	Termination of FLP	End of Year - Financial Assets
Year 1	32,857,143	985,714	1,314,286	(2,509,629)	-	32,647,514
Year 2	32,647,514	979,425	1,305,901	(2,562,617)	-	32,370,223
Year 3	32,370,223	971,107	1,294,809	(2,589,297)	-	32,046,841
Year 4	32,046,841	961,405	1,281,874	(2,597,517)	-	31,692,603
Year 5	31,692,603	950,778	1,267,704	(2,592,825)	-	31,318,261
Year 6	31,318,261	939,548	1,252,730	(2,579,144)	-	30,931,395
Year 7	30,931,395	927,942	1,237,256	(2,559,247)	-	30,537,346
Year 8	30,537,346	916,120	1,221,494	(2,535,093)	-	30,139,867
Year 9	30,139,867	904,196	1,205,595	(2,508,067)	-	29,741,590
Year 10	29,741,590	892,248	1,189,664	(2,479,145)	-	29,344,356
Year 11	29,344,356	880,331	1,173,774	(2,449,017)	-	28,949,444
Year 12	28,949,444	868,483	1,157,978	(2,418,168)	-	28,557,737
Year 13	28,557,737	856,732	1,142,309	(2,386,941)	-	28,169,838
Year 14	28,169,838	845,095	1,126,794	(2,355,574)	-	27,786,153
Year 15	27,786,153	833,585	1,111,446	(2,324,236)	(27,406,947)	-
Year 16	-	-	-	-	-	-
Year 17	-	-	-	-	-	-
Year 18	-	-	-	-	-	-
Year 19	-	-	-	-	-	-
Year 20	-	-	-	-	-	-

Schedule 5

Navigator Family

Hypothetical Technique #8a: 20 Year Term Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Neal Navigator:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$100,000
Intra-Family Note Interest Percentage (mid-term)	0.87%
7520 Rate	1.00%

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Neal Navigator Ownership in Navigator FLP	8.70%
GRAT Ownership in Navigator FLP	91.30%
GRAT Annuity* (20% Increasing Annuity)	$107,268
Navigator FLP Valuation Discount	30.00%

* based on nominal amount of $21,000,000 [$30,000,000 * (1-30%)]

GRAT

	Beginning of Year - Value	Income	Growth	Distribution from Partnership	Cash Portion of Annuity Payment	Partnership Share Portion of Annuity Payment (Pre-discount)	End of Year - Value	Ownership of FLP: GRAT	Ownership of FLP: Neal Navigator
Year 1	30,000,000	-	-	2,291,400	(107,268)	-	31,992,732	91.30%	8.70%
Year 2	31,992,732	65,524	87,365	2,339,781	(128,722)	-	34,103,502	91.30%	8.70%
Year 3	34,103,502	136,442	181,923	2,364,141	(154,466)	-	36,336,281	91.30%	8.70%
Year 4	36,336,281	212,284	283,045	2,371,646	(185,359)	-	38,694,461	91.30%	8.70%
Year 5	38,694,461	292,732	390,309	2,367,362	(222,431)	-	41,180,643	91.30%	8.70%
Year 6	41,180,643	377,571	503,428	2,354,871	(266,917)	-	43,796,371	91.30%	8.70%
Year 7	43,796,371	466,640	622,186	2,336,704	(320,301)	-	46,541,816	91.30%	8.70%
Year 8	46,541,816	559,797	746,396	2,314,650	(384,361)	-	49,415,383	91.30%	8.70%
Year 9	49,415,383	656,891	875,855	2,289,974	(461,233)	-	52,413,227	91.30%	8.70%
Year 10	52,413,227	757,736	1,010,314	2,263,567	(553,479)	-	55,528,673	91.30%	8.70%
Year 11	55,528,673	862,080	1,149,440	2,236,059	(664,175)	-	58,751,505	91.30%	8.70%
Year 12	58,751,505	969,582	1,292,776	2,207,893	(797,010)	-	62,067,100	91.30%	8.70%
Year 13	62,067,100	1,079,779	1,439,706	2,179,381	(956,412)	-	65,455,385	91.30%	8.70%
Year 14	65,455,385	1,192,053	1,589,404	2,150,741	(1,147,695)	-	68,889,567	91.30%	8.70%
Year 15	68,889,567	1,305,588	1,740,784	2,122,129	(1,377,234)	-	72,334,603	91.30%	8.70%
Year 16	72,334,603	2,170,038	2,893,384	-	(1,652,680)	-	75,745,345		
Year 17	75,745,345	2,272,360	3,029,814	-	(1,983,216)	-	79,064,303		
Year 18	79,064,303	2,371,929	3,162,572	-	(2,379,860)	-	82,218,944		
Year 19	82,218,944	2,466,568	3,288,758	-	(2,855,832)	-	85,118,439		
Year 20	85,118,439	2,553,553	3,404,738	-	(3,426,998)	-	87,649,731		

Schedule 5
Navigator Family
Hypothetical Technique #8a: 20 Year Term Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Neal Navigator:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$100,000
Intra-Family Note Interest Percentage (mid-term)	0.87%
7520 Rate	1.00%

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Neal Navigator Ownership in Navigator FLP	8.70%
GRAT Ownership in Navigator FLP	91.30%
GRAT Annuity* (20% Increasing Annuity)	$107,268
Navigator FLP Valuation Discount	30.00%

* based on nominal amount of $21,000,000 [$30,000,000 * (1-30%)]

Neal Navigator

	Beginning of Year - Financial Assets*	Income	Growth	Distribution from Partnership	Cash Annuity Payment	Termination of FLP	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	5,000,000	150,000	200,000	218,229	107,268	-	(100,000)	(620,100)	4,955,397
Year 2	4,955,397	148,662	198,216	222,836	128,722	-	(103,000)	(731,212)	4,819,620
Year 3	4,819,620	144,589	192,785	225,156	154,466	-	(106,090)	(822,870)	4,607,656
Year 4	4,607,656	138,230	184,306	225,871	185,359	-	(109,273)	(901,399)	4,330,750
Year 5	4,330,750	129,923	173,230	225,463	222,431	-	(112,551)	(971,293)	3,997,953
Year 6	3,997,953	119,939	159,918	224,273	266,917	-	(115,927)	(1,035,753)	3,617,320
Year 7	3,617,320	108,520	144,693	222,543	320,301	-	(119,405)	(1,097,071)	3,196,901
Year 8	3,196,901	95,907	127,876	220,443	384,361	-	(122,987)	(1,156,897)	2,745,603
Year 9	2,745,603	82,368	109,824	218,093	461,233	-	(126,677)	(1,216,431)	2,274,012
Year 10	2,274,012	68,220	90,960	215,578	553,479	-	(130,477)	(1,276,554)	1,795,218
Year 11	1,795,218	53,857	71,809	212,958	664,175	-	(134,392)	(1,337,927)	1,325,698
Year 12	1,325,698	39,771	53,028	210,276	797,010	-	(138,423)	(1,401,053)	886,307
Year 13	886,307	26,589	35,452	207,560	956,412	-	(142,576)	(1,466,329)	503,415
Year 14	503,415	15,102	20,137	204,833	1,147,695	-	(146,853)	(1,534,079)	210,249
Year 15	210,249	6,307	8,410	202,108	1,377,234	2,383,213	(151,259)	(1,604,575)	2,431,686
Year 16	2,431,686	72,951	97,267	-	1,652,680	-	(155,797)	(1,678,055)	2,420,733
Year 17	2,420,733	72,622	96,829	-	1,983,216	-	(160,471)	(1,754,738)	2,658,191
Year 18	2,658,191	79,746	106,328	-	2,379,860	-	(165,285)	(1,834,828)	3,224,012
Year 19	3,224,012	96,720	128,960	-	2,855,832	-	(170,243)	(1,918,522)	4,216,759
Year 20	4,216,759	126,503	168,670	-	3,426,998	-	(175,351)	(3,785,857)	3,977,723

* Assumes $2.86 million of LP interests is paid from Navigator GST Exempt Trust for purchase of remainder interest

Schedule 5

Navigator Family

Hypothetical Technique #8a: 20 Year Term Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Neal Navigator:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$100,000
Intra-Family Note Interest Percentage (mid-term)	0.87%
7520 Rate	1.00%

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Neal Navigator Ownership in Navigator FLP	8.70%
GRAT Ownership in Navigator FLP	91.30%
GRAT Annuity* (20% Increasing Annuity)	$107,268
Navigator FLP Valuation Discount	30.00%

* based on nominal amount of $21,000,000 [$30,000,000 * (1-30%)]

Navigator GST Trust

	Beginning of Year - Financial Assets	Income	Growth	Remainder Interest from GRAT	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	-	-	-	87,649,731	-	87,649,731

Schedule 5

Navigator Family

Hypothetical Technique #8b: Shorter of Neal Navigator's Death or 20 Years Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Neal Navigator:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$100,000
Intra-Family Note Interest Percentage (mid-term)	0.87%
7520 Rate	1.00%

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Neal Navigator Ownership in Navigator FLP	8.70%
GRAT Ownership in Navigator FLP	91.30%
GRAT Annuity* (20% Increasing Annuity)	$122,962
Navigator FLP Valuation Discount	30.00%

* based on nominal amount of $21,000,000 [$30,000,000 * (1-30%)]

Navigator FLP

	Beginning of Year - Financial Assets	Income	Growth	Distributions	Termination of FLP	End of Year - Financial Assets
Year 1	32,857,143	985,714	1,314,286	(2,509,629)	-	32,647,514
Year 2	32,647,514	979,425	1,305,901	(2,562,617)	-	32,370,223
Year 3	32,370,223	971,107	1,294,809	(2,589,297)	-	32,046,841
Year 4	32,046,841	961,405	1,281,874	(2,597,517)	-	31,692,603
Year 5	31,692,603	950,778	1,267,704	(2,592,825)	-	31,318,261
Year 6	31,318,261	939,548	1,252,730	(2,579,144)	-	30,931,395
Year 7	30,931,395	927,942	1,237,256	(2,559,247)	-	30,537,346
Year 8	30,537,346	916,120	1,221,494	(2,535,093)	-	30,139,867
Year 9	30,139,867	904,196	1,205,595	(2,508,067)	-	29,741,590
Year 10	29,741,590	892,248	1,189,664	(2,479,145)	-	29,344,356
Year 11	29,344,356	880,331	1,173,774	(2,449,017)	-	28,949,444
Year 12	28,949,444	868,483	1,157,978	(2,418,168)	-	28,557,737
Year 13	28,557,737	856,732	1,142,309	(2,386,941)	-	28,169,838
Year 14	28,169,838	845,095	1,126,794	(2,355,574)	-	27,786,153
Year 15	27,786,153	833,585	1,111,446	(2,324,236)	(27,406,947)	-
Year 16	-	-	-	-	-	-
Year 17	-	-	-	-	-	-
Year 18	-	-	-	-	-	-
Year 19	-	-	-	-	-	-
Year 20	-	-	-	-	-	-

Schedule 5

Navigator Family

Hypothetical Technique #8b: Shorter of Neal Navigator's Death or 20 Years Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm estate tax exemption available)

Assumptions - Neal Navigator:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$100,000
Intra-Family Note Interest Percentage (mid-term)	0.87%
7520 Rate	1.00%

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Neal Navigator Ownership in Navigator FLP	8.70%
GRAT Ownership in Navigator FLP	91.30%
GRAT Annuity* (20% Increasing Annuity)	$122,962
Navigator FLP Valuation Discount	30.00%

* based on nominal amount of $21,000,000 [$30,000,000 * (1-30%)]

GRAT

	Beginning of Year - Value	Income	Growth	Distribution from Partnership	Cash Portion of Annuity Payment	Partnership Share Portion of Annuity Payment (Pre-discount)	End of Year - Value	Ownership of FLP: GRAT	Ownership of FLP: Neal Navigator
Year 1	30,000,000	-	-	2,291,400	(122,962)	-	31,977,038	91.30%	8.70%
Year 2	31,977,038	65,053	86,738	2,339,781	(147,554)	-	34,067,876	91.30%	8.70%
Year 3	34,067,876	135,374	180,498	2,364,141	(177,065)	-	36,275,562	91.30%	8.70%
Year 4	36,275,562	210,462	280,616	2,371,646	(212,478)	-	38,602,373	91.30%	8.70%
Year 5	38,602,373	289,969	386,626	2,367,362	(254,974)	-	41,049,565	91.30%	8.70%
Year 6	41,049,565	373,639	498,185	2,354,871	(305,969)	-	43,617,066	91.30%	8.70%
Year 7	43,617,066	461,261	615,014	2,336,704	(367,163)	-	46,303,098	91.30%	8.70%
Year 8	46,303,098	552,635	736,847	2,314,650	(440,595)	-	49,103,720	91.30%	8.70%
Year 9	49,103,720	647,541	863,388	2,289,974	(528,714)	-	52,012,266	91.30%	8.70%
Year 10	52,012,266	745,707	994,276	2,263,567	(634,457)	-	55,018,668	91.30%	8.70%
Year 11	55,018,668	846,780	1,129,040	2,236,059	(761,348)	-	58,108,627	91.30%	8.70%
Year 12	58,108,627	950,296	1,267,061	2,207,893	(913,618)	-	61,262,613	91.30%	8.70%
Year 13	61,262,613	1,055,645	1,407,526	2,179,381	(1,096,342)	-	64,454,654	91.30%	8.70%
Year 14	64,454,654	1,162,031	1,549,375	2,150,741	(1,315,610)	-	67,650,870	91.30%	8.70%
Year 15	67,650,870	1,268,427	1,691,236	2,122,129	(1,578,732)	-	70,807,699	91.30%	8.70%
Year 16	70,807,699	2,124,231	2,832,308	-	(1,894,478)	-	73,869,760		
Year 17	73,869,760	2,216,093	2,954,790	-	(2,273,374)	-	76,767,269		
Year 18	76,767,269	2,303,018	3,070,691	-	(2,728,049)	-	79,412,929		
Year 19	79,412,929	2,382,388	3,176,517	-	(3,273,658)	-	81,698,176		
Year 20	81,698,176	2,450,945	3,267,927	-	(3,928,390)	-	83,488,658		

Schedule 5

Navigator Family

Hypothetical Technique #8b: Shorter of Neal Navigator's Death or 20 Years Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Neal Navigator:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$100,000
Intra-Family Note Interest Percentage (mid-term)	0.87%
7520 Rate	1.00%

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Neal Navigator Ownership in Navigator FLP	8.70%
GRAT Ownership in Navigator FLP	91.30%
GRAT Annuity* (20% Increasing Annuity)	$122,962
Navigator FLP Valuation Discount	30.00%

* based on nominal amount of $21,000,000 [$30,000,000 * (1-30%)]

Neal Navigator

	Beginning of Year - Financial Assets*	Income	Growth	Distribution from Partnership	Cash Annuity Payment	Termination of FLP	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	5,000,000	150,000	200,000	218,229	122,962	-	(100,000)	(620,100)	4,971,091
Year 2	4,971,091	149,133	198,844	222,836	147,554	-	(103,000)	(731,212)	4,855,246
Year 3	4,855,246	145,657	194,210	225,156	177,065	-	(106,090)	(822,870)	4,668,375
Year 4	4,668,375	140,051	186,735	225,871	212,478	-	(109,273)	(901,399)	4,422,838
Year 5	4,422,838	132,685	176,914	225,463	254,974	-	(112,551)	(971,293)	4,129,031
Year 6	4,129,031	123,871	165,161	224,273	305,969	-	(115,927)	(1,035,753)	3,796,625
Year 7	3,796,625	113,899	151,865	222,543	367,163	-	(119,405)	(1,097,071)	3,435,618
Year 8	3,435,618	103,069	137,425	220,443	440,595	-	(122,987)	(1,156,897)	3,057,265
Year 9	3,057,265	91,718	122,291	218,093	528,714	-	(126,677)	(1,216,431)	2,674,972
Year 10	2,674,972	80,249	106,999	215,578	634,457	-	(130,477)	(1,276,554)	2,305,223
Year 11	2,305,223	69,157	92,209	212,958	761,348	-	(134,392)	(1,337,927)	1,968,577
Year 12	1,968,577	59,057	78,743	210,276	913,618	-	(138,423)	(1,401,053)	1,690,794
Year 13	1,690,794	50,724	67,632	207,560	1,096,342	-	(142,576)	(1,466,329)	1,504,146
Year 14	1,504,146	45,124	60,166	204,833	1,315,610	-	(146,853)	(1,534,079)	1,448,946
Year 15	1,448,946	43,468	57,958	202,108	1,578,732	2,383,213	(151,259)	(1,604,575)	3,958,591
Year 16	3,958,591	118,758	158,344	-	1,894,478	-	(155,797)	(1,678,055)	4,296,318
Year 17	4,296,318	128,890	171,853	-	2,273,374	-	(160,471)	(1,754,738)	4,955,225
Year 18	4,955,225	148,657	198,209	-	2,728,049	-	(165,285)	(1,834,828)	6,030,027
Year 19	6,030,027	180,901	241,201	-	3,273,658	-	(170,243)	(1,918,522)	7,637,022
Year 20	7,637,022	229,111	305,481	-	3,928,390	-	(175,351)	(3,705,917)	8,218,735

* Assumes $2.86 million of LP interests is paid from Navigator GST Exempt Trust for purchase of remainder interest

Schedule 5
Navigator Family
Hypothetical Technique #8b: Shorter of Neal Navigator's Death or 20 Years Scenario; Bequeaths Remaining Estate to Family (assumes $16.96mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Neal Navigator:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$100,000
Intra-Family Note Interest Percentage (mid-term)	0.87%
7520 Rate	1.00%

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Neal Navigator Ownership in Navigator FLP	8.70%
GRAT Ownership in Navigator FLP	91.30%
GRAT Annuity* (20% Increasing Annuity)	$122,962
Navigator FLP Valuation Discount	30.00%

* based on nominal amount of $21,000,000 [$30,000,000 * (1-30%)]

Navigator GST Trust

	Beginning of Year - Financial Assets	Income	Growth	Remainder Interest from GRAT	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	-	-	-	83,488,658	-	83,488,658

Schedule 6

Bob and Betsy Bossdaughter

Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Mr. and Mrs. Bossdaughter have a joint life expectancy of 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Pre-Death	Post Death	Present Values (Discounted at 3%)	Percentage of Total
No Further Planning; Bequeaths Estate to Family (assumes $25.5mm estate tax exemption available)				
Bob and Betsy Bossdaughter	281,918,244	-	-	0.00%
Bossdaughter Children	-	153,859,193	63,387,950	19.81%
Bossdaughter Children and Grandchildren	-	25,486,256	10,500,000	3.28%
Consumption - Direct Cost	71,363,124	71,363,124	29,400,662	9.19%
Consumption - Investment Opportunity Cost	123,074,098	123,074,098	50,704,899	15.85%
IRS - Income Tax	113,459,902	113,459,902	46,743,977	14.61%
IRS - Investment Opportunity Costs	186,670,218	186,670,218	76,905,658	24.04%
IRS - Estate Tax at 40%	-	102,572,795	42,258,634	13.21%
Total	$776,485,586	$776,485,586	$319,901,780	100.00%
Hypothetical Technique #10: Third Party Gift to a Trust in Which the Beneficiary is Taxed Under 678 but not Taxable in the Beneficiary's Estate (678 Trust); Creation of a Single Member FLLC with Contribution of Non-Managing Member Interests to a 3-Year GRAT in Which There is No Gift Because of a Purchase by the 678 Trust; the GRAT Remaindermen is a 678 Trust Created for the Benefit of the Grantor and His Family; Bequeaths Estate to Family (assumes $25.5mm exemption is available)				
Bob and Betsy Bossdaughter	14,933,949	-	-	0.00%
Bossdaughter Children	-	14,933,949	6,152,589	1.92%
Bossdaughter Children and Grandchildren	258,624,250	258,624,250	106,549,767	33.31%
Consumption - Direct Cost	71,363,124	71,363,124	29,400,662	9.19%
Consumption - Investment Opportunity Cost	123,074,098	123,074,098	50,704,899	15.85%
IRS - Income Tax	121,819,947	121,819,947	50,188,205	15.69%
IRS - Investment Opportunity Costs	186,670,218	186,670,218	76,905,658	24.04%
IRS - Estate Tax at 40%	-	-	-	0.00%
Total	$776,485,586	$776,485,586	$319,901,780	100.00%

Schedule 6
Bob and Betsy Bossdaughter
Asset Page*

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Betsy Bossdaughter	Bob Bossdaughter	Third Party
FMV: Financial Assets	$97,000,000	$5,000,000	$5,000
Basis: Financial Assets	$12,000,000	$5,000,000	$5,000
Total Assets:	**$97,000,000**	**$5,000,000**	**$5,000**
Total Basis:	**$12,000,000**	**$5,000,000**	**$5,000**

* Information provided by client.
** There is no proposed planning for Mr. and Mrs. Bob Bossdaughter's other assets.

Schedule 6
Bob and Betsy Bossdaughter
No Further Planning; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

*The assumed growth rate(s) stated herein are provided by client and client's advisor and are purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and Bobet factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate (NY)	25.00%
Ordinary Tax Rate (NY)	44.60%
Consumption (increasing 3% per year)	$1,500,000

Bob and Betsy Bossdaughter

	Beginning of Year - Financial Assets	Income	Growth	Third Party Gift	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	102,000,000	3,060,000	4,080,000	5,000	(1,500,000)	(1,670,760)	105,974,240
Year 2	105,974,240	3,179,227	4,238,970	-	(1,545,000)	(1,950,058)	109,897,379
Year 3	109,897,379	3,296,921	4,395,895	-	(1,591,350)	(2,172,605)	113,826,240
Year 4	113,826,240	3,414,787	4,553,050	-	(1,639,091)	(2,355,998)	117,798,988
Year 5	117,798,988	3,533,970	4,711,960	-	(1,688,263)	(2,512,650)	121,844,004
Year 6	121,844,004	3,655,320	4,873,760	-	(1,738,911)	(2,651,354)	125,982,819
Year 7	125,982,819	3,779,485	5,039,313	-	(1,791,078)	(2,778,356)	130,232,182
Year 8	130,232,182	3,906,965	5,209,287	-	(1,844,811)	(2,898,097)	134,605,527
Year 9	134,605,527	4,038,166	5,384,221	-	(1,900,155)	(3,013,752)	139,114,007
Year 10	139,114,007	4,173,420	5,564,560	-	(1,957,160)	(3,127,598)	143,767,230
Year 11	143,767,230	4,313,017	5,750,689	-	(2,015,875)	(3,241,284)	148,573,777
Year 12	148,573,777	4,457,213	5,942,951	-	(2,076,351)	(3,356,014)	153,541,577
Year 13	153,541,577	4,606,247	6,141,663	-	(2,138,641)	(3,472,679)	158,678,168
Year 14	158,678,168	4,760,345	6,347,127	-	(2,202,801)	(3,591,953)	163,990,886
Year 15	163,990,886	4,919,727	6,559,635	-	(2,268,885)	(3,714,358)	169,487,005
Year 16	169,487,005	5,084,610	6,779,480	-	(2,336,951)	(3,840,309)	175,173,835
Year 17	175,173,835	5,255,215	7,006,953	-	(2,407,060)	(3,970,149)	181,058,795
Year 18	181,058,795	5,431,764	7,242,352	-	(2,479,271)	(4,104,169)	187,149,471
Year 19	187,149,471	5,614,484	7,485,979	-	(2,553,650)	(4,242,630)	193,453,654
Year 20	193,453,654	5,803,610	7,738,146	-	(2,630,259)	(4,385,770)	199,979,381
Year 21	199,979,381	5,999,381	7,999,175	-	(2,709,167)	(4,533,814)	206,734,957
Year 22	206,734,957	6,202,049	8,269,398	-	(2,790,442)	(4,686,982)	213,728,980
Year 23	213,728,980	6,411,869	8,549,159	-	(2,874,155)	(4,845,488)	220,970,365
Year 24	220,970,365	6,629,111	8,838,815	-	(2,960,380)	(5,009,551)	228,468,361
Year 25	228,468,361	6,854,051	9,138,734	-	(3,049,191)	(5,179,389)	236,232,566
Year 26	236,232,566	7,086,977	9,449,303	-	(3,140,667)	(5,355,227)	244,272,952
Year 27	244,272,952	7,328,189	9,770,918	-	(3,234,887)	(5,537,296)	252,599,876
Year 28	252,599,876	7,577,996	10,103,995	-	(3,331,934)	(5,725,832)	261,224,101
Year 29	261,224,101	7,836,723	10,448,964	-	(3,431,892)	(5,921,083)	270,156,814
Year 30	270,156,814	8,104,704	10,806,273	-	(3,534,848)	(3,614,698)	281,918,244

Schedule 6

Bob and Betsy Bossdaughter

Hypothetical Technique #10: Third Party Gift to a Trust in Which the Beneficiary is Taxed Under 678 but not Taxable in the Beneficiary's Estate (678 Trust); Creation of a Single Member FLLC with Contribution of Non-Managing Member Interests to a 3-Year GRAT in Which There is No Gift Because of a Purchase by the 678 Trust; the GRAT Remaindermen is a 678 Trust Created for the Benefit of the Grantor and His Family; Bequeaths Estate to Family (assumes $25.5mm exemption is available)

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

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate (NY)	25.00%
Ordinary Tax Rate (NY)	44.60%
Consumption (increasing 3% per year)	$1,500,000

Assumptions (continued):	
Bossdaughter FLP Distributions	4.00%
Bossdaughter FLP Valuation Discount	30.00%
Holdco, FLLC Distributions	10.00%
Holdco, FLLC Valuation Discount	30.00%
IRS 7520 Rate	1.00%
Annual Annuity Payment from GRAT	$1,377,436
IRS Intra-Family Interest Rate (Mid-Term)	0.87%
IRS Intra-Family Interest Rate (Short-Term)	0.21%

Bob and Betsy Bossdaughter

	Beginning of Year - Financial Assets	Income	Growth	Distributions from Bossdaugher FLP	Distributions from Holdco, FLLC	Cash Annuity Payments from GRAT	Note Payments	Trust Distributions	Payment from 678 Trust	Consumption	Income Taxes	End of Year - Financial Assets
Year 1	15,000,000	450,000	600,000	3,400,000	-	-	-	-	4,000	(1,500,000)	(1,670,760)	16,283,240
Year 2	16,283,240	488,497	651,330	210,120	13,913	1,377,436	109,488	-	-	(1,545,000)	(1,950,058)	15,638,966
Year 3	15,638,966	469,169	625,559	216,424	13,913	1,377,436	109,488	-	-	(1,591,350)	(2,172,605)	14,686,999
Year 4	14,686,999	440,610	587,480	222,916	13,913	1,377,436	109,488	-	-	(1,639,091)	(2,355,998)	13,443,754
Year 5	13,443,754	403,313	537,750	229,604	12,283	-	453,592	-	-	(1,688,263)	(2,512,650)	10,879,382
Year 6	10,879,382	326,381	435,175	236,492	14,914	-	453,592	-	-	(1,738,911)	(2,651,354)	7,955,671
Year 7	7,955,671	238,670	318,227	243,587	17,570	-	453,592	-	-	(1,791,078)	(2,778,356)	4,657,883
Year 8	4,657,883	139,736	186,315	250,894	20,253	-	453,592	-	-	(1,844,811)	(2,898,097)	965,766
Year 9	965,766	28,973	38,631	258,421	22,965	-	5,453,592	-	-	(1,900,155)	(3,013,752)	1,854,440
Year 10	1,854,440	55,633	74,178	266,174	20,709	-	4,410,092	-	-	(1,957,160)	(3,127,598)	1,596,468
Year 11	1,596,468	47,894	63,859	274,159	19,681	-	5,375,292	-	-	(2,015,875)	(3,241,284)	2,120,194
Year 12	2,120,194	63,606	84,808	282,384	17,839	-	5,331,792	-	-	(2,076,351)	(3,356,014)	2,468,257
Year 13	2,468,257	74,048	98,730	290,855	16,219	-	5,288,292	-	-	(2,138,641)	(3,472,679)	2,625,081
Year 14	2,625,081	78,752	105,003	299,581	14,818	-	5,744,792	-	-	(2,202,801)	(3,591,953)	3,073,274
Year 15	3,073,274	92,198	122,931	308,568	13,135	-	6,196,942	-	-	(2,268,885)	(3,714,358)	3,823,806
Year 16	3,823,806	114,714	152,952	317,825	11,185	-	6,144,742	-	-	(2,336,951)	(3,840,309)	4,387,964
Year 17	4,387,964	131,639	175,519	327,360	9,484	-	4,592,542	-	-	(2,407,060)	(3,970,149)	3,247,299
Year 18	3,247,299	97,419	129,892	337,181	9,531	-	4,553,392	-	-	(2,479,271)	(4,104,169)	1,791,273
Year 19	1,791,273	53,738	71,651	347,296	9,763	-	1,651,242	2,871,316	-	(2,553,650)	(4,242,630)	-
Year 20	-	-	-	357,715	13,042	-	-	6,645,272	-	(2,630,259)	(4,385,770)	-
Year 21	-	-	-	368,447	18,031	-	-	6,856,504	-	(2,709,167)	(4,533,814)	-
Year 22	-	-	-	379,500	23,031	-	-	7,074,892	-	(2,790,442)	(4,686,982)	-
Year 23	-	-	-	390,885	28,048	-	-	7,300,710	-	(2,874,155)	(4,845,488)	-
Year 24	-	-	-	402,612	33,085	-	-	7,534,233	-	(2,960,380)	(5,009,551)	-
Year 25	-	-	-	414,690	38,148	-	-	7,775,742	-	(3,049,191)	(5,179,389)	-
Year 26	-	-	-	427,131	43,241	-	-	8,025,522	-	(3,140,667)	(5,355,227)	-
Year 27	-	-	-	439,945	48,367	-	-	8,283,870	-	(3,234,887)	(5,537,296)	-
Year 28	-	-	-	453,143	53,533	-	-	8,551,090	-	(3,331,934)	(5,725,832)	-
Year 29	-	-	-	466,737	58,742	-	-	8,827,495	-	(3,431,892)	(5,921,083)	-
Year 30	-	-	-	480,739	64,000	-	-	14,964,852	-	(3,534,848)	(11,974,743)	-

Schedule 6

Bob and Betsy Bossdaughter

Hypothetical Technique #10: Third Party Gift to a Trust in Which the Beneficiary is Taxed Under 678 but not Taxable in the Beneficiary's Estate (678 Trust); Creation of a Single Member FLLC with Contribution of Non-Managing Member Interests to a 3-Year GRAT in Which There is No Gift Because of a Purchase by the 678 Trust; the GRAT Remaindermen is a 678 Trust Created for the Benefit of the Grantor and His Family; Bequeaths Estate to Family (assumes $25.5mm exemption is available)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.
*The assumed growth rate(s) stated herein are provided by client and client's advisor and are purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and Bobet factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate (NY)	25.00%
Ordinary Tax Rate (NY)	44.60%
Consumption (increasing 3% per year)	$1,500,000

Assumptions (continued):	
Bossdaughter FLP Distributions	4.00%
Bossdaughter FLP Valuation Discount	30.00%
Holdco, FLLC Distributions	10.00%
Holdco, FLLC Valuation Discount	30.00%
IRS 7520 Rate	1.00%
Annual Annuity Payment from GRAT	$1,377,436
IRS Intra-Family Interest Rate (Mid-Term)	0.87%
IRS Intra-Family Interest Rate (Short-Term)	0.21%

Bossdauther FLP

	Beginning of Year - Value	Income	Growth	Distributions	End of Year - Value	Ownership: Bob & Betsy Bossdaughter	Ownership: Holdco, FLLC
Year 1	85,000,000	2,550,000	3,400,000	(3,400,000)	87,550,000	100.00%	0.00%
Year 2	87,550,000	2,626,500	3,502,000	(3,502,000)	90,176,500	6.00%	94.00%
Year 3	90,176,500	2,705,295	3,607,060	(3,607,060)	92,881,795	6.00%	94.00%
Year 4	92,881,795	2,786,454	3,715,272	(3,715,272)	95,668,249	6.00%	94.00%
Year 5	95,668,249	2,870,047	3,826,730	(3,826,730)	98,538,296	6.00%	94.00%
Year 6	98,538,296	2,956,149	3,941,532	(3,941,532)	101,494,445	6.00%	94.00%
Year 7	101,494,445	3,044,833	4,059,778	(4,059,778)	104,539,279	6.00%	94.00%
Year 8	104,539,279	3,136,178	4,181,571	(4,181,571)	107,675,457	6.00%	94.00%
Year 9	107,675,457	3,230,264	4,307,018	(4,307,018)	110,905,721	6.00%	94.00%
Year 10	110,905,721	3,327,172	4,436,229	(4,436,229)	114,232,892	6.00%	94.00%
Year 11	114,232,892	3,426,987	4,569,316	(4,569,316)	117,659,879	6.00%	94.00%
Year 12	117,659,879	3,529,796	4,706,395	(4,706,395)	121,189,675	6.00%	94.00%
Year 13	121,189,675	3,635,690	4,847,587	(4,847,587)	124,825,366	6.00%	94.00%
Year 14	124,825,366	3,744,761	4,993,015	(4,993,015)	128,570,127	6.00%	94.00%
Year 15	128,570,127	3,857,104	5,142,805	(5,142,805)	132,427,230	6.00%	94.00%
Year 16	132,427,230	3,972,817	5,297,089	(5,297,089)	136,400,047	6.00%	94.00%
Year 17	136,400,047	4,092,001	5,456,002	(5,456,002)	140,492,049	6.00%	94.00%
Year 18	140,492,049	4,214,761	5,619,682	(5,619,682)	144,706,810	6.00%	94.00%
Year 19	144,706,810	4,341,204	5,788,272	(5,788,272)	149,048,015	6.00%	94.00%
Year 20	149,048,015	4,471,440	5,961,921	(5,961,921)	153,519,455	6.00%	94.00%
Year 21	153,519,455	4,605,584	6,140,778	(6,140,778)	158,125,039	6.00%	94.00%
Year 22	158,125,039	4,743,751	6,325,002	(6,325,002)	162,868,790	6.00%	94.00%
Year 23	162,868,790	4,886,064	6,514,752	(6,514,752)	167,754,853	6.00%	94.00%
Year 24	167,754,853	5,032,646	6,710,194	(6,710,194)	172,787,499	6.00%	94.00%
Year 25	172,787,499	5,183,625	6,911,500	(6,911,500)	177,971,124	6.00%	94.00%
Year 26	177,971,124	5,339,134	7,118,845	(7,118,845)	183,310,258	6.00%	94.00%
Year 27	183,310,258	5,499,308	7,332,410	(7,332,410)	188,809,565	6.00%	94.00%
Year 28	188,809,565	5,664,287	7,552,383	(7,552,383)	194,473,852	6.00%	94.00%
Year 29	194,473,852	5,834,216	7,778,954	(7,778,954)	200,308,068	6.00%	94.00%
Year 30	200,308,068	6,009,242	8,012,323	(8,012,323)	206,317,310	6.00%	94.00%

Schedule 6
Bob and Betsy Bossdaughter
Hypothetical Technique #10: Third Party Gift to a Trust in Which the Beneficiary is Taxed Under 678 but not Taxable in the Beneficiary's Estate (678 Trust); Creation of a Single Member FLLC with Contribution of Non-Managing Member Interests to a 3-Year GRAT in Which There is No Gift Because of a Purchase by the 678 Trust; the GRAT Remaindermen is a 678 Trust Created for the Benefit of the Grantor and His Family; Bequeaths Estate to Family (assumes $25.5mm exemption is available)

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

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate (NY)	25.00%
Ordinary Tax Rate (NY)	44.60%
Consumption (increasing 3% per year)	$1,500,000

Assumptions (continued):	
Bossdaughter FLP Distributions	4.00%
Bossdaughter FLP Valuation Discount	30.00%
Holdco, FLLC Distributions	10.00%
Holdco, FLLC Valuation Discount	30.00%
IRS 7520 Rate	1.00%
Annual Annuity Payment from GRAT	$1,377,436
IRS Intra-Family Interest Rate (Mid-Term)	0.87%
IRS Intra-Family Interest Rate (Short-Term)	0.21%

Holdco, FLLC

	Beginning of Year - Value	Income	Growth	FLP Distributions	Note Payments	Distributions	End of Year - Value	Ownership: Betsy Bossdaughter	Ownership: GRAT & 678 Trusts
Year 1	2,000,000	60,000	80,000	-	-	-	2,140,000	100.00%	0.00%
Year 2	2,140,000	64,200	85,600	3,291,880	(109,488)	(1,391,349)	4,080,843	1.00%	99.00%
Year 3	4,080,843	122,425	163,234	3,390,636	(109,488)	(1,391,349)	6,256,301	1.00%	99.00%
Year 4	6,256,301	187,689	250,252	3,492,355	(109,488)	(1,391,349)	8,685,760	1.00%	99.00%
Year 5	8,685,760	260,573	347,430	3,597,126	(453,592)	(1,228,289)	11,209,009	1.00%	99.00%
Year 6	11,209,009	336,270	448,360	3,705,040	(453,592)	(1,491,405)	13,753,683	1.00%	99.00%
Year 7	13,753,683	412,610	550,147	3,816,191	(453,592)	(1,756,987)	16,322,053	1.00%	99.00%
Year 8	16,322,053	489,662	652,882	3,930,677	(453,592)	(2,025,273)	18,916,408	1.00%	99.00%
Year 9	18,916,408	567,492	756,656	4,048,597	(5,453,592)	(2,296,501)	16,539,062	1.00%	99.00%
Year 10	16,539,062	496,172	661,562	4,170,055	(4,410,092)	(2,070,912)	15,385,847	1.00%	99.00%
Year 11	15,385,847	461,575	615,434	4,295,157	(5,375,292)	(1,968,100)	13,414,621	1.00%	99.00%
Year 12	13,414,621	402,439	536,585	4,424,011	(5,331,792)	(1,783,863)	11,662,001	1.00%	99.00%
Year 13	11,662,001	349,860	466,480	4,556,732	(5,288,292)	(1,621,873)	10,124,908	1.00%	99.00%
Year 14	10,124,908	303,747	404,996	4,693,434	(5,744,792)	(1,481,834)	8,300,459	1.00%	99.00%
Year 15	8,300,459	249,014	332,018	4,834,237	(6,196,942)	(1,313,470)	6,205,316	1.00%	99.00%
Year 16	6,205,316	186,159	248,213	4,979,264	(6,144,742)	(1,118,458)	4,355,752	1.00%	99.00%
Year 17	4,355,752	130,673	174,230	5,128,642	(4,592,542)	(948,439)	4,248,316	1.00%	99.00%
Year 18	4,248,316	127,449	169,933	5,282,501	(4,553,392)	(953,082)	4,321,725	1.00%	99.00%
Year 19	4,321,725	129,652	172,869	5,440,976	(1,651,242)	(976,270)	7,437,710	1.00%	99.00%
Year 20	7,437,710	223,131	297,508	5,604,205	-	(1,304,192)	12,258,363	1.00%	99.00%
Year 21	12,258,363	367,751	490,335	5,772,332	-	(1,803,069)	17,085,711	1.00%	99.00%
Year 22	17,085,711	512,571	683,428	5,945,501	-	(2,303,121)	21,924,091	1.00%	99.00%
Year 23	21,924,091	657,723	876,964	6,123,866	-	(2,804,796)	26,777,848	1.00%	99.00%
Year 24	26,777,848	803,335	1,071,114	6,307,582	-	(3,308,543)	31,651,337	1.00%	99.00%
Year 25	31,651,337	949,540	1,266,053	6,496,810	-	(3,814,815)	36,548,926	1.00%	99.00%
Year 26	36,548,926	1,096,468	1,461,957	6,691,714	-	(4,324,064)	41,475,001	1.00%	99.00%
Year 27	41,475,001	1,244,250	1,659,000	6,892,466	-	(4,836,747)	46,433,970	1.00%	99.00%
Year 28	46,433,970	1,393,019	1,857,359	7,099,240	-	(5,353,321)	51,430,266	1.00%	99.00%
Year 29	51,430,266	1,542,908	2,057,211	7,312,217	-	(5,874,248)	56,468,354	1.00%	99.00%
Year 30	56,468,354	1,694,051	2,258,734	7,531,583	-	(6,399,994)	61,552,728	1.00%	99.00%

Schedule 6
Bob and Betsy Bossdaughter
Hypothetical Technique #10: Third Party Gift to a Trust in Which the Beneficiary is Taxed Under 678 but not Taxable in the Beneficiary's Estate (678 Trust); Creation of a Single Member FLLC with Contribution of Non-Managing Member Interests to a 3-Year GRAT in Which There is No Gift Because of a Purchase by the 678 Trust; the GRAT Remaindermen is a 678 Trust Created for the Benefit of the Grantor and His Family; Bequeaths Estate to Family (assumes $25.5mm exemption is available)

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate (NY)	25.00%
Ordinary Tax Rate (NY)	44.60%
Consumption (increasing 3% per year)	$1,500,000

Assumptions (continued):	
Bossdaughter FLP Distributions	4.00%
Bossdaughter FLP Valuation Discount	30.00%
Holdco, FLLC Distributions	10.00%
Holdco, FLLC Valuation Discount	30.00%
IRS 7520 Rate	1.00%
Annual Annuity Payment from GRAT	$1,377,436
IRS Intra-Family Interest Rate (Mid-Term)	0.87%
IRS Intra-Family Interest Rate (Short-Term)	0.21%

3-Year GRATs

	Beginning of Year - Financial Assets	Income	Growth	Distributions from Holdco, FLLC	Annuity Payment	GRAT Terminates	End of Year - Financial Assets
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	1,377,436	(1,377,436)	-	-
Year 3	-	-	-	1,377,436	(1,377,436)	-	-
Year 4	-	-	-	1,377,436	(1,377,436)	-	-
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	-	-	-	-	-	-	-
Year 21	-	-	-	-	-	-	-
Year 22	-	-	-	-	-	-	-
Year 23	-	-	-	-	-	-	-
Year 24	-	-	-	-	-	-	-
Year 25	-	-	-	-	-	-	-
Year 26	-	-	-	-	-	-	-
Year 27	-	-	-	-	-	-	-
Year 28	-	-	-	-	-	-	-
Year 29	-	-	-	-	-	-	-
Year 30	-	-	-	-	-	-	-

Schedule 6
Bob and Betsy Bossdaughter
Hypothetical Technique #10: Third Party Gift to a Trust in Which the Beneficiary is Taxed Under 678 but not Taxable in the Beneficiary's Estate (678 Trust); Creation of a Single Member FLLC with Contribution of Non-Managing Member Interests to a 3-Year GRAT in Which There is No Gift Because of a Purchase by the 678 Trust; the GRAT Remaindermen is a 678 Trust Created for the Benefit of the Grantor and His Family; Bequeaths Estate to Family (assumes $25.5mm exemption is available)

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

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate (NY)	25.00%
Ordinary Tax Rate (NY)	44.60%
Consumption (increasing 3% per year)	$1,500,000

Assumptions (continued):	
Bossdaughter FLP Distributions	4.00%
Bossdaughter FLP Valuation Discount	30.00%
Holdco, FLLC Distributions	10.00%
Holdco, FLLC Valuation Discount	30.00%
IRS 7520 Rate	1.00%
Annual Annuity Payment from GRAT	$1,377,436
IRS Intra-Family Interest Rate (Mid-Term)	0.87%
IRS Intra-Family Interest Rate (Short-Term)	0.21%

678 Trust (Created by 3rd Party)

	Beginning of Year - Financial Assets	Income	Growth	Distributions from Holdco, FLLC	GRAT Terminates	Gift from 3rd Party	Payment to Bossdaughters	Beneficiary Distributions	Income Taxes	End of Year - Financial Assets
Year 1	-	-	-	-	-	5,000	(4,000)	-	-	1,000
Year 2	1,000	30	40	-	-	-	-	-	-	1,070
Year 3	1,070	32	43	-	-	-	-	-	-	1,145
Year 4	1,145	34	46	-	-	-	-	-	-	1,225
Year 5	1,225	37	49	1,216,006	-	-	-	-	-	1,217,317
Year 6	1,217,317	36,519	48,693	1,476,491	-	-	-	-	-	2,779,020
Year 7	2,779,020	83,371	111,161	1,739,418	-	-	-	-	-	4,712,968
Year 8	4,712,968	141,389	188,519	2,005,020	-	-	-	-	-	7,047,897
Year 9	7,047,897	211,437	281,916	2,273,536	-	-	-	-	-	9,814,785
Year 10	9,814,785	294,444	392,591	2,050,203	-	-	-	-	-	12,552,022
Year 11	12,552,022	376,561	502,081	1,948,419	-	-	-	-	-	15,379,083
Year 12	15,379,083	461,372	615,163	1,766,025	-	-	-	-	-	18,221,644
Year 13	18,221,644	546,649	728,866	1,605,655	-	-	-	-	-	21,102,813
Year 14	21,102,813	633,084	844,113	1,467,016	-	-	-	-	-	24,047,026
Year 15	24,047,026	721,411	961,881	1,300,335	-	-	-	-	-	27,030,653
Year 16	27,030,653	810,920	1,081,226	1,107,273	-	-	-	-	-	30,030,072
Year 17	30,030,072	900,902	1,201,203	938,955	-	-	-	-	-	33,071,132
Year 18	33,071,132	992,134	1,322,845	943,551	-	-	-	-	-	36,329,662
Year 19	36,329,662	1,089,890	1,453,186	966,507	-	-	-	(2,871,316)	-	36,967,930
Year 20	36,967,930	1,109,038	1,478,717	1,291,150	-	-	-	(6,645,272)	-	34,201,563
Year 21	34,201,563	1,026,047	1,368,063	1,785,039	-	-	-	(6,856,504)	-	31,524,207
Year 22	31,524,207	945,726	1,260,968	2,280,090	-	-	-	(7,074,892)	-	28,936,100
Year 23	28,936,100	868,083	1,157,444	2,776,748	-	-	-	(7,300,710)	-	26,437,664
Year 24	26,437,664	793,130	1,057,507	3,275,458	-	-	-	(7,534,233)	-	24,029,525
Year 25	24,029,525	720,886	961,181	3,776,667	-	-	-	(7,775,742)	-	21,712,516
Year 26	21,712,516	651,375	868,501	4,280,823	-	-	-	(8,025,522)	-	19,487,693
Year 27	19,487,693	584,631	779,508	4,788,379	-	-	-	(8,283,870)	-	17,356,340
Year 28	17,356,340	520,690	694,254	5,299,788	-	-	-	(8,551,090)	-	15,319,982
Year 29	15,319,982	459,599	612,799	5,815,506	-	-	-	(8,827,495)	-	13,380,392
Year 30	13,380,392	401,412	535,216	6,335,994	-	-	-	(14,964,852)	-	5,688,161

Schedule 6
Bob and Betsy Bossdaughter
Hypothetical Technique #10: Third Party Gift to a Trust in Which the Beneficiary is Taxed Under 678 but not Taxable in the Beneficiary's Estate (678 Trust); Creation of a Single Member FLLC with Contribution of Non-Managing Member Interests to a 3-Year GRAT in Which There is No Gift Because of a Purchase by the 678 Trust; the GRAT Remaindermen is a 678 Trust Created for the Benefit of the Grantor and His Family; Bequeaths Estate to Family (assumes $25.5mm exemption is available)

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate (NY)	25.00%
Ordinary Tax Rate (NY)	44.60%
Consumption (increasing 3% per year)	$1,500,000

Assumptions (continued):	
Bossdaughter FLP Distributions	4.00%
Bossdaughter FLP Valuation Discount	30.00%
Holdco, FLLC Distributions	10.00%
Holdco, FLLC Valuation Discount	30.00%
IRS 7520 Rate	1.00%
Annual Annuity Payment from GRAT	$1,377,436
IRS Intra-Family Interest Rate (Mid-Term)	0.87%
IRS Intra-Family Interest Rate (Short-Term)	0.21%

Note #1 Between Betsy Bossdaughter and Holdco, FLLC for the Purchase of Financial Assets

	Beginning of Year - Principal Balance	Interest	Note Payment	End of Year - Financial Assets
Year 1	-	-	-	-
Year 2	52,137,000	109,488	(109,488)	52,137,000
Year 3	52,137,000	109,488	(109,488)	52,137,000
Year 4	52,137,000	109,488	(109,488)	52,137,000
Year 5	52,137,000	453,592	(453,592)	52,137,000
Year 6	52,137,000	453,592	(453,592)	52,137,000
Year 7	52,137,000	453,592	(453,592)	52,137,000
Year 8	52,137,000	453,592	(453,592)	52,137,000
Year 9	52,137,000	453,592	(5,453,592)	47,137,000
Year 10	47,137,000	410,092	(4,410,092)	43,137,000
Year 11	43,137,000	375,292	(5,375,292)	38,137,000
Year 12	38,137,000	331,792	(5,331,792)	33,137,000
Year 13	33,137,000	288,292	(5,288,292)	28,137,000
Year 14	28,137,000	244,792	(5,744,792)	22,637,000
Year 15	22,637,000	196,942	(6,196,942)	16,637,000
Year 16	16,637,000	144,742	(6,144,742)	10,637,000
Year 17	10,637,000	92,542	(4,592,542)	6,137,000
Year 18	6,137,000	53,392	(4,553,392)	1,637,000
Year 19	1,637,000	14,242	(1,651,242)	-
Year 20	-	-	-	-
Year 21	-	-	-	-
Year 22	-	-	-	-
Year 23	-	-	-	-
Year 24	-	-	-	-
Year 25	-	-	-	-
Year 26	-	-	-	-
Year 27	-	-	-	-
Year 28	-	-	-	-
Year 29	-	-	-	-
Year 30	-	-	-	-

Schedule 7
Rachel Reluctant
Hypothetical Integrated Income and Estate Tax Plan Comparisons (assuming Rachel Reluctant has a life expectancy of 15 years)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Pre-Death	Post Death	Present Values (Discounted at 3%)	Percentage of Total
No Further Planning: Bequeaths Estate to Family (assumes $8.18mm estate tax exemption available at death)				
Rachel Reluctant	16,885,609	-	-	0.00%
Reluctant Children	-	5,223,365	3,352,679	15.78%
Reluctant Children and Grandchildren	-	8,180,000	5,250,431	24.71%
Consumption - Direct Cost	5,579,674	5,579,674	3,581,381	16.85%
Consumption - Investment Opportunity Cost	3,428,307	3,428,307	2,200,500	10.35%
IRS - Income Tax	4,466,354	4,466,354	2,866,783	13.49%
IRS - Investment Opportunity Costs	2,748,435	2,748,435	1,764,116	8.30%
IRS - Estate Tax (at 40.0%)	-	3,482,243	2,235,120	10.52%
Total	$33,108,378	$33,108,378	$21,251,008	100.00%
Hypothetical Technique 12: Creation of a FLLC; Gift of Growth Non-Managing Member Interests to a GST Exempt Grantor Trust; Bequeaths Estate to Family; $2.5mm Non-Managing Member Non-Cumulative Preferred Not Taxed in Estate (assumes $5.43mm estate tax exemption available at death which includes an additional $2.5mm mitigation of preferred)				
Rachel Reluctant	6,670,116	-	-	0.00%
Reluctant Children	-	744,070	477,590	2.25%
Reluctant Children and Grandchildren	9,857,152	15,287,152	9,812,241	46.17%
Consumption - Direct Cost	5,579,674	5,579,674	3,581,381	16.85%
Consumption - Investment Opportunity Cost	3,428,307	3,428,307	2,200,500	10.35%
IRS - Income Tax	4,824,695	4,824,695	3,096,788	14.57%
IRS - Investment Opportunity Costs	2,748,435	2,748,435	1,764,116	8.30%
IRS - Estate Tax (at 40.0%)	-	496,046	318,393	1.50%
Total	$33,108,378	$33,108,378	$21,251,008	100.00%

Calculation of Future Estate Tax Exemption and GST Exemption at Death in 15 Years	Estate Tax Exemption	GST Exemption
Current Exemption	5,250,000	5,250,000
Future Exemption in 15 years (assumes 3% inflation)	8,180,000	8,180,000
Gifts Made in Prior Years	(5,250,000)	(2,750,000)
Future Exemption Available	2,930,000	5,430,000
Future Exemption Plus Mitigation of Preferred Value	5,430,000	

Schedule 7
Rachel Reluctant
Asset Page

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Rachel Reluctant
Assets*	
FMV: Financial Assets	$12,000,000
Basis: Financial Assets	$12,000,000
Total Assets:	**$12,000,000**
Total Basis:	**$12,000,000**

* Information provided by client. There is no proposed planning for Rachel Reluctant's other assets.

Schedule 7
Rachel Reluctant
No Further Planning: Bequeaths Estate to Family (assumes $8.18mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$300,000

Rachel Reluctant

	Beginning of Year Financial Assets	Income	Growth	Consumption	Income Taxes	End of Year Financial Assets
Year 1	12,000,000	360,000	480,000	(300,000)	(196,560)	12,343,440
Year 2	12,343,440	370,303	493,738	(309,000)	(227,386)	12,671,095
Year 3	12,671,095	380,133	506,844	(318,270)	(251,114)	12,988,688
Year 4	12,988,688	389,661	519,548	(327,818)	(269,857)	13,300,221
Year 5	13,300,221	399,007	532,009	(337,653)	(285,105)	13,608,479
Year 6	13,608,479	408,254	544,339	(347,782)	(297,911)	13,915,379
Year 7	13,915,379	417,461	556,615	(358,216)	(309,014)	14,222,226
Year 8	14,222,226	426,667	568,889	(368,962)	(318,939)	14,529,881
Year 9	14,529,881	435,896	581,195	(380,031)	(328,051)	14,838,890
Year 10	14,838,890	445,167	593,556	(391,432)	(336,610)	15,149,570
Year 11	15,149,570	454,487	605,983	(403,175)	(344,796)	15,462,070
Year 12	15,462,070	463,862	618,483	(415,270)	(352,735)	15,776,409
Year 13	15,776,409	473,292	631,056	(427,728)	(360,514)	16,092,515
Year 14	16,092,515	482,775	643,701	(440,560)	(368,194)	16,410,238
Year 15	16,410,238	492,307	656,410	(453,777)	(219,569)	16,885,609

Schedule 7
Rachel Reluctant
Hypothetical Technique 12: Creation of a FLLC; Gift of Growth Non-Managing Member Interests to a GST Exempt Grantor Trust; Bequeaths Estate to Family; $2.5mm Non-Managing Member Non-Cumulative Preferred Not Taxed in Estate (assumes $5.43mm estate tax exemption available at death which includes an additional $2.5mm mitigation of preferred)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$300,000

Assumptions (continued):	
Reluctant FLLC Distributions	1.00%
Reluctant FLLC Valuation Discount	30.00%
Reluctant FLLC Non-Managing, Non-Cumulative Preferred Interest	$2,500,000
Reluctant FLLC Preferred Coupon	7.00%

Rachel Reluctant

	Beginning of Year Financial Assets	Income	Growth	FLP Preferred Coupon	FLP Growth Distributions	Consumption	Income Taxes	End of Year Financial Assets
Year 1	5,571,430	167,143	222,857	175,000	643	(300,000)	(196,560)	5,640,513
Year 2	5,640,513	169,215	225,621	180,250	664	(309,000)	(227,386)	5,679,877
Year 3	5,679,877	170,396	227,195	185,658	686	(318,270)	(251,114)	5,694,428
Year 4	5,694,428	170,833	227,777	191,227	708	(327,818)	(269,857)	5,687,299
Year 5	5,687,299	170,619	227,492	196,964	732	(337,653)	(285,105)	5,660,347
Year 6	5,660,347	169,810	226,414	202,873	756	(347,782)	(297,911)	5,614,507
Year 7	5,614,507	168,435	224,580	208,959	781	(358,216)	(309,014)	5,550,033
Year 8	5,550,033	166,501	222,001	215,228	807	(368,962)	(318,939)	5,466,669
Year 9	5,466,669	164,000	218,667	221,685	834	(380,031)	(328,051)	5,363,772
Year 10	5,363,772	160,913	214,551	228,335	862	(391,432)	(336,610)	5,240,392
Year 11	5,240,392	157,212	209,616	235,185	891	(403,175)	(344,796)	5,095,324
Year 12	5,095,324	152,860	203,813	242,241	920	(415,270)	(352,735)	4,927,153
Year 13	4,927,153	147,815	197,086	249,508	951	(427,728)	(360,514)	4,734,271
Year 14	4,734,271	142,028	189,371	256,993	984	(440,560)	(368,194)	4,514,893
Year 15	4,514,893	135,447	180,596	264,703	1,017	(453,777)	(577,909)	4,064,969

Schedule 7
Rachel Reluctant
Hypothetical Technique 12: Creation of a FLLC; Gift of Growth Non-Managing Member Interests to a GST Exempt Grantor Trust; Bequeaths Estate to Family; $2.5mm Non-Managing Member Non-Cumulative Preferred Not Taxed in Estate (assumes $5.43mm estate tax exemption available at death which includes an additional $2.5mm mitigation of preferred)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$300,000

Assumptions (continued):	
Reluctant FLLC Distributions	1.00%
Reluctant FLLC Valuation Discount	30.00%
Reluctant FLLC Non-Managing, Non-Cumulative Preferred Interest	$2,500,000
Reluctant FLLC Preferred Coupon	7.00%

Reluctant FLLC

	Beginning of Year Financial Assets	Income	Growth	Preferred Coupon	Growth Distributions	End of Year Financial Assets
Year 1	6,428,570	192,857	257,143	(175,000)	(64,286)	6,639,284
Year 2	6,639,284	199,179	265,571	(180,250)	(66,393)	6,857,391
Year 3	6,857,391	205,722	274,296	(185,658)	(68,574)	7,083,177
Year 4	7,083,177	212,495	283,327	(191,227)	(70,832)	7,316,941
Year 5	7,316,941	219,508	292,678	(196,964)	(73,169)	7,558,993
Year 6	7,558,993	226,770	302,360	(202,873)	(75,590)	7,809,660
Year 7	7,809,660	234,290	312,386	(208,959)	(78,097)	8,069,280
Year 8	8,069,280	242,078	322,771	(215,228)	(80,693)	8,338,209
Year 9	8,338,209	250,146	333,528	(221,685)	(83,382)	8,616,817
Year 10	8,616,817	258,505	344,673	(228,335)	(86,168)	8,905,490
Year 11	8,905,490	267,165	356,220	(235,185)	(89,055)	9,204,634
Year 12	9,204,634	276,139	368,185	(242,241)	(92,046)	9,514,672
Year 13	9,514,672	285,440	380,587	(249,508)	(95,147)	9,836,044
Year 14	9,836,044	295,081	393,442	(256,993)	(98,360)	10,169,213
Year 15	10,169,213	305,076	406,769	(264,703)	(101,692)	10,514,663

Growth Interest Ownership	
Rachel Reluctant	**GST Exempt Grantor Trust**
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%
1.00%	99.00%

Schedule 7
Rachel Reluctant
Hypothetical Technique 12: Creation of a FLLC; Gift of Growth Non-Managing Member Interests to a GST Exempt Grantor Trust; Bequeaths Estate to Family; $2.5mm Non-Managing Member Non-Cumulative Preferred Not Taxed in Estate (assumes $5.43mm estate tax exemption available at death which includes an additional $2.5mm mitigation of preferred)

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Consumption from these Sources (increasing 3% per year)	$300,000

Assumptions (continued):	
Reluctant FLLC Distributions	1.00%
Reluctant FLLC Valuation Discount	30.00%
Reluctant FLLC Non-Managing, Non-Cumulative Preferred Interest	$2,500,000
Reluctant FLLC Preferred Coupon	7.00%

GST Exempt Grantor Trust for the Benefit of the Rachel Reluctant's Descendants

	Beginning of Year Financial Assets	Income	Growth	FLP Growth Distributions	Income Taxes	End of Year Financial Assets
Year 1	-	-	-	63,643	-	63,643
Year 2	63,643	1,909	2,546	65,729	-	133,827
Year 3	133,827	4,015	5,353	67,888	-	211,083
Year 4	211,083	6,332	8,443	70,123	-	295,982
Year 5	295,982	8,879	11,839	72,438	-	389,139
Year 6	389,139	11,674	15,566	74,834	-	491,212
Year 7	491,212	14,736	19,648	77,316	-	602,913
Year 8	602,913	18,087	24,117	79,886	-	725,002
Year 9	725,002	21,750	29,000	82,548	-	858,301
Year 10	858,301	25,749	34,332	85,306	-	1,003,688
Year 11	1,003,688	30,111	40,148	88,164	-	1,162,111
Year 12	1,162,111	34,863	46,484	91,126	-	1,334,585
Year 13	1,334,585	40,038	53,383	94,195	-	1,522,201
Year 14	1,522,201	45,666	60,888	97,377	-	1,726,132
Year 15	1,726,132	51,784	69,045	100,675	-	1,947,636

Schedule 8

Insurance Family

Hypothetical Integrated Income and Estate Tax Plan Comparisons - Surviving Spouse Dies End of Year 10

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Future Value in 30 Years	Present Value (Discounted at 3%)	Percentage of Total
No Further Planning; Bequeaths Estate to Family (assumes $14.1mm estate tax exemption available)			
Insurance Children	225,689,299	92,981,003	28.78%
Insurance Children & Grandchildren	-	-	0.00%
Consumption - Direct Cost	22,927,759	9,445,933	2.92%
Consumption - Investment Opportunity Cost	97,658,377	40,233,958	12.46%
IRS - Income Tax	91,990,591	37,898,906	11.73%
IRS - Investment Opportunity Costs	295,649,733	121,803,775	37.71%
IRS - Estate Tax (at 40%)	50,146,512	20,659,699	6.40%
Total	$784,062,269	$323,023,274	100.00%
Hypothetical Technique #13: Bequeaths Estate to Family (assumes $14.1mm estate tax exemption available)			
Insurance Children	100,174,771	41,270,679	12.78%
Insurance Children & Grandchildren	291,214,944	119,976,701	37.14%
Consumption - Direct Cost	22,927,759	9,445,933	2.92%
Consumption - Investment Opportunity Cost	97,658,377	40,233,958	12.46%
IRS - Income Tax	145,306,217	59,864,238	18.53%
IRS - Investment Opportunity Costs	247,024,872	101,770,976	31.51%
IRS - Estate Tax (at 45%)	17,026,275	7,014,600	2.17%
Investment Opportunity Cost/(Benefit) of Buying Life Insurance	(137,270,945)	(56,553,812)	-17.51%
Total	$784,062,269	$323,023,274	100.00%

Schedule 8

Insurance Family

Asset Page

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Family Limited Partnership	
Asset: Miscellaneous Assets	$100,000,000
Basis: Miscellaneous Assets	$100,000,000
Miscellaneous Assets:	
Asset: Cash	$3,000,000
Basis: Cash	$3,000,000
Total Assets*	**$103,000,000**
Total Basis	**$103,000,000**

* There is not any proposed planning for Ian & Inez Insurance's other assets

Schedule 8

Insurance Family

No Further Planning; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	$2,000,000

Ian & Inez Insurance

	Beginning of Year Financial Assets	Income	Growth	Consumption	Income Taxes	End of Year Financial Assets	Estate Taxes (at 40%)	Bequest to Children
Year 1	103,000,000	3,090,000	4,120,000	(2,000,000)	(1,687,140)	106,522,860	-	-
Year 2	106,522,860	3,195,686	4,260,914	(2,060,000)	(1,961,144)	109,958,316	-	-
Year 3	109,958,316	3,298,749	4,398,333	(2,121,800)	(2,176,225)	113,357,373	-	-
Year 4	113,357,373	3,400,721	4,534,295	(2,185,454)	(2,350,282)	116,756,653	-	-
Year 5	116,756,653	3,502,700	4,670,266	(2,251,018)	(2,495,966)	120,182,635	-	-
Year 6	120,182,635	3,605,479	4,807,305	(2,318,548)	(2,622,225)	123,654,646	-	-
Year 7	123,654,646	3,709,639	4,946,186	(2,388,105)	(2,735,390)	127,186,977	-	-
Year 8	127,186,977	3,815,609	5,087,479	(2,459,748)	(2,839,946)	130,790,371	-	-
Year 9	130,790,371	3,923,711	5,231,615	(2,533,540)	(2,939,075)	134,473,081	-	-
Year 10	134,473,081	4,034,192	5,378,923	(2,609,546)	(1,799,250)	139,477,401	50,146,512	89,330,889
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 8

Insurance Family

No Further Planning; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	$2,000,000

Schedule 8

Insurance Family

No Further Planning; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	$2,000,000

Insurance Children

	Beginning of Year Financial Assets	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	-	-	-	-	89,330,889	89,330,889
Year 11	89,330,889	2,679,927	3,573,236	(1,463,240)	-	94,120,812
Year 12	94,120,812	2,823,624	3,764,832	(1,729,294)	-	98,979,975
Year 13	98,979,975	2,969,399	3,959,199	(1,950,262)	-	103,958,311
Year 14	103,958,311	3,118,749	4,158,332	(2,140,974)	-	109,094,418
Year 15	109,094,418	3,272,833	4,363,777	(2,311,975)	-	114,419,053
Year 16	114,419,053	3,432,572	4,576,762	(2,470,788)	-	119,957,598
Year 17	119,957,598	3,598,728	4,798,304	(2,622,808)	-	125,731,822
Year 18	125,731,822	3,771,955	5,029,273	(2,771,930)	-	131,761,119
Year 19	131,761,119	3,952,834	5,270,445	(2,920,994)	-	138,063,403
Year 20	138,063,403	4,141,902	5,522,536	(3,072,100)	-	144,655,742
Year 21	144,655,742	4,339,672	5,786,230	(3,226,829)	-	151,554,815
Year 22	151,554,815	4,546,644	6,062,193	(3,386,403)	-	158,777,249
Year 23	158,777,249	4,763,317	6,351,090	(3,551,791)	-	166,339,866
Year 24	166,339,866	4,990,196	6,653,595	(3,723,793)	-	174,259,864
Year 25	174,259,864	5,227,796	6,970,395	(3,903,092)	-	182,554,962
Year 26	182,554,962	5,476,649	7,302,198	(4,090,297)	-	191,243,512
Year 27	191,243,512	5,737,305	7,649,740	(4,285,967)	-	200,344,591
Year 28	200,344,591	6,010,338	8,013,784	(4,490,634)	-	209,878,078
Year 29	209,878,078	6,296,342	8,395,123	(4,704,820)	-	219,864,724
Year 30	219,864,724	6,595,942	8,794,589	(9,565,956)	-	225,689,299

Schedule 8

Insurance Family

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest % Ownership in Insurance FLP	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Insurance FLP

	Beginning of Year	Income	Growth	Growth Interest Distributions	Preferred Coupon Distribution	End of Year	Growth Interest % Ownership: Ian & Inez Insurance	Growth Interest % Ownership: GST Exempt Grantor Trust
Year 1	100,000,000	3,000,000	4,000,000	(3,138,000)	(3,150,000)	100,712,000	94.07%	5.93%
Year 2	100,712,000	3,021,360	4,028,480	(3,370,343)	(3,150,000)	101,241,497	87.72%	12.28%
Year 3	101,241,497	3,037,245	4,049,660	(3,535,453)	(3,150,000)	101,642,949	80.86%	19.14%
Year 4	101,642,949	3,049,288	4,065,718	(3,653,110)	(3,150,000)	101,954,846	1.00%	99.00%
Year 5	101,954,846	3,058,645	4,078,194	(3,737,281)	(3,150,000)	102,204,404	1.00%	99.00%
Year 6	102,204,404	3,066,132	4,088,176	(3,797,836)	(3,150,000)	102,410,876	1.00%	99.00%
Year 7	102,410,876	3,072,326	4,096,435	(3,841,746)	(3,150,000)	102,587,892	1.00%	99.00%
Year 8	102,587,892	3,077,637	4,103,516	(3,873,936)	(3,150,000)	102,745,109	1.00%	99.00%
Year 9	102,745,109	3,082,353	4,109,804	(3,897,885)	(3,150,000)	102,889,381	1.00%	99.00%
Year 10	102,889,381	3,086,681	4,115,575	(6,240,179)	(3,150,000)	100,701,459	1.00%	99.00%

Ian & Inez Insurance

	Beginning of Year	Income	Growth	Growth Interest Distribution from	Note Payments - Preferred Ownership	Note 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	-	-	-	3,138,000	234,900	-	2,515,100	(2,000,000)	(1,687,140)	2,200,860	-	-
Year 2	2,200,860	66,026	88,034	3,170,547	234,900	-	2,714,895	(2,060,000)	(1,954,592)	4,460,670	-	-
Year 3	4,460,670	133,820	178,427	3,101,320	234,900	-	2,949,233	(2,121,800)	(2,161,930)	6,774,641	-	-
Year 4	6,774,641	203,239	270,986	36,531	2,750,000	3,616,578	-	(2,185,454)	(2,327,254)	9,139,267	-	-
Year 5	9,139,267	274,178	365,571	37,373	2,750,000	3,699,908	-	(2,251,018)	(2,463,351)	11,551,928	-	-
Year 6	11,551,928	346,558	462,077	37,978	2,750,000	3,759,858	-	(2,318,548)	(2,579,258)	14,010,593	-	-
Year 7	14,010,593	420,318	560,424	38,417	2,750,000	3,803,328	-	(2,388,105)	(2,681,359)	16,513,616	-	-
Year 8	16,513,616	495,408	660,545	38,739	2,750,000	3,835,196	-	(2,459,748)	(2,774,171)	19,059,586	-	-
Year 9	19,059,586	571,788	762,383	38,979	2,750,000	3,858,907	-	(2,533,540)	(2,860,889)	21,647,214	-	-
Year 10	21,647,214	649,416	865,889	62,402	11,678,070	28,483,788	-	(2,609,546)	(5,107,436)	55,669,796	17,026,275	38,643,520

Schedule 8

Insurance Family

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest % Ownership in Insurance FLP	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Insurance GST Exempt Grantor Trust

	Beginning of Year	Income	Growth	Growth Interest Distribution from	Preferred Coupon Distribution from	Annual Insurance Premium	Death Benefit Value of Insurance	Note Payments - Preferred Ownership	Note Payments - Growth Interest	Purchase of Additional Insurance FLP Growth	Income Taxes	End of Year
Year 1	3,000,000	90,000	120,000	-	3,150,000	(400,000)	-	(234,900)	-	(2,515,100)	-	3,210,000
Year 2	3,210,000	96,300	128,400	199,795	3,150,000	(400,000)	-	(234,900)	-	(2,714,895)	-	3,434,700
Year 3	3,434,700	103,041	137,388	434,133	3,150,000	(400,000)	-	(234,900)	-	(2,949,233)	-	3,675,129
Year 4	3,675,129	110,254	147,005	3,616,578	3,150,000	(400,000)	-	(2,750,000)	(3,616,578)	-	-	3,932,388
Year 5	3,932,388	117,972	157,296	3,699,908	3,150,000	(400,000)	-	(2,750,000)	(3,699,908)	-	-	4,207,655
Year 6	4,207,655	126,230	168,306	3,759,858	3,150,000	(400,000)	-	(2,750,000)	(3,759,858)	-	-	4,502,191
Year 7	4,502,191	135,066	180,088	3,803,328	3,150,000	(400,000)	-	(2,750,000)	(3,803,328)	-	-	4,817,344
Year 8	4,817,344	144,520	192,694	3,835,196	3,150,000	(400,000)	-	(2,750,000)	(3,835,196)	-	-	5,154,559
Year 9	5,154,559	154,637	206,182	3,858,907	3,150,000	(400,000)	-	(2,750,000)	(3,858,907)	-	-	5,515,378
Year 10	5,515,378	165,461	220,615	6,177,777	3,150,000	(400,000)	41,000,000	(11,678,070)	(28,483,788)	-	-	15,667,373
Year 11	115,361,817	3,460,855	4,614,473	-	-	-	-	-	-	-	(1,922,640)	121,514,504
Year 12	121,514,504	3,645,435	4,860,580	-	-	-	-	-	-	-	(2,255,777)	127,764,743
Year 13	127,764,743	3,832,942	5,110,590	-	-	-	-	-	-	-	(2,533,726)	134,174,549
Year 14	134,174,549	4,025,236	5,366,982	-	-	-	-	-	-	-	(2,774,742)	140,792,025
Year 15	140,792,025	4,223,761	5,631,681	-	-	-	-	-	-	-	(2,991,814)	147,655,653
Year 16	147,655,653	4,429,670	5,906,226	-	-	-	-	-	-	-	(3,194,211)	154,797,337
Year 17	154,797,337	4,643,920	6,191,893	-	-	-	-	-	-	-	(3,388,586)	162,244,565
Year 18	162,244,565	4,867,337	6,489,783	-	-	-	-	-	-	-	(3,579,744)	170,021,940
Year 19	170,021,940	5,100,658	6,800,878	-	-	-	-	-	-	-	(3,771,198)	178,152,279
Year 20	178,152,279	5,344,568	7,126,091	-	-	-	-	-	-	-	(3,965,547)	186,657,391
Year 21	186,657,391	5,599,722	7,466,296	-	-	-	-	-	-	-	(4,164,757)	195,558,651
Year 22	195,558,651	5,866,760	7,822,346	-	-	-	-	-	-	-	(4,370,347)	204,877,410
Year 23	204,877,410	6,146,322	8,195,096	-	-	-	-	-	-	-	(4,583,533)	214,635,296
Year 24	214,635,296	6,439,059	8,585,412	-	-	-	-	-	-	-	(4,805,317)	224,854,449
Year 25	224,854,449	6,745,633	8,994,178	-	-	-	-	-	-	-	(5,036,564)	235,557,697
Year 26	235,557,697	7,066,731	9,422,308	-	-	-	-	-	-	-	(5,278,043)	246,768,692
Year 27	246,768,692	7,403,061	9,870,748	-	-	-	-	-	-	-	(5,530,468)	258,512,033
Year 28	258,512,033	7,755,361	10,340,481	-	-	-	-	-	-	-	(5,794,519)	270,813,356
Year 29	270,813,356	8,124,401	10,832,534	-	-	-	-	-	-	-	(6,070,862)	283,699,429
Year 30	283,699,429	8,510,983	11,347,977	-	-	-	-	-	-	-	(12,343,445)	291,214,944

Schedule 8

Insurance Family

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest % Ownership in Insurance FLP	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Insurance Children

	Beginning of Year	Income	Growth	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	-	-	-	38,643,520	-	38,643,520
Year 11	39,650,535	1,189,516	1,586,021	-	(649,476)	41,776,597
Year 12	41,776,597	1,253,298	1,671,064	-	(767,567)	43,933,392
Year 13	43,933,392	1,318,002	1,757,336	-	(865,646)	46,143,083
Year 14	46,143,083	1,384,292	1,845,723	-	(950,296)	48,422,803
Year 15	48,422,803	1,452,684	1,936,912	-	(1,026,196)	50,786,203
Year 16	50,786,203	1,523,586	2,031,448	-	(1,096,688)	53,244,549
Year 17	53,244,549	1,597,336	2,129,782	-	(1,164,163)	55,807,504
Year 18	55,807,504	1,674,225	2,232,300	-	(1,230,353)	58,483,677
Year 19	58,483,677	1,754,510	2,339,347	-	(1,296,517)	61,281,017
Year 20	61,281,017	1,838,431	2,451,241	-	(1,363,587)	64,207,102
Year 21	64,207,102	1,926,213	2,568,284	-	(1,432,265)	67,269,334
Year 22	67,269,334	2,018,080	2,690,773	-	(1,503,093)	70,475,094
Year 23	70,475,094	2,114,253	2,819,004	-	(1,576,503)	73,831,848
Year 24	73,831,848	2,214,955	2,953,274	-	(1,652,848)	77,347,230
Year 25	77,347,230	2,320,417	3,093,889	-	(1,732,432)	81,029,104
Year 26	81,029,104	2,430,873	3,241,164	-	(1,815,525)	84,885,616
Year 27	84,885,616	2,546,568	3,395,425	-	(1,902,375)	88,925,234
Year 28	88,925,234	2,667,757	3,557,009	-	(1,993,219)	93,156,781
Year 29	93,156,781	2,794,703	3,726,271	-	(2,088,288)	97,589,467
Year 30	97,589,467	2,927,684	3,903,579	-	(4,245,959)	100,174,771

Schedule 8

Insurance Family

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest % Ownership in Insurance FLP	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Note Between Ian & Inez Insurance and Insurance GST Grantor Trust - Preferred Ownership

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	27,000,000	234,900	(234,900)	27,000,000
Year 2	27,000,000	234,900	(234,900)	27,000,000
Year 3	27,000,000	234,900	(234,900)	27,000,000
Year 4	27,000,000	234,900	(2,750,000)	24,484,900
Year 5	24,484,900	213,019	(2,750,000)	21,947,919
Year 6	21,947,919	190,947	(2,750,000)	19,388,866
Year 7	19,388,866	168,683	(2,750,000)	16,807,549
Year 8	16,807,549	146,226	(2,750,000)	14,203,774
Year 9	14,203,774	123,573	(2,750,000)	11,577,347
Year 10	11,577,347	100,723	(11,678,070)	-
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 8

Insurance Family

HYPOTHETICAL TECHNIQUE: INTEGRATED ESTATE TAX PLAN WITH A PARTNERSHIP; BEQUEATHS ESTATE TO FAMILY

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest % Ownership in Insurance FLP	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Note Between Ian & Inez Insurance and Insurance GST Grantor Trust - Growth Interest

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	48,703,004	423,716	(3,616,578)	45,510,142
Year 5	45,510,142	395,938	(3,699,908)	42,206,172
Year 6	42,206,172	367,194	(3,759,858)	38,813,508
Year 7	38,813,508	337,678	(3,803,328)	35,347,857
Year 8	35,347,857	307,526	(3,835,196)	31,820,187
Year 9	31,820,187	276,836	(3,858,907)	28,238,116
Year 10	28,238,116	245,672	(28,483,788)	-
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 8

Insurance Family

Hypothetical Integrated Income and Estate Tax Plan Comparisons - Surviving Spouse Dies End of Year 30

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Future Value in 30 Years	Present Value (Discounted at 3%)	Percentage of Total	Percentage of Total
No Further Planning; Bequeaths Estate to Family (assumes $25.5mm estate tax exemption available)				
Ian & Inez Insurance	239,263,212	-	-	0.00%
Insurance Children	-	153,752,429	63,343,965	19.61%
Insurance Children & Grandchildren	-	-	-	0.00%
Consumption - Direct Cost	95,150,831	95,150,831	39,200,883	12.14%
Consumption - Investment Opportunity Cost	164,098,797	164,098,797	67,606,532	20.93%
IRS - Income Tax	105,165,355	105,165,355	43,326,734	13.41%
IRS - Investment Opportunity Costs	180,384,074	180,384,074	74,315,850	23.01%
IRS - Estate Tax (at 40%)	-	85,510,782	35,229,310	10.91%
Total	$784,062,269	$784,062,269	323,023,274	100.00%
Hypothetical Technique #13; Bequeaths Estate to Family (assumes $25.5mm estate tax exemption available)				
Ian & Inez Insurance	2,318,772	-	-	0.00%
Insurance Children	-	2,318,772	955,303	0.30%
Insurance Children & Grandchildren	245,735,327	245,735,327	101,239,701	31.34%
Consumption - Direct Cost	95,150,831	95,150,831	39,200,883	12.14%
Consumption - Investment Opportunity Cost	164,098,797	164,098,797	67,606,532	20.93%
IRS - Income Tax	105,211,327	105,211,327	43,345,674	13.42%
IRS - Investment Opportunity Costs	174,762,900	174,762,900	72,000,001	22.29%
IRS - Estate Tax (at 45%)	-	-	-	0.00%
Investment Opportunity Cost/(Benefit) of Buying Life Insurance	(3,215,685)	(3,215,685)	(1,324,820)	-0.41%
Total	$784,062,269	$784,062,269	323,023,274	100.00%

Schedule 8

Insurance Family

Asset Page

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Family Limited Partnership	
Asset: Miscellaneous Assets	$100,000,000
Basis: Miscellaneous Assets	$100,000,000
Miscellaneous Assets:	
Asset: Cash	$3,000,000
Basis: Cash	$3,000,000
Total Assets*	**$103,000,000**
Total Basis	**$103,000,000**

* There is not any proposed planning for Ian & Inez Insurance's other assets

Schedule 8
Insurance Family
No Further Planning; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (with 3% inflation adjustment each year)	$2,000,000

Ian & Inez Insurance

	Beginning of Year Financial Assets	Income	Growth	Consumption	Income Taxes	End of Year Financial Assets
Year 1	103,000,000	3,090,000	4,120,000	(2,000,000)	(1,687,140)	106,522,860
Year 2	106,522,860	3,195,686	4,260,914	(2,060,000)	(1,961,144)	109,958,316
Year 3	109,958,316	3,298,749	4,398,333	(2,121,800)	(2,176,225)	113,357,373
Year 4	113,357,373	3,400,721	4,534,295	(2,185,454)	(2,350,282)	116,756,653
Year 5	116,756,653	3,502,700	4,670,266	(2,251,018)	(2,495,966)	120,182,635
Year 6	120,182,635	3,605,479	4,807,305	(2,318,548)	(2,622,225)	123,654,646
Year 7	123,654,646	3,709,639	4,946,186	(2,388,105)	(2,735,390)	127,186,977
Year 8	127,186,977	3,815,609	5,087,479	(2,459,748)	(2,839,946)	130,790,371
Year 9	130,790,371	3,923,711	5,231,615	(2,533,540)	(2,939,075)	134,473,081
Year 10	134,473,081	4,034,192	5,378,923	(2,609,546)	(3,035,039)	138,241,611
Year 11	138,241,611	4,147,248	5,529,664	(2,687,833)	(3,129,450)	142,101,241
Year 12	142,101,241	4,263,037	5,684,050	(2,768,468)	(3,223,463)	146,056,398
Year 13	146,056,398	4,381,692	5,842,256	(2,851,522)	(3,317,907)	150,110,917
Year 14	150,110,917	4,503,327	6,004,437	(2,937,067)	(3,413,388)	154,268,226
Year 15	154,268,226	4,628,047	6,170,729	(3,025,179)	(3,510,346)	158,531,476
Year 16	158,531,476	4,755,944	6,341,259	(3,115,935)	(3,609,112)	162,903,633
Year 17	162,903,633	4,887,109	6,516,145	(3,209,413)	(3,709,934)	167,387,540
Year 18	167,387,540	5,021,626	6,695,502	(3,305,695)	(3,813,006)	171,985,967
Year 19	171,985,967	5,159,579	6,879,439	(3,404,866)	(3,918,483)	176,701,635
Year 20	176,701,635	5,301,049	7,068,065	(3,507,012)	(4,026,490)	181,537,248
Year 21	181,537,248	5,446,117	7,261,490	(3,612,222)	(4,137,136)	186,495,497
Year 22	186,495,497	5,594,865	7,459,820	(3,720,589)	(4,250,513)	191,579,079
Year 23	191,579,079	5,747,372	7,663,163	(3,832,207)	(4,366,708)	196,790,700
Year 24	196,790,700	5,903,721	7,871,628	(3,947,173)	(4,485,798)	202,133,078
Year 25	202,133,078	6,063,992	8,085,323	(4,065,588)	(4,607,856)	207,608,949
Year 26	207,608,949	6,228,268	8,304,358	(4,187,556)	(4,732,956)	213,221,064
Year 27	213,221,064	6,396,632	8,528,843	(4,313,183)	(4,861,165)	218,972,191
Year 28	218,972,191	6,569,166	8,758,888	(4,442,578)	(4,992,551)	224,865,116
Year 29	224,865,116	6,745,953	8,994,605	(4,575,855)	(5,127,183)	230,902,636
Year 30	230,902,636	6,927,079	9,236,105	(4,713,131)	(3,089,477)	239,263,212

Schedule 8
Insurance Family
Hypothetical Technique #13; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest Percentage Ownership in Insurance Fl	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Insurance FLP

	Beginning of Year	Income	Growth	Growth Interest Distributions	Preferred Coupon Distribution	End of Year	Growth Interest: Ian & Inez Insurance	Growth Interest: GST Exempt Grantor Trust
Year 1	100,000,000	3,000,000	4,000,000	(3,888,000)	(3,150,000)	99,962,000	94.01%	5.99%
Year 2	99,962,000	2,998,860	3,998,480	(4,096,523)	(3,150,000)	99,712,817	87.41%	12.59%
Year 3	99,712,817	2,991,385	3,988,513	(4,233,755)	(3,150,000)	99,308,960	80.08%	19.92%
Year 4	99,308,960	2,979,269	3,972,358	(4,320,373)	(3,150,000)	98,790,214	1.00%	99.00%
Year 5	98,790,214	2,963,706	3,951,609	(4,370,981)	(3,150,000)	98,184,548	1.00%	99.00%
Year 6	98,184,548	2,945,536	3,927,382	(4,395,887)	(3,150,000)	97,511,579	1.00%	99.00%
Year 7	97,511,579	2,925,347	3,900,463	(4,402,368)	(3,150,000)	96,785,022	1.00%	99.00%
Year 8	96,785,022	2,903,551	3,871,401	(4,395,558)	(3,150,000)	96,014,415	1.00%	99.00%
Year 9	96,014,415	2,880,432	3,840,577	(4,379,079)	(3,150,000)	95,206,345	1.00%	99.00%
Year 10	95,206,345	2,856,190	3,808,254	(4,355,480)	(3,150,000)	94,365,310	1.00%	99.00%
Year 11	94,365,310	2,830,959	3,774,612	(4,326,557)	(3,150,000)	93,494,325	1.00%	99.00%
Year 12	93,494,325	2,804,830	3,739,773	(4,293,570)	(3,150,000)	92,595,358	1.00%	99.00%
Year 13	92,595,358	2,777,861	3,703,814	(4,257,403)	(3,150,000)	91,669,630	1.00%	99.00%
Year 14	91,669,630	2,750,089	3,666,785	(4,218,672)	(3,150,000)	90,717,832	1.00%	99.00%
Year 15	90,717,832	2,721,535	3,628,713	(4,177,805)	(3,150,000)	89,740,275	1.00%	99.00%
Year 16	89,740,275	2,692,208	3,589,611	(4,135,097)	(3,150,000)	88,736,997	1.00%	99.00%
Year 17	88,736,997	2,662,110	3,549,480	(4,090,745)	(3,150,000)	87,707,842	1.00%	99.00%
Year 18	87,707,842	2,631,235	3,508,314	(4,044,884)	(3,150,000)	86,652,506	1.00%	99.00%
Year 19	86,652,506	2,599,575	3,466,100	(3,997,598)	(3,150,000)	85,570,583	1.00%	99.00%
Year 20	85,570,583	2,567,118	3,422,823	(3,948,939)	(3,150,000)	84,461,586	1.00%	99.00%
Year 21	84,461,586	2,533,848	3,378,463	(3,898,933)	(3,150,000)	83,324,964	1.00%	99.00%
Year 22	83,324,964	2,499,749	3,332,999	(3,847,590)	(3,150,000)	82,160,121	1.00%	99.00%
Year 23	82,160,121	2,464,804	3,286,405	(3,794,909)	(3,150,000)	80,966,420	1.00%	99.00%
Year 24	80,966,420	2,428,993	3,238,657	(3,740,877)	(3,150,000)	79,743,193	1.00%	99.00%
Year 25	79,743,193	2,392,296	3,189,728	(3,685,477)	(3,150,000)	78,489,740	1.00%	99.00%
Year 26	78,489,740	2,354,692	3,139,590	(3,628,685)	(3,150,000)	77,205,337	1.00%	99.00%
Year 27	77,205,337	2,316,160	3,088,213	(3,570,474)	(3,150,000)	75,889,236	1.00%	99.00%
Year 28	75,889,236	2,276,677	3,035,569	(3,510,816)	(3,150,000)	74,540,666	1.00%	99.00%
Year 29	74,540,666	2,236,220	2,981,627	(3,449,679)	(3,150,000)	73,158,834	1.00%	99.00%
Year 30	73,158,834	2,194,765	2,926,353	(5,165,233)	(3,150,000)	69,964,720	1.00%	99.00%

Schedule 8

Insurance Family

Hypothetical Technique #13; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest Percentage Ownership in Insurance Fl	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Ian & Inez Insurance

	Beginning of Year	Income	Growth	Growth Interest Distribution from Partnership	Note Payments - Preferred Ownership	Note Payments - Growth Interest	Payments for Purchase of Additional Growth Interest	Consumption	Income Taxes	End of Year
Year 1	-	-	-	3,888,000	234,900	-	2,515,100	(2,000,000)	(1,687,140)	2,950,860
Year 2	2,950,860	88,526	118,034	3,851,076	234,900	-	2,760,547	(2,060,000)	(1,954,592)	5,989,350
Year 3	5,989,350	179,681	239,574	3,700,666	234,900	-	3,048,189	(2,121,800)	(2,161,930)	9,108,629
Year 4	9,108,629	273,259	364,345	43,204	2,750,000	4,277,170	-	(2,185,454)	(2,327,254)	12,303,899
Year 5	12,303,899	369,117	492,156	43,710	2,750,000	4,327,271	-	(2,251,018)	(2,463,351)	15,571,784
Year 6	15,571,784	467,154	622,871	43,959	2,750,000	4,351,928	-	(2,318,548)	(2,579,258)	18,909,890
Year 7	18,909,890	567,297	756,396	44,024	2,750,000	4,358,344	-	(2,388,105)	(2,681,359)	22,316,487
Year 8	22,316,487	669,495	892,659	43,956	2,750,000	4,351,603	-	(2,459,748)	(2,774,171)	25,790,280
Year 9	25,790,280	773,708	1,031,611	43,791	2,750,000	4,335,288	-	(2,533,540)	(2,860,889)	29,330,250
Year 10	29,330,250	879,907	1,173,210	43,555	2,750,000	4,311,925	-	(2,609,546)	(2,943,773)	32,935,528
Year 11	32,935,528	988,066	1,317,421	43,266	2,750,000	4,283,291	-	(2,687,833)	(3,024,428)	36,605,310
Year 12	36,605,310	1,098,159	1,464,212	42,936	2,750,000	4,250,634	-	(2,768,468)	(3,103,991)	40,338,793
Year 13	40,338,793	1,210,164	1,613,552	42,574	2,750,000	4,214,829	-	(2,851,522)	(3,183,273)	44,135,117
Year 14	44,135,117	1,324,054	1,765,405	42,187	848,461	4,176,486	-	(2,937,067)	(3,262,849)	46,091,792
Year 15	46,091,792	1,382,754	1,843,672	41,778	-	2,490,299	-	(3,025,179)	(3,343,133)	45,481,981
Year 16	45,481,981	1,364,459	1,819,279	41,351	-	-	-	(3,115,935)	(3,424,422)	42,166,714
Year 17	42,166,714	1,265,001	1,686,669	40,907	-	-	-	(3,209,413)	(3,506,929)	38,442,950
Year 18	38,442,950	1,153,288	1,537,718	40,449	-	-	-	(3,305,695)	(938,946)	36,929,764
Year 19	36,929,764	1,107,893	1,477,191	39,976	-	-	-	(3,404,866)	(908,094)	35,241,864
Year 20	35,241,864	1,057,256	1,409,675	39,489	-	-	-	(3,507,012)	(872,944)	33,368,328
Year 21	33,368,328	1,001,050	1,334,733	38,989	-	-	-	(3,612,222)	(833,379)	31,297,499
Year 22	31,297,499	938,925	1,251,900	38,476	-	-	-	(3,720,589)	(789,228)	29,016,982
Year 23	29,016,982	870,509	1,160,679	37,949	-	-	-	(3,832,207)	(740,279)	26,513,634
Year 24	26,513,634	795,409	1,060,545	37,409	-	-	-	(3,947,173)	(686,283)	23,773,541
Year 25	23,773,541	713,206	950,942	36,855	-	-	-	(4,065,588)	(626,961)	20,781,995
Year 26	20,781,995	623,460	831,280	36,287	-	-	-	(4,187,556)	(562,006)	17,523,459
Year 27	17,523,459	525,704	700,938	35,705	-	-	-	(4,313,183)	(491,089)	13,981,534
Year 28	13,981,534	419,446	559,261	35,108	-	-	-	(4,442,578)	(413,855)	10,138,916
Year 29	10,138,916	304,167	405,557	34,497	-	-	-	(4,575,855)	(329,925)	5,977,357
Year 30	5,977,357	179,321	239,094	51,652	-	-	-	(4,713,131)	(115,169)	1,619,125

Schedule 8

Insurance Family

Hypothetical Technique #13; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest Percentage Ownership in Insurance Fl	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Insurance GST Exempt Grantor Trust (Grantor Trust Status Removed in Year 18)

	Beginning of Year	Income	Growth	Growth Interest Distribution from Partnership	Preferred Coupon Distribution from Partnership	Annual Insurance Premium	Death Benefit Value of Insurance	Note Payments - Preferred Ownership	Note Payments - Growth Interest	Purchase of Additional Insurance FLP Growth Interest	Income Taxes	End of Year
Year 1	3,000,000	90,000	120,000	-	3,150,000	(400,000)	-	(234,900)	-	(2,515,100)	-	3,210,000
Year 2	3,210,000	96,300	128,400	245,447	3,150,000	(400,000)	-	(234,900)	-	(2,760,547)	-	3,434,700
Year 3	3,434,700	103,041	137,388	533,089	3,150,000	(400,000)	-	(234,900)	-	(3,048,189)	-	3,675,129
Year 4	3,675,129	110,254	147,005	4,277,170	3,150,000	(400,000)	-	(2,750,000)	(4,277,170)	-	-	3,932,388
Year 5	3,932,388	117,972	157,296	4,327,271	3,150,000	(400,000)	-	(2,750,000)	(4,327,271)	-	-	4,207,655
Year 6	4,207,655	126,230	168,306	4,351,928	3,150,000	(400,000)	-	(2,750,000)	(4,351,928)	-	-	4,502,191
Year 7	4,502,191	135,066	180,088	4,358,344	3,150,000	(400,000)	-	(2,750,000)	(4,358,344)	-	-	4,817,344
Year 8	4,817,344	144,520	192,694	4,351,603	3,150,000	(400,000)	-	(2,750,000)	(4,351,603)	-	-	5,154,559
Year 9	5,154,559	154,637	206,182	4,335,288	3,150,000	(400,000)	-	(2,750,000)	(4,335,288)	-	-	5,515,378
Year 10	5,515,378	165,461	220,615	4,311,925	3,150,000	(400,000)	-	(2,750,000)	(4,311,925)	-	-	5,901,454
Year 11	5,901,454	177,044	236,058	4,283,291	3,150,000	(400,000)	-	(2,750,000)	(4,283,291)	-	-	6,314,556
Year 12	6,314,556	189,437	252,582	4,250,634	3,150,000	(400,000)	-	(2,750,000)	(4,250,634)	-	-	6,756,575
Year 13	6,756,575	202,697	270,263	4,214,829	3,150,000	(400,000)	-	(2,750,000)	(4,214,829)	-	-	7,229,535
Year 14	7,229,535	216,886	289,181	4,176,486	3,150,000	(400,000)	-	(848,461)	(4,176,486)	-	-	9,637,142
Year 15	9,637,142	289,114	385,486	4,136,027	3,150,000	(400,000)	-	-	(2,490,299)	-	-	14,707,470
Year 16	14,707,470	441,224	588,299	4,093,746	3,150,000	(400,000)	-	-	-	-	-	22,580,739
Year 17	22,580,739	677,422	903,230	4,049,838	3,150,000	(400,000)	-	-	-	-	-	30,961,228
Year 18	30,961,228	928,837	1,238,449	4,004,435	3,150,000	(400,000)	-	-	-	-	(2,651,864)	37,231,086
Year 19	37,231,086	1,116,933	1,489,243	3,957,622	3,150,000	(400,000)	-	-	-	-	(2,768,085)	43,776,800
Year 20	43,776,800	1,313,304	1,751,072	3,909,449	3,150,000	(400,000)	-	-	-	-	(2,890,175)	50,610,450
Year 21	50,610,450	1,518,313	2,024,418	3,859,943	3,150,000	(400,000)	-	-	-	-	(3,018,315)	57,744,810
Year 22	57,744,810	1,732,344	2,309,792	3,809,114	3,150,000	(400,000)	-	-	-	-	(3,152,720)	65,193,341
Year 23	65,193,341	1,955,800	2,607,734	3,756,960	3,150,000	(400,000)	-	-	-	-	(3,293,641)	72,970,194
Year 24	72,970,194	2,189,106	2,918,808	3,703,468	3,150,000	(400,000)	-	-	-	-	(3,441,351)	81,090,225
Year 25	81,090,225	2,432,707	3,243,609	3,648,622	3,150,000	(400,000)	-	-	-	-	(3,596,148)	89,569,015
Year 26	89,569,015	2,687,070	3,582,761	3,592,398	3,150,000	(400,000)	-	-	-	-	(3,758,352)	98,422,891
Year 27	98,422,891	2,952,687	3,936,916	3,534,770	3,150,000	(400,000)	-	-	-	-	(3,928,304)	107,668,960
Year 28	107,668,960	3,230,069	4,306,758	3,475,708	3,150,000	(400,000)	-	-	-	-	(4,106,362)	117,325,133
Year 29	117,325,133	3,519,754	4,693,005	3,415,182	3,150,000	(400,000)	-	-	-	-	(4,292,907)	127,410,166
Year 30	127,410,166	3,822,305	5,096,407	5,113,580	3,150,000	(400,000)	41,000,000	-	-	-	(8,722,204)	176,470,254

Schedule 8

Insurance Family

Hypothetical Technique #13; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest Percentage Ownership in Insurance Fl	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Note Between Ian & Inez Insurance and Insurance GST Grantor Trust - Preferred Ownership

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	27,000,000	234,900	(234,900)	27,000,000
Year 2	27,000,000	234,900	(234,900)	27,000,000
Year 3	27,000,000	234,900	(234,900)	27,000,000
Year 4	27,000,000	234,900	(2,750,000)	24,484,900
Year 5	24,484,900	213,019	(2,750,000)	21,947,919
Year 6	21,947,919	190,947	(2,750,000)	19,388,866
Year 7	19,388,866	168,683	(2,750,000)	16,807,549
Year 8	16,807,549	146,226	(2,750,000)	14,203,774
Year 9	14,203,774	123,573	(2,750,000)	11,577,347
Year 10	11,577,347	100,723	(2,750,000)	8,928,070
Year 11	8,928,070	77,674	(2,750,000)	6,255,744
Year 12	6,255,744	54,425	(2,750,000)	3,560,169
Year 13	3,560,169	30,973	(2,750,000)	841,143
Year 14	841,143	7,318	(848,461)	-
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 8

Insurance Family

Hypothetical Technique #13; Bequeaths Estate to Family (assumes $25.5mm 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions - Ian & Inez Insurance:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Long-Term Capital Gain Tax Rate	25.00%
Ordinary Tax Rate	44.60%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Consumption (increasing at 3% per year)	$2,000,000
Intra-Family Note Interest Percentage	0.87%
7520 Rate	1.00%
Annual Insurance Premium	$400,000
Death Benefit Value of Insurance	$41,000,000

Assumptions - FLP:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Ian & Inez Insurance's Initial Growth Interest Percentage Ownership in Insurance Fl	100.00%
GST Grantor Trust's Preferred Ownership in Insurance FLP	$30,000,000
Interest Percentage on Preferred Ownership	10.50%
Insurance FLP Valuation Discount	40.00%

Note Between Ian & Inez Insurance and Insurance GST Grantor Trust - Growth Interest

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	47,119,313	409,938	(4,277,170)	43,252,082
Year 5	43,252,082	376,293	(4,327,271)	39,301,104
Year 6	39,301,104	341,920	(4,351,928)	35,291,095
Year 7	35,291,095	307,033	(4,358,344)	31,239,783
Year 8	31,239,783	271,786	(4,351,603)	27,159,967
Year 9	27,159,967	236,292	(4,335,288)	23,060,971
Year 10	23,060,971	200,630	(4,311,925)	18,949,676
Year 11	18,949,676	164,862	(4,283,291)	14,831,247
Year 12	14,831,247	129,032	(4,250,634)	10,709,645
Year 13	10,709,645	93,174	(4,214,829)	6,587,990
Year 14	6,587,990	57,316	(4,176,486)	2,468,820
Year 15	2,468,820	21,479	(2,490,299)	-
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 9
Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust
Assumptions

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Gross Proceeds	10,000,000
Cost Basis	-
Capital Gain	10,000,000
Client's Aggregate Annual Rate of Return	7.00%
Income Rate of Return on Assets	3.00%
Growth Rate of Return on Assets	4.00%
Combined Federal and State Long-Term Capital Gain Tax Rate (includes income taxes, surtax on inv. Income & stealth tax)	25.00%
Combined Federal and State Ordinary Tax Rate (includes income taxes, surtax on inv. Income & stealth tax)	44.60%
Combined Federal Estate Tax and State Inheritance Tax Rate	40.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Valuation Discount on Partnership	35.00%
Unitrust Rate on CRT	10.943%
Charitable Deduction	$1,000,000
Income Tax Benefit to Charlie	$446,000
Interest Rate on Private Annuity (Section 7520 Rate)	1.00%
Charlie Charitable Percentage Ownership in FLP (Children's GP interests ignored)	1.00%
Grantor Trust Subsequent Ownership in FLP	99.00%
Charlie Charitable's Annual Assumed Consumption With 3% Inflation Adjustment	$150,000
Interest Rate on Loan from Grantor Trust	0.87%
Discount Rate for NPV Calculations	3.00%
Note Between Charlie Charitable and Grantor Trust - FLP/CRUT	
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
Note Face Value (99% Transferred to the Grantor Trust)	5,791,500
Note Between Charlie Charitable and Grantor Trust - FLP (No CRUT)	
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

Schedule 9

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

Numerical Summary of Alternatives - Future Values

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

Future Values at the end of 25 Years Assuming an Annual Compounded Rate of Return at 7.0%

Hypothetical Technique #14 (Assumes $11.0mm 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
Stock Sale, No Planning	7,534,766	10,992,334	$0	$5,468,890	$7,032,316	$10,988,045	$20,803,380	$5,023,178	$67,842,908
Simulated Tax Holiday (No Initial Capital Gains Tax and No Estate Tax) 79% - 21% Split Between Family and Charity	$0	$24,883,319	$6,496,960	$5,468,890	$7,032,316	$10,825,721	$13,135,703	$0	$67,842,908
FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity	$0	$22,772,039	$6,496,960	$5,468,890	$7,032,316	$11,532,839	$14,539,861	$0	$67,842,905
FLP/Grantor Trust Sale, Charlie gives remaining estate to family	$0	$22,924,755	$0	$5,468,890	$7,032,316	$11,613,571	$20,803,380	$0	$67,842,909

Schedule 9

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

Stock Sale, No Planning

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Income Rate of Return on Assets	3.00%
Growth Rate of Return on Assets	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth	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	Growth	Consumption	Taxes on Investment Income	End of Year
Year 1	12,500,000	375,000	500,000	(150,000)	(2,704,750)	10,520,250
Year 2	10,520,250	315,608	420,810	(154,500)	(198,572)	10,903,596
Year 3	10,903,596	327,108	436,144	(159,135)	(219,068)	11,288,644
Year 4	11,288,644	338,659	451,546	(163,909)	(236,133)	11,678,807
Year 5	11,678,807	350,364	467,152	(168,826)	(250,862)	12,076,635
Year 6	12,076,635	362,299	483,065	(173,891)	(264,035)	12,484,073
Year 7	12,484,073	374,522	499,363	(179,108)	(276,204)	12,902,646
Year 8	12,902,646	387,079	516,106	(184,481)	(287,762)	13,333,588
Year 9	13,333,588	400,008	533,344	(190,016)	(298,992)	13,777,932
Year 10	13,777,932	413,338	551,117	(195,716)	(310,094)	14,236,577
Year 11	14,236,577	427,097	569,463	(201,587)	(321,217)	14,710,333
Year 12	14,710,333	441,310	588,413	(207,635)	(332,467)	15,199,954
Year 13	15,199,954	455,999	607,998	(213,864)	(343,925)	15,706,161
Year 14	15,706,161	471,185	628,246	(220,280)	(355,652)	16,229,661
Year 15	16,229,661	486,890	649,186	(226,888)	(367,694)	16,771,154
Year 16	16,771,154	503,135	670,846	(233,695)	(380,091)	17,331,349
Year 17	17,331,349	519,940	693,254	(240,706)	(392,872)	17,910,966
Year 18	17,910,966	537,329	716,439	(247,927)	(406,067)	18,510,739
Year 19	18,510,739	555,322	740,430	(255,365)	(419,699)	19,131,427
Year 20	19,131,427	573,943	765,257	(263,026)	(433,790)	19,773,811
Year 21	19,773,811	593,214	790,952	(270,917)	(448,363)	20,438,698
Year 22	20,438,698	613,161	817,548	(279,044)	(463,439)	21,126,924
Year 23	21,126,924	633,808	845,077	(287,416)	(479,037)	21,839,356
Year 24	21,839,356	655,181	873,574	(296,038)	(495,180)	22,576,893
Year 25	22,576,893	677,307	903,076	(304,919)	(302,079)	23,550,278

Schedule 9

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

Simulated Tax Holiday (No Initial Capital Gains Tax and No Estate Tax) 79% - 21% Split Between Family and Charity

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Income Rate of Return on Assets	3.00%
Growth Rate of Return on Assets	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth	25.00%
Ordinary Tax Rate (includes income taxes, surtax on inv. income & stealth tax)	44.60%

Charlie Charitable

	Beginning of Year	Income	Growth	Consumption	Taxes on Investment Income	End of Year
Year 1	12,500,000	375,000	500,000	(150,000)	(204,750)	13,020,250
Year 2	13,020,250	390,608	520,810	(154,500)	(239,522)	13,537,646
Year 3	13,537,646	406,129	541,506	(159,135)	(267,464)	14,058,682
Year 4	14,058,682	421,760	562,347	(163,909)	(290,713)	14,588,168
Year 5	14,588,168	437,645	583,527	(168,826)	(310,779)	15,129,734
Year 6	15,129,734	453,892	605,189	(173,891)	(328,738)	15,686,187
Year 7	15,686,187	470,586	627,447	(179,108)	(345,351)	16,259,761
Year 8	16,259,761	487,793	650,390	(184,481)	(361,164)	16,852,299
Year 9	16,852,299	505,569	674,092	(190,016)	(376,566)	17,465,378
Year 10	17,465,378	523,961	698,615	(195,716)	(391,841)	18,100,398
Year 11	18,100,398	543,012	724,016	(201,587)	(407,192)	18,758,646
Year 12	18,758,646	562,759	750,346	(207,635)	(422,773)	19,441,343
Year 13	19,441,343	583,240	777,654	(213,864)	(438,697)	20,149,676
Year 14	20,149,676	604,490	805,987	(220,280)	(455,052)	20,884,822
Year 15	20,884,822	626,545	835,393	(226,888)	(471,908)	21,647,963
Year 16	21,647,963	649,439	865,919	(233,695)	(489,322)	22,440,303
Year 17	22,440,303	673,209	897,612	(240,706)	(507,343)	23,263,076
Year 18	23,263,076	697,892	930,523	(247,927)	(526,013)	24,117,551
Year 19	24,117,551	723,527	964,702	(255,365)	(545,373)	25,005,042
Year 20	25,005,042	750,151	1,000,202	(263,026)	(565,459)	25,926,910
Year 21	25,926,910	777,807	1,037,076	(270,917)	(586,307)	26,884,571
Year 22	26,884,571	806,537	1,075,383	(279,044)	(607,952)	27,879,494
Year 23	27,879,494	836,385	1,115,180	(287,416)	(630,432)	28,913,211
Year 24	28,913,211	867,396	1,156,528	(296,038)	(653,781)	29,987,317
Year 25	29,987,317	899,620	1,199,493	(304,919)	(401,230)	31,380,280

Schedule 9
Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust
FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth	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	0.87%
IRS 7520 Rate	1.00%
Unitrust Percentage	10.943%
Charitable Deduction	$1,000,000
Income Tax Benefit to Charlie	$446,000
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Charlie Charitable FLP Valuation Discount	35.00%

Assumptions (continued):	
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	Growth	Unitrust Payments	Distributions	End of Year	Ownership: Charlie Charitable	Ownership: Grantor Trust
Year 1	-	-	-	1,094,300	(832,375)	261,925	1.00%	99.00%
Year 2	261,925	7,858	10,477	1,051,152	(823,560)	507,852	1.00%	99.00%
Year 3	507,852	15,236	20,314	1,009,705	(815,549)	737,557	1.00%	99.00%
Year 4	737,557	22,127	29,502	969,892	(808,121)	950,957	1.00%	99.00%
Year 5	950,957	28,529	38,038	931,649	(801,114)	1,148,059	1.00%	99.00%
Year 6	1,148,059	34,442	45,922	894,914	(794,413)	1,328,925	1.00%	99.00%
Year 7	1,328,925	39,868	53,157	859,628	(787,931)	1,493,647	1.00%	99.00%
Year 8	1,493,647	44,809	59,746	825,733	(781,605)	1,642,330	1.00%	99.00%
Year 9	1,642,330	49,270	65,693	793,174	(775,387)	1,775,080	1.00%	99.00%
Year 10	1,775,080	53,252	71,003	761,899	(769,239)	1,891,996	1.00%	99.00%
Year 11	1,891,996	56,760	75,680	731,858	(763,133)	1,993,161	1.00%	99.00%
Year 12	1,993,161	59,795	79,726	703,000	(757,042)	2,078,640	1.00%	99.00%
Year 13	2,078,640	62,359	83,146	675,281	(750,948)	2,148,479	1.00%	99.00%
Year 14	2,148,479	64,454	85,939	648,655	(744,831)	2,202,696	1.00%	99.00%
Year 15	2,202,696	66,081	88,108	623,078	(738,676)	2,241,286	1.00%	99.00%
Year 16	2,241,286	67,239	89,651	598,510	(732,468)	2,264,219	1.00%	99.00%
Year 17	2,264,219	67,927	90,569	574,911	(726,192)	2,271,433	1.00%	99.00%
Year 18	2,271,433	68,143	90,857	552,242	(719,834)	2,262,842	1.00%	99.00%
Year 19	2,262,842	67,885	90,514	530,467	(713,382)	2,238,326	1.00%	99.00%
Year 20	2,238,326	67,150	89,533	509,551	(706,820)	2,197,740	1.00%	99.00%
Year 21	2,197,740	65,932	87,910	-	(51,472)	2,300,110	1.00%	99.00%
Year 22	2,300,110	69,003	92,004	-	(53,122)	2,407,996	1.00%	99.00%
Year 23	2,407,996	72,240	96,320	-	(55,086)	2,521,470	1.00%	99.00%
Year 24	2,521,470	75,644	100,859	-	(57,308)	2,640,664	1.00%	99.00%
Year 25	2,640,664	79,220	105,627	-	(116,738)	2,708,773	1.00%	99.00%

Schedule 9

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth	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	0.87%
IRS 7520 Rate	1.00%
Unitrust Percentage	10.943%
Charitable Deduction	$1,000,000
Income Tax Benefit to Charlie	$446,000
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Charlie Charitable FLP Valuation Discount	35.00%

Assumptions (continued):	
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	Growth	Unitrust Payment	Payment to Charity	End of Year
Year 1	10,000,000	300,000	400,000	(1,094,300)	-	9,605,700
Year 2	9,605,700	288,171	384,228	(1,051,152)	-	9,226,947
Year 3	9,226,947	276,808	369,078	(1,009,705)	-	8,863,129
Year 4	8,863,129	265,894	354,525	(969,892)	-	8,513,656
Year 5	8,513,656	255,410	340,546	(931,649)	-	8,177,962
Year 6	8,177,962	245,339	327,118	(894,914)	-	7,855,505
Year 7	7,855,505	235,665	314,220	(859,628)	-	7,545,763
Year 8	7,545,763	226,373	301,831	(825,733)	-	7,248,233
Year 9	7,248,233	217,447	289,929	(793,174)	-	6,962,435
Year 10	6,962,435	208,873	278,497	(761,899)	-	6,687,906
Year 11	6,687,906	200,637	267,516	(731,858)	-	6,424,202
Year 12	6,424,202	192,726	256,968	(703,000)	-	6,170,896
Year 13	6,170,896	185,127	246,836	(675,281)	-	5,927,578
Year 14	5,927,578	177,827	237,103	(648,655)	-	5,693,853
Year 15	5,693,853	170,816	227,754	(623,078)	-	5,469,345
Year 16	5,469,345	164,080	218,774	(598,510)	-	5,253,688
Year 17	5,253,688	157,611	210,148	(574,911)	-	5,046,535
Year 18	5,046,535	151,396	201,861	(552,242)	-	4,847,550
Year 19	4,847,550	145,427	193,902	(530,467)	-	4,656,412
Year 20	4,656,412	139,692	186,256	(509,551)	(4,472,809)	-

Schedule 9
Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust
FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth	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	0.87%
IRS 7520 Rate	1.00%
Unitrust Percentage	10.943%
Charitable Deduction	$1,000,000
Income Tax Benefit to Charlie	$446,000
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Charlie Charitable FLP Valuation Discount	35.00%

Assumptions (continued):	
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	Growth	Distribution from Partnership	Note Payments	Consumption	Taxes on Investment Income	End of Year
Year 1	2,500,000	75,000	100,000	8,324	824,051	(150,000)	67,425	3,424,800
Year 2	3,424,800	102,744	136,992	8,236	815,324	(154,500)	(384,908)	3,948,688
Year 3	3,948,688	118,461	157,948	8,155	807,394	(159,135)	(391,096)	4,490,414
Year 4	4,490,414	134,712	179,617	8,081	800,040	(163,909)	(397,573)	5,051,382
Year 5	5,051,382	151,541	202,055	8,011	793,103	(168,826)	(404,415)	5,632,852
Year 6	5,632,852	168,986	225,314	7,944	786,469	(173,891)	(411,678)	6,235,995
Year 7	6,235,995	187,080	249,440	7,879	780,051	(179,108)	(419,405)	6,861,932
Year 8	6,861,932	205,858	274,477	7,816	400,280	(184,481)	(427,629)	7,138,253
Year 9	7,138,253	214,148	285,530	7,754	-	(190,016)	(436,378)	7,019,292
Year 10	7,019,292	210,579	280,772	7,692	-	(195,716)	(445,674)	6,876,945
Year 11	6,876,945	206,308	275,078	7,631	-	(201,587)	(455,538)	6,708,837
Year 12	6,708,837	201,265	268,353	7,570	-	(207,635)	(465,990)	6,512,401
Year 13	6,512,401	195,372	260,496	7,509	-	(213,864)	(477,047)	6,284,868
Year 14	6,284,868	188,546	251,395	7,448	-	(220,280)	(488,727)	6,023,250
Year 15	6,023,250	180,697	240,930	7,387	-	(226,888)	(501,048)	5,724,328
Year 16	5,724,328	171,730	228,973	7,325	-	(233,695)	(514,028)	5,384,633
Year 17	5,384,633	161,539	215,385	7,262	-	(240,706)	(527,687)	5,000,426
Year 18	5,000,426	150,013	200,017	7,198	-	(247,927)	(542,043)	4,567,684
Year 19	4,567,684	137,031	182,707	7,134	-	(255,365)	(557,118)	4,082,073
Year 20	4,082,073	122,462	163,283	7,068	-	(263,026)	(572,933)	3,538,928
Year 21	3,538,928	106,168	141,557	515	-	(270,917)	(440,845)	3,075,405
Year 22	3,075,405	92,262	123,016	531	-	(279,044)	(458,489)	2,553,682
Year 23	2,553,682	76,610	102,147	551	-	(287,416)	(475,918)	1,969,657
Year 24	1,969,657	59,090	78,786	573	-	(296,038)	(493,371)	1,318,698
Year 25	1,318,698	39,561	52,748	1,167	-	(304,919)	(910,729)	196,526

Schedule 9
Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust
FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth	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	0.87%
IRS 7520 Rate	1.00%
Unitrust Percentage	10.943%
Charitable Deduction	$1,000,000
Income Tax Benefit to Charlie	$446,000
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Charlie Charitable FLP Valuation Discount	35.00%

Assumptions (continued):	
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 Family's Grantor Trust

	Beginning of Year	Income	Growth	Distribution from Partnerships	Note Payments	Taxes on Investment Income	End of Year
Year 1	-	-	-	824,051	(824,051)	-	-
Year 2	-	-	-	815,324	(815,324)	-	-
Year 3	-	-	-	807,394	(807,394)	-	-
Year 4	-	-	-	800,040	(800,040)	-	-
Year 5	-	-	-	793,103	(793,103)	-	-
Year 6	-	-	-	786,469	(786,469)	-	-
Year 7	-	-	-	780,051	(780,051)	-	-
Year 8	-	-	-	773,789	(400,280)	-	373,509
Year 9	373,509	11,205	14,940	767,633	-	-	1,167,288
Year 10	1,167,288	35,019	46,692	761,547	-	-	2,010,545
Year 11	2,010,545	60,316	80,422	755,501	-	-	2,906,784
Year 12	2,906,784	87,204	116,271	749,472	-	-	3,859,731
Year 13	3,859,731	115,792	154,389	743,438	-	-	4,873,350
Year 14	4,873,350	146,201	194,934	737,383	-	-	5,951,867
Year 15	5,951,867	178,556	238,075	731,290	-	-	7,099,787
Year 16	7,099,787	212,994	283,991	725,143	-	-	8,321,915
Year 17	8,321,915	249,657	332,877	718,930	-	-	9,623,379
Year 18	9,623,379	288,701	384,935	712,636	-	-	11,009,652
Year 19	11,009,652	330,290	440,386	706,248	-	-	12,486,575
Year 20	12,486,575	374,597	499,463	699,752	-	-	14,060,387
Year 21	14,060,387	421,812	562,415	50,957	-	-	15,095,571
Year 22	15,095,571	452,867	603,823	52,591	-	-	16,204,852
Year 23	16,204,852	486,146	648,194	54,535	-	-	17,393,726
Year 24	17,393,726	521,812	695,749	56,735	-	-	18,668,022
Year 25	18,668,022	560,041	746,721	115,570	-	-	20,090,354

Schedule 9
Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust
FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth	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	0.87%
IRS 7520 Rate	1.00%
Unitrust Percentage	10.943%
Charitable Deduction	$1,000,000
Income Tax Benefit to Charlie	$446,000
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Charlie Charitable FLP Valuation Discount	35.00%

Assumptions (continued):	
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

Charity

	Beginning of Year	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	-	-	-	4,472,809	4,472,809
Year 21	4,472,809	134,184	178,912	-	4,785,906
Year 22	4,785,906	143,577	191,436	-	5,120,919
Year 23	5,120,919	153,628	204,837	-	5,479,384
Year 24	5,479,384	164,382	219,175	-	5,862,941
Year 25	5,862,941	175,888	234,518	-	6,273,346

Schedule 9

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/CRUT/Grantor Trust Sale, Charlie gives remaining estate to charity

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

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealth	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	0.87%
IRS 7520 Rate	1.00%
Unitrust Percentage	10.943%
Charitable Deduction	$1,000,000
Income Tax Benefit to Charlie	$446,000
Value of Partnership Actuarial Interest in CRUT - Year 1	$9,000,000
Charlie Charitable FLP Valuation Discount	35.00%

Assumptions (continued):	
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

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	50,386	(824,051)	5,017,835
Year 2	5,017,835	43,655	(815,324)	4,246,166
Year 3	4,246,166	36,942	(807,394)	3,475,714
Year 4	3,475,714	30,239	(800,040)	2,705,913
Year 5	2,705,913	23,541	(793,103)	1,936,351
Year 6	1,936,351	16,846	(786,469)	1,166,729
Year 7	1,166,729	10,151	(780,051)	396,828
Year 8	396,828	3,452	(400,280)	-
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

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/Grantor Trust Sale, Charlie gives remaining estate to family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealtl	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	0.87%
7520 Rate	1.00%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
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	Growth	Distributions	End of Year	Ownership: Charlie Charitable	Ownership: Grantor Trust
Year 1	10,000,000	300,000	400,000	(3,463,800)	7,236,200	1.00%	99.00%
Year 2	7,236,200	217,086	289,448	(718,425)	7,024,309	1.00%	99.00%
Year 3	7,024,309	210,729	280,972	(706,899)	6,809,112	1.00%	99.00%
Year 4	6,809,112	204,273	272,364	(691,940)	6,593,809	1.00%	99.00%
Year 5	6,593,809	197,814	263,752	(674,785)	6,380,591	1.00%	99.00%
Year 6	6,380,591	191,418	255,224	(656,300)	6,170,932	1.00%	99.00%
Year 7	6,170,932	185,128	246,837	(637,091)	5,965,806	1.00%	99.00%
Year 8	5,965,806	178,974	238,632	(617,579)	5,765,834	1.00%	99.00%
Year 9	5,765,834	172,975	230,633	(598,055)	5,571,387	1.00%	99.00%
Year 10	5,571,387	167,142	222,855	(578,720)	5,382,664	1.00%	99.00%
Year 11	5,382,664	161,480	215,307	(559,706)	5,199,745	1.00%	99.00%
Year 12	5,199,745	155,992	207,990	(541,102)	5,022,625	1.00%	99.00%
Year 13	5,022,625	150,679	200,905	(522,966)	4,851,244	1.00%	99.00%
Year 14	4,851,244	145,537	194,050	(505,330)	4,685,501	1.00%	99.00%
Year 15	4,685,501	140,565	187,420	(488,213)	4,525,273	1.00%	99.00%
Year 16	4,525,273	135,758	181,011	(471,622)	4,370,419	1.00%	99.00%
Year 17	4,370,419	131,113	174,817	(455,558)	4,220,791	1.00%	99.00%
Year 18	4,220,791	126,624	168,832	(440,013)	4,076,233	1.00%	99.00%
Year 19	4,076,233	122,287	163,049	(424,981)	3,936,589	1.00%	99.00%
Year 20	3,936,589	118,098	157,464	(410,448)	3,801,702	1.00%	99.00%
Year 21	3,801,702	114,051	152,068	(396,402)	3,671,419	1.00%	99.00%
Year 22	3,671,419	110,143	146,857	(382,831)	3,545,587	1.00%	99.00%
Year 23	3,545,587	106,368	141,823	(369,719)	3,424,059	1.00%	99.00%
Year 24	3,424,059	102,722	136,962	(357,054)	3,306,690	1.00%	99.00%
Year 25	3,306,690	99,201	132,268	(428,914)	3,109,244	1.00%	99.00%

Schedule 9
Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust
FLP/Grantor Trust Sale, Charlie gives remaining estate to family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealtl	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	0.87%
7520 Rate	1.00%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
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	Growth	Distribution from Partnership	Note Payments	Consumption	Taxes on Investment Income	End of Year
Year 1	2,500,000	75,000	100,000	34,638	3,429,162	(150,000)	(2,704,750)	3,284,050
Year 2	3,284,050	98,522	131,362	7,184	711,241	(154,500)	(198,572)	3,879,287
Year 3	3,879,287	116,379	155,171	7,069	699,830	(159,135)	(219,068)	4,479,532
Year 4	4,479,532	134,386	179,181	6,919	685,021	(163,909)	(236,133)	5,084,998
Year 5	5,084,998	152,550	203,400	6,748	668,037	(168,826)	(250,862)	5,696,045
Year 6	5,696,045	170,881	227,842	6,563	371,936	(173,891)	(264,035)	6,035,341
Year 7	6,035,341	181,060	241,414	6,371	-	(179,108)	(276,204)	6,008,874
Year 8	6,008,874	180,266	240,355	6,176	-	(184,481)	(287,762)	5,963,427
Year 9	5,963,427	178,903	238,537	5,981	-	(190,016)	(298,992)	5,897,840
Year 10	5,897,840	176,935	235,914	5,787	-	(195,716)	(310,094)	5,810,666
Year 11	5,810,666	174,320	232,427	5,597	-	(201,587)	(321,217)	5,700,205
Year 12	5,700,205	171,006	228,008	5,411	-	(207,635)	(332,467)	5,564,528
Year 13	5,564,528	166,936	222,581	5,230	-	(213,864)	(343,925)	5,401,485
Year 14	5,401,485	162,045	216,059	5,053	-	(220,280)	(355,652)	5,208,710
Year 15	5,208,710	156,261	208,348	4,882	-	(226,888)	(367,694)	4,983,619
Year 16	4,983,619	149,509	199,345	4,716	-	(233,695)	(380,091)	4,723,403
Year 17	4,723,403	141,702	188,936	4,556	-	(240,706)	(392,872)	4,425,019
Year 18	4,425,019	132,751	177,001	4,400	-	(247,927)	(406,067)	4,085,176
Year 19	4,085,176	122,555	163,407	4,250	-	(255,365)	(419,699)	3,700,325
Year 20	3,700,325	111,010	148,013	4,104	-	(263,026)	(433,790)	3,266,636
Year 21	3,266,636	97,999	130,665	3,964	-	(270,917)	(448,363)	2,779,985
Year 22	2,779,985	83,400	111,199	3,828	-	(279,044)	(463,439)	2,235,929
Year 23	2,235,929	67,078	89,437	3,697	-	(287,416)	(479,037)	1,629,689
Year 24	1,629,689	48,891	65,188	3,571	-	(296,038)	(495,180)	956,119
Year 25	956,119	28,684	38,245	4,289	-	(304,919)	(14,437)	707,981

Schedule 9

Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust

FLP/Grantor Trust Sale, Charlie gives remaining estate to family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealtl	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	0.87%
7520 Rate	1.00%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
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	Growth	Distribution from Partnerships	Note Payments	Taxes on Investment Income	End of Year
Year 1	-	-	-	3,429,162	(3,429,162)	-	-
Year 2	-	-	-	711,241	(711,241)	-	-
Year 3	-	-	-	699,830	(699,830)	-	-
Year 4	-	-	-	685,021	(685,021)	-	-
Year 5	-	-	-	668,037	(668,037)	-	-
Year 6	-	-	-	649,737	(371,936)	-	277,801
Year 7	277,801	8,334	11,112	630,720	-	-	927,967
Year 8	927,967	27,839	37,119	611,403	-	-	1,604,328
Year 9	1,604,328	48,130	64,173	592,075	-	-	2,308,706
Year 10	2,308,706	69,261	92,348	572,932	-	-	3,043,248
Year 11	3,043,248	91,297	121,730	554,109	-	-	3,810,384
Year 12	3,810,384	114,312	152,415	535,691	-	-	4,612,802
Year 13	4,612,802	138,384	184,512	517,736	-	-	5,453,434
Year 14	5,453,434	163,603	218,137	500,277	-	-	6,335,451
Year 15	6,335,451	190,064	253,418	483,331	-	-	7,262,264
Year 16	7,262,264	217,868	290,491	466,906	-	-	8,237,529
Year 17	8,237,529	247,126	329,501	451,002	-	-	9,265,158
Year 18	9,265,158	277,955	370,606	435,613	-	-	10,349,332
Year 19	10,349,332	310,480	413,973	420,731	-	-	11,494,516
Year 20	11,494,516	344,835	459,781	406,343	-	-	12,705,475
Year 21	12,705,475	381,164	508,219	392,438	-	-	13,987,297
Year 22	13,987,297	419,619	559,492	379,003	-	-	15,345,410
Year 23	15,345,410	460,362	613,816	366,022	-	-	16,785,611
Year 24	16,785,611	503,568	671,424	353,483	-	-	18,314,087
Year 25	18,314,087	549,423	732,563	424,625	-	(913,168)	19,107,530

Schedule 9
Analysis of FLP Creating CRUT Followed by Sale to Grantor Trust
FLP/Grantor Trust Sale, Charlie gives remaining estate to family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Capital Gains Tax Rate on Growth (includes income taxes, surtax on inv. income & stealtl	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	0.87%
7520 Rate	1.00%
Rate of Return Taxed at Ordinary Rates	3.00%
Rate of Return Taxed at Capital Gains Rates	4.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
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	55,985	(3,429,162)	3,061,823
Year 2	3,061,823	26,638	(711,241)	2,377,220
Year 3	2,377,220	20,682	(699,830)	1,698,072
Year 4	1,698,072	14,773	(685,021)	1,027,824
Year 5	1,027,824	8,942	(668,037)	368,728
Year 6	368,728	3,208	(371,936)	-
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 10

Elder Family - 3% Rate of Return, 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
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 30 Years of Annual Compounded Growth at 3%						
	Elder Children's Future Values	**Elder GST Exempt Trust Future Values**	**Charity**	**IRS - Income Taxes**	**IRS - Investment Opp. Costs**	**IRS - Estate Taxes**	**Totals**
No Further Planning - No Discount Allowed	33,399,232	18,513,280	-	11,013,260	7,892,102	2,000,000	72,817,874
No Further Planning - Discount Allowed	34,850,163	18,513,280	-	11,313,056	6,941,374	1,200,000	72,817,874
CLAT Redemption - Discount Allowed - $3 Million to Family	23,148,293	21,764,510	19,212,493	6,150,047	2,242,531	300,000	72,817,874
CLAT Redemption - Discount Allowed - $10 Million to Family	33,764,168	17,563,274	5,203,384	9,733,242	5,553,808	1,000,000	72,817,874

No Further Planning - No Discount Allowed		
Elder Children	33,399,232	45.87%
Elder GST Exempt Trust	18,513,280	25.42%
Charity	-	0.00%
IRS (income and estate taxes)	13,013,260	17.87%
IRS (investment opportunity costs)	7,892,102	10.84%
Total	72,817,874	100.00%

No Further Planning - Discount Allowed		
Elder Children	34,850,163	47.86%
Elder GST Exempt Trust	18,513,280	25.42%
Charity	-	0.00%
IRS (income and estate taxes)	12,513,056	17.18%
IRS (investment opportunity costs)	6,941,374	9.53%
Total	72,817,874	100.00%

CLAT Redemption - Discount Allowed - $3 Million to Family		
Elder Children	23,148,293	31.79%
Elder GST Exempt Trust	21,764,510	29.89%
Charity	19,212,493	26.38%
IRS (income and estate taxes)	6,450,047	8.86%
IRS (investment opportunity costs)	2,242,531	3.08%
Total	72,817,874	100.00%

CLAT Redemption - Discount Allowed - $10 Million to Family		
Elder Children	33,764,168	46.37%
Elder GST Exempt Trust	17,563,274	24.12%
Charity	5,203,384	7.15%
IRS (income and estate taxes)	10,733,242	14.74%
IRS (investment opportunity costs)	5,553,808	7.63%
Total	72,817,874	100.00%

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

No Further Planning - No Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%

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)	(2,000,000)	18,480,800
Year 2	18,480,800	184,808	369,616	(131,146)	-	18,904,078
Year 3	18,904,078	189,041	378,082	(146,773)	-	19,324,428
Year 4	19,324,428	193,244	386,489	(158,896)	-	19,745,264
Year 5	19,745,264	197,453	394,905	(168,578)	-	20,169,044
Year 6	20,169,044	201,690	403,381	(176,568)	-	20,597,548
Year 7	20,597,548	205,975	411,951	(183,391)	-	21,032,083
Year 8	21,032,083	210,321	420,642	(189,419)	-	21,473,626
Year 9	21,473,626	214,736	429,473	(194,914)	-	21,922,921
Year 10	21,922,921	219,229	438,458	(200,060)	-	22,380,549
Year 11	22,380,549	223,805	447,611	(204,987)	-	22,846,978
Year 12	22,846,978	228,470	456,940	(209,787)	-	23,322,601
Year 13	23,322,601	233,226	466,452	(214,525)	-	23,807,754
Year 14	23,807,754	238,078	476,155	(219,249)	-	24,302,738
Year 15	24,302,738	243,027	486,055	(223,991)	-	24,807,830
Year 16	24,807,830	248,078	496,157	(228,775)	-	25,323,290
Year 17	25,323,290	253,233	506,466	(233,619)	-	25,849,369
Year 18	25,849,369	258,494	516,987	(238,536)	-	26,386,314
Year 19	26,386,314	263,863	527,726	(243,536)	-	26,934,367
Year 20	26,934,367	269,344	538,687	(248,626)	-	27,493,772
Year 21	27,493,772	274,938	549,875	(253,812)	-	28,064,774
Year 22	28,064,774	280,648	561,295	(259,099)	-	28,647,618
Year 23	28,647,618	286,476	572,952	(264,491)	-	29,242,556
Year 24	29,242,556	292,426	584,851	(269,991)	-	29,849,841
Year 25	29,849,841	298,498	596,997	(275,604)	-	30,469,732
Year 26	30,469,732	304,697	609,395	(281,331)	-	31,102,493
Year 27	31,102,493	311,025	622,050	(287,176)	-	31,748,392
Year 28	31,748,392	317,484	634,968	(293,142)	-	32,407,702
Year 29	32,407,702	324,077	648,154	(299,231)	-	33,080,703
Year 30	33,080,703	330,807	661,614	(673,892)	-	33,399,232

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

No Further Planning - No Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

No Further Planning - No Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%

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	(137,812)	15,239,865
Year 21	15,239,865	152,399	304,797	(140,687)	15,556,373
Year 22	15,556,373	155,564	311,127	(143,618)	15,879,446
Year 23	15,879,446	158,794	317,589	(146,607)	16,209,222
Year 24	16,209,222	162,092	324,184	(149,656)	16,545,843
Year 25	16,545,843	165,458	330,917	(152,768)	16,889,450
Year 26	16,889,450	168,895	337,789	(155,942)	17,240,192
Year 27	17,240,192	172,402	344,804	(159,182)	17,598,215
Year 28	17,598,215	175,982	351,964	(162,489)	17,963,673
Year 29	17,963,673	179,637	359,273	(165,864)	18,336,719
Year 30	18,336,719	183,367	366,734	(373,540)	18,513,280

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

No Further Planning - Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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 t	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	10.00%
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)	(1,200,000)	19,280,800
Year 2	19,280,800	192,808	385,616	(135,914)	-	19,723,310
Year 3	19,723,310	197,233	394,466	(152,496)	-	20,162,514
Year 4	20,162,514	201,625	403,250	(165,339)	-	20,602,050
Year 5	20,602,050	206,020	412,041	(175,578)	-	21,044,533
Year 6	21,044,533	210,445	420,891	(184,011)	-	21,491,858
Year 7	21,491,858	214,919	429,837	(191,198)	-	21,945,416
Year 8	21,945,416	219,454	438,908	(197,536)	-	22,406,243
Year 9	22,406,243	224,062	448,125	(203,303)	-	22,875,128
Year 10	22,875,128	228,751	457,503	(208,695)	-	23,352,686
Year 11	23,352,686	233,527	467,054	(213,853)	-	23,839,414
Year 12	23,839,414	238,394	476,788	(218,873)	-	24,335,724
Year 13	24,335,724	243,357	486,714	(223,825)	-	24,841,971
Year 14	24,841,971	248,420	496,839	(228,760)	-	25,358,470
Year 15	25,358,470	253,585	507,169	(233,712)	-	25,885,513
Year 16	25,885,513	258,855	517,710	(238,707)	-	26,423,371
Year 17	26,423,371	264,234	528,467	(243,763)	-	26,972,309
Year 18	26,972,309	269,723	539,446	(248,896)	-	27,532,583
Year 19	27,532,583	275,326	550,652	(254,114)	-	28,104,447
Year 20	28,104,447	281,044	562,089	(259,425)	-	28,688,155
Year 21	28,688,155	286,882	573,763	(264,837)	-	29,283,963
Year 22	29,283,963	292,840	585,679	(270,354)	-	29,892,128
Year 23	29,892,128	298,921	597,843	(275,980)	-	30,512,911
Year 24	30,512,911	305,129	610,258	(281,720)	-	31,146,579
Year 25	31,146,579	311,466	622,932	(287,576)	-	31,793,400
Year 26	31,793,400	317,934	635,868	(293,552)	-	32,453,649
Year 27	32,453,649	324,536	649,073	(299,651)	-	33,127,607
Year 28	33,127,607	331,276	662,552	(305,876)	-	33,815,559
Year 29	33,815,559	338,156	676,311	(312,230)	-	34,517,796
Year 30	34,517,796	345,178	690,356	(703,167)	-	34,850,163

Schedule 10
Elder Family - 3% Rate of Return, 30 Years
No Further Planning - Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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 t	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	10.00%
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	(137,812)	-	15,239,865
Year 21	15,239,865	152,399	304,797	(140,687)	-	15,556,373
Year 22	15,556,373	155,564	311,127	(143,618)	-	15,879,446
Year 23	15,879,446	158,794	317,589	(146,607)	-	16,209,222
Year 24	16,209,222	162,092	324,184	(149,656)	-	16,545,843
Year 25	16,545,843	165,458	330,917	(152,768)	-	16,889,450
Year 26	16,889,450	168,895	337,789	(155,942)	-	17,240,192
Year 27	17,240,192	172,402	344,804	(159,182)	-	17,598,215
Year 28	17,598,215	175,982	351,964	(162,489)	-	17,963,673
Year 29	17,963,673	179,637	359,273	(165,864)	-	18,336,719
Year 30	18,336,719	183,367	366,734	(373,540)	-	18,513,280

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	-	(300,000)	(532,032)	30,067,968
Year 2	30,067,968	300,680	601,359	(18,764)	-	(532,032)	30,419,211
Year 3	30,419,211	304,192	608,384	(42,290)	-	(532,032)	30,757,465
Year 4	30,757,465	307,575	615,149	(59,497)	-	(532,032)	31,088,660
Year 5	31,088,660	310,887	621,773	(72,275)	-	(532,032)	31,417,013
Year 6	31,417,013	314,170	628,340	(81,953)	-	(532,032)	31,745,539
Year 7	31,745,539	317,455	634,911	(89,467)	-	(532,032)	32,076,407
Year 8	32,076,407	320,764	641,528	(95,475)	-	(532,032)	32,411,191
Year 9	32,411,191	324,112	648,224	(100,441)	-	(532,032)	32,751,054
Year 10	32,751,054	327,511	655,021	(104,691)	-	(532,032)	33,096,862
Year 11	33,096,862	330,969	661,937	(108,455)	-	(532,032)	33,449,281
Year 12	33,449,281	334,493	668,986	(111,893)	-	(532,032)	33,808,834
Year 13	33,808,834	338,088	676,177	(115,122)	-	(532,032)	34,175,945
Year 14	34,175,945	341,759	683,519	(118,221)	-	(532,032)	34,550,970
Year 15	34,550,970	345,510	691,019	(121,249)	-	(532,032)	34,934,219
Year 16	34,934,219	349,342	698,684	(124,244)	-	(532,032)	35,325,969
Year 17	35,325,969	353,260	706,519	(127,238)	-	(532,032)	35,726,479
Year 18	35,726,479	357,265	714,530	(130,249)	-	(532,032)	36,135,992
Year 19	36,135,992	361,360	722,720	(133,295)	-	(532,032)	36,554,745
Year 20	36,554,745	365,547	731,095	(136,385)	-	(10,132,032)	27,382,970
Year 21	27,382,970	273,830	547,659	(287,807)	-	-	27,916,653
Year 22	27,916,653	279,167	558,333	(282,358)	-	-	28,471,794
Year 23	28,471,794	284,718	569,436	(280,187)	-	-	29,045,761
Year 24	29,045,761	290,458	580,915	(280,355)	-	-	29,636,779
Year 25	29,636,779	296,368	592,736	(282,203)	-	-	30,243,680
Year 26	30,243,680	302,437	604,874	(285,268)	-	-	30,865,722
Year 27	30,865,722	308,657	617,314	(289,227)	-	-	31,502,467
Year 28	31,502,467	315,025	630,049	(293,851)	-	-	32,153,690
Year 29	32,153,690	321,537	643,074	(298,981)	-	-	32,819,320
Year 30	32,819,320	328,193	656,386	(673,480)	-	-	33,130,420

	Ownership		
	Elder Children	CLAT	Elder GST Exempt Trust
Year 1	16.67%	53.33%	30.00%
Year 2	34.31%	0.00%	65.69%
Year 3	34.31%	0.00%	65.69%
Year 4	34.31%	0.00%	65.69%
Year 5	34.31%	0.00%	65.69%
Year 6	34.31%	0.00%	65.69%
Year 7	34.31%	0.00%	65.69%
Year 8	34.31%	0.00%	65.69%
Year 9	34.31%	0.00%	65.69%
Year 10	34.31%	0.00%	65.69%
Year 11	34.31%	0.00%	65.69%
Year 12	34.31%	0.00%	65.69%
Year 13	34.31%	0.00%	65.69%
Year 14	34.31%	0.00%	65.69%
Year 15	34.31%	0.00%	65.69%
Year 16	34.31%	0.00%	65.69%
Year 17	34.31%	0.00%	65.69%
Year 18	34.31%	0.00%	65.69%
Year 19	34.31%	0.00%	65.69%
Year 20	34.31%	0.00%	65.69%
Year 21	34.31%	0.00%	65.69%
Year 22	34.31%	0.00%	65.69%
Year 23	34.31%	0.00%	65.69%
Year 24	34.31%	0.00%	65.69%
Year 25	34.31%	0.00%	65.69%
Year 26	34.31%	0.00%	65.69%
Year 27	34.31%	0.00%	65.69%
Year 28	34.31%	0.00%	65.69%
Year 29	34.31%	0.00%	65.69%
Year 30	34.31%	0.00%	65.69%

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	-	-	-	-	300,000	-	-	(300,000)	-
Year 2	-	-	-	6,437	-	-	(6,437)	-	-
Year 3	-	-	-	14,508	-	-	(14,508)	-	-
Year 4	-	-	-	20,411	-	-	(20,411)	-	-
Year 5	-	-	-	24,795	-	-	(24,795)	-	-
Year 6	-	-	-	28,115	-	-	(28,115)	-	-
Year 7	-	-	-	30,693	-	-	(30,693)	-	-
Year 8	-	-	-	32,754	-	-	(32,754)	-	-
Year 9	-	-	-	34,458	-	-	(34,458)	-	-
Year 10	-	-	-	35,916	-	-	(35,916)	-	-
Year 11	-	-	-	37,207	-	-	(37,207)	-	-
Year 12	-	-	-	38,387	-	-	(38,387)	-	-
Year 13	-	-	-	39,494	-	-	(39,494)	-	-
Year 14	-	-	-	40,558	-	-	(40,558)	-	-
Year 15	-	-	-	41,596	-	-	(41,596)	-	-
Year 16	-	-	-	42,624	-	-	(42,624)	-	-
Year 17	-	-	-	43,651	-	-	(43,651)	-	-
Year 18	-	-	-	44,684	-	-	(44,684)	-	-
Year 19	-	-	-	45,729	-	-	(45,729)	-	-
Year 20	-	-	-	46,789	-	9,600,000	(46,789)	-	9,600,000
Year 21	9,600,000	96,000	192,000	98,737	-	-	(155,953)	-	9,830,784
Year 22	9,830,784	98,308	196,616	96,867	-	-	(165,539)	-	10,057,036
Year 23	10,057,036	100,570	201,141	96,123	-	-	(173,441)	-	10,281,429
Year 24	10,281,429	102,814	205,629	96,180	-	-	(180,182)	-	10,505,870
Year 25	10,505,870	105,059	210,117	96,814	-	-	(186,132)	-	10,731,728
Year 26	10,731,728	107,317	214,635	97,866	-	-	(191,550)	-	10,959,996
Year 27	10,959,996	109,600	219,200	99,224	-	-	(196,620)	-	11,191,399
Year 28	11,191,399	111,914	223,828	100,810	-	-	(201,471)	-	11,426,481
Year 29	11,426,481	114,265	228,530	102,570	-	-	(206,195)	-	11,665,650
Year 30	11,665,650	116,657	233,313	231,048	-	-	(464,285)	-	11,782,383

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP - Income Taxes	Distrib. From Elder FLP - Estate Taxes	Distrib. from CLAT	Taxes on Investment Income	End of Year
Year 1	-	-	-	-	-	-	-	-
Year 2	-	-	-	12,327	-	-	(12,327)	-
Year 3	-	-	-	27,782	-	-	(27,782)	-
Year 4	-	-	-	39,086	-	-	(39,086)	-
Year 5	-	-	-	47,480	-	-	(47,480)	-
Year 6	-	-	-	53,838	-	-	(53,838)	-
Year 7	-	-	-	58,774	-	-	(58,774)	-
Year 8	-	-	-	62,721	-	-	(62,721)	-
Year 9	-	-	-	65,983	-	-	(65,983)	-
Year 10	-	-	-	68,775	-	-	(68,775)	-
Year 11	-	-	-	71,248	-	-	(71,248)	-
Year 12	-	-	-	73,507	-	-	(73,507)	-
Year 13	-	-	-	75,628	-	-	(75,628)	-
Year 14	-	-	-	77,664	-	-	(77,664)	-
Year 15	-	-	-	79,652	-	-	(79,652)	-
Year 16	-	-	-	81,620	-	-	(81,620)	-
Year 17	-	-	-	83,587	-	-	(83,587)	-
Year 18	-	-	-	85,565	-	-	(85,565)	-
Year 19	-	-	-	87,566	-	-	(87,566)	-
Year 20	-	-	-	89,596	-	-	(89,596)	-
Year 21	-	-	-	189,070	-	-	(189,070)	-
Year 22	-	-	-	185,491	-	-	(185,491)	-
Year 23	-	-	-	184,064	-	-	(184,064)	-
Year 24	-	-	-	184,175	-	-	(184,175)	-
Year 25	-	-	-	185,389	-	-	(185,389)	-
Year 26	-	-	-	187,402	-	-	(187,402)	-
Year 27	-	-	-	190,003	-	-	(190,003)	-
Year 28	-	-	-	193,041	-	-	(193,041)	-
Year 29	-	-	-	196,411	-	-	(196,411)	-
Year 30	-	-	-	442,432	-	-	(442,432)	-

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	-	-	-	-	532,032	(532,032)	-	-	-
Year 2	-	-	-	-	532,032	(532,032)	-	-	-
Year 3	-	-	-	-	532,032	(532,032)	-	-	-
Year 4	-	-	-	-	532,032	(532,032)	-	-	-
Year 5	-	-	-	-	532,032	(532,032)	-	-	-
Year 6	-	-	-	-	532,032	(532,032)	-	-	-
Year 7	-	-	-	-	532,032	(532,032)	-	-	-
Year 8	-	-	-	-	532,032	(532,032)	-	-	-
Year 9	-	-	-	-	532,032	(532,032)	-	-	-
Year 10	-	-	-	-	532,032	(532,032)	-	-	-
Year 11	-	-	-	-	532,032	(532,032)	-	-	-
Year 12	-	-	-	-	532,032	(532,032)	-	-	-
Year 13	-	-	-	-	532,032	(532,032)	-	-	-
Year 14	-	-	-	-	532,032	(532,032)	-	-	-
Year 15	-	-	-	-	532,032	(532,032)	-	-	-
Year 16	-	-	-	-	532,032	(532,032)	-	-	-
Year 17	-	-	-	-	532,032	(532,032)	-	-	-
Year 18	-	-	-	-	532,032	(532,032)	-	-	-
Year 19	-	-	-	-	532,032	(532,032)	-	-	-
Year 20	-	-	-	-	10,132,032	(532,032)	-	(9,600,000)	-

Schedule 10
Elder Family - 3% Rate of Return, 30 Years
CLAT Redemption - Discount Allowed - $3 Million to Family

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.
Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	532,032	532,032
Year 2	532,032	5,320	10,641	532,032	1,080,025
Year 3	1,080,025	10,800	21,600	532,032	1,644,458
Year 4	1,644,458	16,445	32,889	532,032	2,225,823
Year 5	2,225,823	22,258	44,516	532,032	2,824,630
Year 6	2,824,630	28,246	56,493	532,032	3,441,401
Year 7	3,441,401	34,414	68,828	532,032	4,076,675
Year 8	4,076,675	40,767	81,534	532,032	4,731,007
Year 9	4,731,007	47,310	94,620	532,032	5,404,970
Year 10	5,404,970	54,050	108,099	532,032	6,099,151
Year 11	6,099,151	60,992	121,983	532,032	6,814,157
Year 12	6,814,157	68,142	136,283	532,032	7,550,614
Year 13	7,550,614	75,506	151,012	532,032	8,309,164
Year 14	8,309,164	83,092	166,183	532,032	9,090,471
Year 15	9,090,471	90,905	181,809	532,032	9,895,217
Year 16	9,895,217	98,952	197,904	532,032	10,724,106
Year 17	10,724,106	107,241	214,482	532,032	11,577,861
Year 18	11,577,861	115,779	231,557	532,032	12,457,229
Year 19	12,457,229	124,572	249,145	532,032	13,362,978
Year 20	13,362,978	133,630	267,260	532,032	14,295,899
Year 21	14,295,899	142,959	285,918	-	14,724,776
Year 22	14,724,776	147,248	294,496	-	15,166,519
Year 23	15,166,519	151,665	303,330	-	15,621,515
Year 24	15,621,515	156,215	312,430	-	16,090,160
Year 25	16,090,160	160,902	321,803	-	16,572,865
Year 26	16,572,865	165,729	331,457	-	17,070,051
Year 27	17,070,051	170,701	341,401	-	17,582,153
Year 28	17,582,153	175,822	351,643	-	18,109,617
Year 29	18,109,617	181,096	362,192	-	18,652,906
Year 30	18,652,906	186,529	373,058	-	19,212,493

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	532,032	(532,032)	9,600,000
Year 2	9,600,000	532,032	(532,032)	9,600,000
Year 3	9,600,000	532,032	(532,032)	9,600,000
Year 4	9,600,000	532,032	(532,032)	9,600,000
Year 5	9,600,000	532,032	(532,032)	9,600,000
Year 6	9,600,000	532,032	(532,032)	9,600,000
Year 7	9,600,000	532,032	(532,032)	9,600,000
Year 8	9,600,000	532,032	(532,032)	9,600,000
Year 9	9,600,000	532,032	(532,032)	9,600,000
Year 10	9,600,000	532,032	(532,032)	9,600,000
Year 11	9,600,000	532,032	(532,032)	9,600,000
Year 12	9,600,000	532,032	(532,032)	9,600,000
Year 13	9,600,000	532,032	(532,032)	9,600,000
Year 14	9,600,000	532,032	(532,032)	9,600,000
Year 15	9,600,000	532,032	(532,032)	9,600,000
Year 16	9,600,000	532,032	(532,032)	9,600,000
Year 17	9,600,000	532,032	(532,032)	9,600,000
Year 18	9,600,000	532,032	(532,032)	9,600,000
Year 19	9,600,000	532,032	(532,032)	9,600,000
Year 20	9,600,000	532,032	(10,132,032)	-

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	Ownership: Elder Children	Ownership: CLAT	Ownership: Elder GST Exempt Trust
Year 1	30,000,000	300,000	600,000	(114,535)	(1,000,000)	(144,092)	29,641,373	55.56%	14.44%	30.00%
Year 2	29,641,373	296,414	592,827	(143,898)	-	(144,092)	30,242,625	63.51%	0.00%	36.49%
Year 3	30,242,625	302,426	604,852	(169,154)	-	(144,092)	30,836,657	63.51%	0.00%	36.49%
Year 4	30,836,657	308,367	616,733	(188,498)	-	(144,092)	31,429,167	63.51%	0.00%	36.49%
Year 5	31,429,167	314,292	628,583	(203,715)	-	(144,092)	32,024,235	63.51%	0.00%	36.49%
Year 6	32,024,235	320,242	640,485	(216,063)	-	(144,092)	32,624,807	63.51%	0.00%	36.49%
Year 7	32,624,807	326,248	652,496	(226,429)	-	(144,092)	33,233,030	63.51%	0.00%	36.49%
Year 8	33,233,030	332,330	664,661	(235,435)	-	(144,092)	33,850,494	63.51%	0.00%	36.49%
Year 9	33,850,494	338,505	677,010	(243,520)	-	(144,092)	34,478,397	63.51%	0.00%	36.49%
Year 10	34,478,397	344,784	689,568	(250,995)	-	(144,092)	35,117,662	63.51%	0.00%	36.49%
Year 11	35,117,662	351,177	702,353	(258,077)	-	(144,092)	35,769,023	63.51%	0.00%	36.49%
Year 12	35,769,023	357,690	715,380	(264,920)	-	(144,092)	36,433,082	63.51%	0.00%	36.49%
Year 13	36,433,082	364,331	728,662	(271,635)	-	(144,092)	37,110,347	63.51%	0.00%	36.49%
Year 14	37,110,347	371,103	742,207	(278,298)	-	(144,092)	37,801,267	63.51%	0.00%	36.49%
Year 15	37,801,267	378,013	756,025	(284,966)	-	(144,092)	38,506,247	63.51%	0.00%	36.49%
Year 16	38,506,247	385,062	770,125	(291,679)	-	(144,092)	39,225,664	63.51%	0.00%	36.49%
Year 17	39,225,664	392,257	784,513	(298,464)	-	(144,092)	39,959,878	63.51%	0.00%	36.49%
Year 18	39,959,878	399,599	799,198	(305,344)	-	(144,092)	40,709,238	63.51%	0.00%	36.49%
Year 19	40,709,238	407,092	814,185	(312,333)	-	(144,092)	41,474,090	63.51%	0.00%	36.49%
Year 20	41,474,090	414,741	829,482	(319,445)	-	(2,744,092)	39,654,775	63.51%	0.00%	36.49%
Year 21	39,654,775	396,548	793,096	(375,458)	-	-	40,468,961	63.51%	0.00%	36.49%
Year 22	40,468,961	404,690	809,379	(380,213)	-	-	41,302,817	63.51%	0.00%	36.49%
Year 23	41,302,817	413,028	826,056	(385,970)	-	-	42,155,932	63.51%	0.00%	36.49%
Year 24	42,155,932	421,559	843,119	(392,481)	-	-	43,028,129	63.51%	0.00%	36.49%
Year 25	43,028,129	430,281	860,563	(399,573)	-	-	43,919,399	63.51%	0.00%	36.49%
Year 26	43,919,399	439,194	878,388	(407,127)	-	-	44,829,854	63.51%	0.00%	36.49%
Year 27	44,829,854	448,299	896,597	(415,059)	-	-	45,759,691	63.51%	0.00%	36.49%
Year 28	45,759,691	457,597	915,194	(423,310)	-	-	46,709,172	63.51%	0.00%	36.49%
Year 29	46,709,172	467,092	934,183	(431,842)	-	-	47,678,605	63.51%	0.00%	36.49%
Year 30	47,678,605	476,786	953,572	(972,584)	-	-	48,136,379	63.51%	0.00%	36.49%

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	-	-	-	63,631	1,000,000	-	(63,631)	(1,000,000)	-
Year 2	-	-	-	91,394	-	-	(91,394)	-	-
Year 3	-	-	-	107,436	-	-	(107,436)	-	-
Year 4	-	-	-	119,721	-	-	(119,721)	-	-
Year 5	-	-	-	129,386	-	-	(129,386)	-	-
Year 6	-	-	-	137,229	-	-	(137,229)	-	-
Year 7	-	-	-	143,813	-	-	(143,813)	-	-
Year 8	-	-	-	149,533	-	-	(149,533)	-	-
Year 9	-	-	-	154,668	-	-	(154,668)	-	-
Year 10	-	-	-	159,416	-	-	(159,416)	-	-
Year 11	-	-	-	163,913	-	-	(163,913)	-	-
Year 12	-	-	-	168,260	-	-	(168,260)	-	-
Year 13	-	-	-	172,525	-	-	(172,525)	-	-
Year 14	-	-	-	176,757	-	-	(176,757)	-	-
Year 15	-	-	-	180,992	-	-	(180,992)	-	-
Year 16	-	-	-	185,255	-	-	(185,255)	-	-
Year 17	-	-	-	189,565	-	-	(189,565)	-	-
Year 18	-	-	-	193,934	-	-	(193,934)	-	-
Year 19	-	-	-	198,374	-	-	(198,374)	-	-
Year 20	-	-	-	202,891	-	2,600,000	(202,891)	-	2,600,000
Year 21	2,600,000	26,000	52,000	238,466	-	-	(253,962)	-	2,662,504
Year 22	2,662,504	26,625	53,250	241,487	-	-	(260,085)	-	2,723,781
Year 23	2,723,781	27,238	54,476	245,143	-	-	(266,083)	-	2,784,554
Year 24	2,784,554	27,846	55,691	249,278	-	-	(272,029)	-	2,845,340
Year 25	2,845,340	28,453	56,907	253,783	-	-	(277,973)	-	2,906,510
Year 26	2,906,510	29,065	58,130	258,581	-	-	(283,954)	-	2,968,332
Year 27	2,968,332	29,683	59,367	263,618	-	-	(289,996)	-	3,031,004
Year 28	3,031,004	30,310	60,620	268,859	-	-	(296,121)	-	3,094,672
Year 29	3,094,672	30,947	61,893	274,278	-	-	(302,343)	-	3,159,447
Year 30	3,159,447	31,594	63,189	617,722	-	-	(680,891)	-	3,191,062

Schedule 10
Elder Family - 3% Rate of Return, 30 Years
CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	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	-	-	-	34,360	-	-	(34,360)	-	-
Year 2	-	-	-	52,503	-	-	(52,503)	-	-
Year 3	-	-	-	61,719	-	-	(61,719)	-	-
Year 4	-	-	-	68,776	-	-	(68,776)	-	-
Year 5	-	-	-	74,328	-	-	(74,328)	-	-
Year 6	-	-	-	78,834	-	-	(78,834)	-	-
Year 7	-	-	-	82,616	-	-	(82,616)	-	-
Year 8	-	-	-	85,902	-	-	(85,902)	-	-
Year 9	-	-	-	88,852	-	-	(88,852)	-	-
Year 10	-	-	-	91,579	-	-	(91,579)	-	-
Year 11	-	-	-	94,163	-	-	(94,163)	-	-
Year 12	-	-	-	96,660	-	-	(96,660)	-	-
Year 13	-	-	-	99,110	-	-	(99,110)	-	-
Year 14	-	-	-	101,541	-	-	(101,541)	-	-
Year 15	-	-	-	103,974	-	-	(103,974)	-	-
Year 16	-	-	-	106,423	-	-	(106,423)	-	-
Year 17	-	-	-	108,899	-	-	(108,899)	-	-
Year 18	-	-	-	111,409	-	-	(111,409)	-	-
Year 19	-	-	-	113,959	-	-	(113,959)	-	-
Year 20	-	-	-	116,554	-	-	(116,554)	-	-
Year 21	-	-	-	136,991	-	-	(136,991)	-	-
Year 22	-	-	-	138,726	-	-	(138,726)	-	-
Year 23	-	-	-	140,827	-	-	(140,827)	-	-
Year 24	-	-	-	143,202	-	-	(143,202)	-	-
Year 25	-	-	-	145,790	-	-	(145,790)	-	-
Year 26	-	-	-	148,546	-	-	(148,546)	-	-
Year 27	-	-	-	151,440	-	-	(151,440)	-	-
Year 28	-	-	-	154,451	-	-	(154,451)	-	-
Year 29	-	-	-	157,564	-	-	(157,564)	-	-
Year 30	-	-	-	354,862	-	-	(354,862)	-	-

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	-	-	-	16,544	144,092	(144,092)	(16,544)	-	-
Year 2	-	-	-	-	144,092	(144,092)	-	-	-
Year 3	-	-	-	-	144,092	(144,092)	-	-	-
Year 4	-	-	-	-	144,092	(144,092)	-	-	-
Year 5	-	-	-	-	144,092	(144,092)	-	-	-
Year 6	-	-	-	-	144,092	(144,092)	-	-	-
Year 7	-	-	-	-	144,092	(144,092)	-	-	-
Year 8	-	-	-	-	144,092	(144,092)	-	-	-
Year 9	-	-	-	-	144,092	(144,092)	-	-	-
Year 10	-	-	-	-	144,092	(144,092)	-	-	-
Year 11	-	-	-	-	144,092	(144,092)	-	-	-
Year 12	-	-	-	-	144,092	(144,092)	-	-	-
Year 13	-	-	-	-	144,092	(144,092)	-	-	-
Year 14	-	-	-	-	144,092	(144,092)	-	-	-
Year 15	-	-	-	-	144,092	(144,092)	-	-	-
Year 16	-	-	-	-	144,092	(144,092)	-	-	-
Year 17	-	-	-	-	144,092	(144,092)	-	-	-
Year 18	-	-	-	-	144,092	(144,092)	-	-	-
Year 19	-	-	-	-	144,092	(144,092)	-	-	-
Year 20	-	-	-	-	2,744,092	(144,092)	-	(2,600,000)	-

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	144,092	144,092
Year 2	144,092	1,441	2,882	144,092	292,507
Year 3	292,507	2,925	5,850	144,092	445,374
Year 4	445,374	4,454	8,907	144,092	602,827
Year 5	602,827	6,028	12,057	144,092	765,004
Year 6	765,004	7,650	15,300	144,092	932,046
Year 7	932,046	9,320	18,641	144,092	1,104,100
Year 8	1,104,100	11,041	22,082	144,092	1,281,314
Year 9	1,281,314	12,813	25,626	144,092	1,463,846
Year 10	1,463,846	14,638	29,277	144,092	1,651,853
Year 11	1,651,853	16,519	33,037	144,092	1,845,501
Year 12	1,845,501	18,455	36,910	144,092	2,044,958
Year 13	2,044,958	20,450	40,899	144,092	2,250,399
Year 14	2,250,399	22,504	45,008	144,092	2,462,003
Year 15	2,462,003	24,620	49,240	144,092	2,679,955
Year 16	2,679,955	26,800	53,599	144,092	2,904,445
Year 17	2,904,445	29,044	58,089	144,092	3,135,671
Year 18	3,135,671	31,357	62,713	144,092	3,373,833
Year 19	3,373,833	33,738	67,477	144,092	3,619,140
Year 20	3,619,140	36,191	72,383	144,092	3,871,806
Year 21	3,871,806	38,718	77,436	-	3,987,960
Year 22	3,987,960	39,880	79,759	-	4,107,599
Year 23	4,107,599	41,076	82,152	-	4,230,827
Year 24	4,230,827	42,308	84,617	-	4,357,752
Year 25	4,357,752	43,578	87,155	-	4,488,484
Year 26	4,488,484	44,885	89,770	-	4,623,139
Year 27	4,623,139	46,231	92,463	-	4,761,833
Year 28	4,761,833	47,618	95,237	-	4,904,688
Year 29	4,904,688	49,047	98,094	-	5,051,829
Year 30	5,051,829	50,518	101,037	-	5,203,384

Schedule 10

Elder Family - 3% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

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	10.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	144,092	(144,092)	2,600,000
Year 2	2,600,000	144,092	(144,092)	2,600,000
Year 3	2,600,000	144,092	(144,092)	2,600,000
Year 4	2,600,000	144,092	(144,092)	2,600,000
Year 5	2,600,000	144,092	(144,092)	2,600,000
Year 6	2,600,000	144,092	(144,092)	2,600,000
Year 7	2,600,000	144,092	(144,092)	2,600,000
Year 8	2,600,000	144,092	(144,092)	2,600,000
Year 9	2,600,000	144,092	(144,092)	2,600,000
Year 10	2,600,000	144,092	(144,092)	2,600,000
Year 11	2,600,000	144,092	(144,092)	2,600,000
Year 12	2,600,000	144,092	(144,092)	2,600,000
Year 13	2,600,000	144,092	(144,092)	2,600,000
Year 14	2,600,000	144,092	(144,092)	2,600,000
Year 15	2,600,000	144,092	(144,092)	2,600,000
Year 16	2,600,000	144,092	(144,092)	2,600,000
Year 17	2,600,000	144,092	(144,092)	2,600,000
Year 18	2,600,000	144,092	(144,092)	2,600,000
Year 19	2,600,000	144,092	(144,092)	2,600,000
Year 20	2,600,000	144,092	(2,744,092)	-

Schedule 10

Elder Family - 7% Rate of Return, 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
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 30 Years of Annual Compounded Growth at 8%						
	Elder Children's Future Values	**Elder GST Exempt Trust Future Values**	**Charity**	**IRS - Income Taxes**	**IRS - Investment Opp. Costs**	**IRS - Estate Taxes**	**Totals**
No Further Planning - No Discount Allowed	61,669,543	53,664,987	-	40,236,839	137,308,338	9,000,000	301,879,707
No Further Planning - Discount Allowed	79,933,715	53,664,987	-	46,491,600	116,389,405	5,400,000	301,879,707
CLAT Redemption - Discount Allowed - $3 Million to Family	51,066,322	84,604,627	52,562,979	43,416,676	68,879,103	1,350,000	301,879,707
CLAT Redemption - Discount Allowed - $10 Million to Family	78,470,827	54,690,286	14,235,807	45,316,751	104,666,036	4,500,000	301,879,707

No Further Planning - No Discount Allowed		
Elder Children	61,669,543	20.43%
Elder GST Exempt Trust	53,664,987	17.78%
Charity	-	0.00%
IRS (income and estate taxes)	49,236,839	16.31%
IRS (investment opportunity costs)	137,308,338	45.48%
Total	301,879,707	100.00%

No Further Planning - Discount Allowed		
Elder Children	79,933,715	26.48%
Elder GST Exempt Trust	53,664,987	17.78%
Charity	-	0.00%
IRS (income and estate taxes)	51,891,600	17.19%
IRS (investment opportunity costs)	116,389,405	38.55%
Total	301,879,707	100.00%

CLAT Redemption - Discount Allowed - $3 Million to Family		
Elder Children	51,066,322	16.92%
Elder GST Exempt Trust	84,604,627	28.03%
Charity	52,562,979	17.41%
IRS (income and estate taxes)	44,766,676	14.83%
IRS (investment opportunity costs)	68,879,103	22.82%
Total	301,879,707	100.00%

CLAT Redemption - Discount Allowed - $10 Million to Family		
Elder Children	78,470,827	25.99%
Elder GST Exempt Trust	54,690,286	18.12%
Charity	14,235,807	4.72%
IRS (income and estate taxes)	49,816,751	16.50%
IRS (investment opportunity costs)	104,666,036	34.67%
Total	301,879,707	100.00%

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

No Further Planning - No Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	45.00%

Elder Children

	Beginning of Year	Income	Growth	Taxes on Investment Income	Estate Taxes	End of Year
Year 1	20,000,000	400,000	1,200,000	(268,400)	(9,000,000)	12,331,600
Year 2	12,331,600	246,632	739,896	(228,490)	-	13,089,638
Year 3	13,089,638	261,793	785,378	(258,607)	-	13,878,201
Year 4	13,878,201	277,564	832,692	(285,539)	-	14,702,919
Year 5	14,702,919	294,058	882,175	(310,535)	-	15,568,617
Year 6	15,568,617	311,372	934,117	(334,500)	-	16,479,606
Year 7	16,479,606	329,592	988,776	(358,096)	-	17,439,879
Year 8	17,439,879	348,798	1,046,393	(381,812)	-	18,453,257
Year 9	18,453,257	369,065	1,107,195	(406,016)	-	19,523,501
Year 10	19,523,501	390,470	1,171,410	(430,995)	-	20,654,387
Year 11	20,654,387	413,088	1,239,263	(456,973)	-	21,849,764
Year 12	21,849,764	436,995	1,310,986	(484,139)	-	23,113,606
Year 13	23,113,606	462,272	1,386,816	(512,652)	-	24,450,043
Year 14	24,450,043	489,001	1,467,003	(542,655)	-	25,863,391
Year 15	25,863,391	517,268	1,551,803	(574,279)	-	27,358,184
Year 16	27,358,184	547,164	1,641,491	(607,651)	-	28,939,187
Year 17	28,939,187	578,784	1,736,351	(642,895)	-	30,611,427
Year 18	30,611,427	612,229	1,836,686	(680,136)	-	32,380,206
Year 19	32,380,206	647,604	1,942,812	(719,500)	-	34,251,122
Year 20	34,251,122	685,022	2,055,067	(761,118)	-	36,230,094
Year 21	36,230,094	724,602	2,173,806	(805,126)	-	38,323,376
Year 22	38,323,376	766,468	2,299,403	(851,667)	-	40,537,578
Year 23	40,537,578	810,752	2,432,255	(900,890)	-	42,879,694
Year 24	42,879,694	857,594	2,572,782	(952,952)	-	45,357,118
Year 25	45,357,118	907,142	2,721,427	(1,008,018)	-	47,977,669
Year 26	47,977,669	959,553	2,878,660	(1,066,263)	-	50,749,619
Year 27	50,749,619	1,014,992	3,044,977	(1,127,872)	-	53,681,717
Year 28	53,681,717	1,073,634	3,220,903	(1,193,038)	-	56,783,217
Year 29	56,783,217	1,135,664	3,406,993	(1,261,969)	-	60,063,905
Year 30	60,063,905	1,201,278	3,603,834	(3,199,474)	-	61,669,543

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

No Further Planning - No Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	45.00%

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

No Further Planning - No Discount Allowed

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	45.00%

Elder GST Trust

	Beginning of Year	Income	Growth	Taxes on Investment Income	End of Year
Year 1	10,000,000	200,000	600,000	(134,200)	10,665,800
Year 2	10,665,800	213,316	639,948	(174,635)	11,344,429
Year 3	11,344,429	226,889	680,666	(207,890)	12,044,094
Year 4	12,044,094	240,882	722,646	(236,320)	12,771,301
Year 5	12,771,301	255,426	766,278	(261,611)	13,531,394
Year 6	13,531,394	270,628	811,884	(284,975)	14,328,930
Year 7	14,328,930	286,579	859,736	(307,287)	15,167,958
Year 8	15,167,958	303,359	910,077	(329,185)	16,052,210
Year 9	16,052,210	321,044	963,133	(351,141)	16,985,245
Year 10	16,985,245	339,705	1,019,115	(373,511)	17,970,554
Year 11	17,970,554	359,411	1,078,233	(396,567)	19,011,631
Year 12	19,011,631	380,233	1,140,698	(420,525)	20,112,037
Year 13	20,112,037	402,241	1,206,722	(445,562)	21,275,438
Year 14	21,275,438	425,509	1,276,526	(471,830)	22,505,643
Year 15	22,505,643	450,113	1,350,339	(499,463)	23,806,631
Year 16	23,806,631	476,133	1,428,398	(528,584)	25,182,578
Year 17	25,182,578	503,652	1,510,955	(559,310)	26,637,873
Year 18	26,637,873	532,757	1,598,272	(591,757)	28,177,146
Year 19	28,177,146	563,543	1,690,629	(626,041)	29,805,277
Year 20	29,805,277	596,106	1,788,317	(662,277)	31,527,422
Year 21	31,527,422	630,548	1,891,645	(700,588)	33,349,028
Year 22	33,349,028	666,981	2,000,942	(741,098)	35,275,852
Year 23	35,275,852	705,517	2,116,551	(783,939)	37,313,980
Year 24	37,313,980	746,280	2,238,839	(829,249)	39,469,850
Year 25	39,469,850	789,397	2,368,191	(877,171)	41,750,267
Year 26	41,750,267	835,005	2,505,016	(927,859)	44,162,430
Year 27	44,162,430	883,249	2,649,746	(981,472)	46,713,952
Year 28	46,713,952	934,279	2,802,837	(1,038,182)	49,412,887
Year 29	49,412,887	988,258	2,964,773	(1,098,166)	52,267,752
Year 30	52,267,752	1,045,355	3,136,065	(2,784,185)	53,664,987

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

No Further Planning - Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	45.00%
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	400,000	1,200,000	(268,400)	(5,400,000)	15,931,600
Year 2	15,931,600	318,632	955,896	(276,802)	-	16,929,326
Year 3	16,929,326	338,587	1,015,760	(321,476)	-	17,962,196
Year 4	17,962,196	359,244	1,077,732	(360,379)	-	19,038,792
Year 5	19,038,792	380,776	1,142,328	(395,610)	-	20,166,286
Year 6	20,166,286	403,326	1,209,977	(428,680)	-	21,350,908
Year 7	21,350,908	427,018	1,281,054	(460,687)	-	22,598,294
Year 8	22,598,294	451,966	1,355,898	(492,435)	-	23,913,722
Year 9	23,913,722	478,274	1,434,823	(524,523)	-	25,302,297
Year 10	25,302,297	506,046	1,518,138	(557,406)	-	26,769,075
Year 11	26,769,075	535,381	1,606,144	(591,437)	-	28,319,164
Year 12	28,319,164	566,383	1,699,150	(626,903)	-	29,957,793
Year 13	29,957,793	599,156	1,797,468	(664,041)	-	31,690,376
Year 14	31,690,376	633,808	1,901,423	(703,057)	-	33,522,549
Year 15	33,522,549	670,451	2,011,353	(744,138)	-	35,460,215
Year 16	35,460,215	709,204	2,127,613	(787,458)	-	37,509,574
Year 17	37,509,574	750,191	2,250,574	(833,185)	-	39,677,155
Year 18	39,677,155	793,543	2,380,629	(881,487)	-	41,969,840
Year 19	41,969,840	839,397	2,518,190	(932,532)	-	44,394,895
Year 20	44,394,895	887,898	2,663,694	(986,492)	-	46,959,994
Year 21	46,959,994	939,200	2,817,600	(1,043,546)	-	49,673,248
Year 22	49,673,248	993,465	2,980,395	(1,103,879)	-	52,543,228
Year 23	52,543,228	1,050,865	3,152,594	(1,167,686)	-	55,579,001
Year 24	55,579,001	1,111,580	3,334,740	(1,235,170)	-	58,790,151
Year 25	58,790,151	1,175,803	3,527,409	(1,306,548)	-	62,186,815
Year 26	62,186,815	1,243,736	3,731,209	(1,382,045)	-	65,779,716
Year 27	65,779,716	1,315,594	3,946,783	(1,461,901)	-	69,580,192
Year 28	69,580,192	1,391,604	4,174,812	(1,546,368)	-	73,600,239
Year 29	73,600,239	1,472,005	4,416,014	(1,635,714)	-	77,852,544
Year 30	77,852,544	1,557,051	4,671,153	(4,147,033)	-	79,933,715

Schedule 10
Elder Family - 7% Rate of Return, 30 Years
No Further Planning - Discount Allowed

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

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	45.00%
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	200,000	600,000	(134,200)	-	10,665,800
Year 2	10,665,800	213,316	639,948	(174,635)	-	11,344,429
Year 3	11,344,429	226,889	680,666	(207,890)	-	12,044,094
Year 4	12,044,094	240,882	722,646	(236,320)	-	12,771,301
Year 5	12,771,301	255,426	766,278	(261,611)	-	13,531,394
Year 6	13,531,394	270,628	811,884	(284,975)	-	14,328,930
Year 7	14,328,930	286,579	859,736	(307,287)	-	15,167,958
Year 8	15,167,958	303,359	910,077	(329,185)	-	16,052,210
Year 9	16,052,210	321,044	963,133	(351,141)	-	16,985,245
Year 10	16,985,245	339,705	1,019,115	(373,511)	-	17,970,554
Year 11	17,970,554	359,411	1,078,233	(396,567)	-	19,011,631
Year 12	19,011,631	380,233	1,140,698	(420,525)	-	20,112,037
Year 13	20,112,037	402,241	1,206,722	(445,562)	-	21,275,438
Year 14	21,275,438	425,509	1,276,526	(471,830)	-	22,505,643
Year 15	22,505,643	450,113	1,350,339	(499,463)	-	23,806,631
Year 16	23,806,631	476,133	1,428,398	(528,584)	-	25,182,578
Year 17	25,182,578	503,652	1,510,955	(559,310)	-	26,637,873
Year 18	26,637,873	532,757	1,598,272	(591,757)	-	28,177,146
Year 19	28,177,146	563,543	1,690,629	(626,041)	-	29,805,277
Year 20	29,805,277	596,106	1,788,317	(662,277)	-	31,527,422
Year 21	31,527,422	630,548	1,891,645	(700,588)	-	33,349,028
Year 22	33,349,028	666,981	2,000,942	(741,098)	-	35,275,852
Year 23	35,275,852	705,517	2,116,551	(783,939)	-	37,313,980
Year 24	37,313,980	746,280	2,238,839	(829,249)	-	39,469,850
Year 25	39,469,850	789,397	2,368,191	(877,171)	-	41,750,267
Year 26	41,750,267	835,005	2,505,016	(927,859)	-	44,162,430
Year 27	44,162,430	883,249	2,649,746	(981,472)	-	46,713,952
Year 28	46,713,952	934,279	2,802,837	(1,038,182)	-	49,412,887
Year 29	49,412,887	988,258	2,964,773	(1,098,166)	-	52,267,752
Year 30	52,267,752	1,045,355	3,136,065	(2,784,185)	-	53,664,987

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	Ownership: Elder Children	Ownership: CLAT	Ownership: Elder GST Exempt Trust
Year 1	30,000,000	600,000	1,800,000	(165,314)	(1,350,000)	(532,032)	30,352,654	16.67%	53.33%	30.00%
Year 2	30,352,654	607,053	1,821,159	(264,546)	-	(532,032)	31,984,288	28.85%	0.00%	71.15%
Year 3	31,984,288	639,686	1,919,057	(353,704)	-	(532,032)	33,657,296	28.85%	0.00%	71.15%
Year 4	33,657,296	673,146	2,019,438	(428,378)	-	(532,032)	35,389,469	28.85%	0.00%	71.15%
Year 5	35,389,469	707,789	2,123,368	(493,449)	-	(532,032)	37,195,146	28.85%	0.00%	71.15%
Year 6	37,195,146	743,903	2,231,709	(552,415)	-	(532,032)	39,086,310	28.85%	0.00%	71.15%
Year 7	39,086,310	781,726	2,345,179	(607,797)	-	(532,032)	41,073,386	28.85%	0.00%	71.15%
Year 8	41,073,386	821,468	2,464,403	(661,422)	-	(532,032)	43,165,803	28.85%	0.00%	71.15%
Year 9	43,165,803	863,316	2,589,948	(714,632)	-	(532,032)	45,372,403	28.85%	0.00%	71.15%
Year 10	45,372,403	907,448	2,722,344	(768,427)	-	(532,032)	47,701,737	28.85%	0.00%	71.15%
Year 11	47,701,737	954,035	2,862,104	(823,565)	-	(532,032)	50,162,279	28.85%	0.00%	71.15%
Year 12	50,162,279	1,003,246	3,009,737	(880,638)	-	(532,032)	52,762,591	28.85%	0.00%	71.15%
Year 13	52,762,591	1,055,252	3,165,755	(940,121)	-	(532,032)	55,511,445	28.85%	0.00%	71.15%
Year 14	55,511,445	1,110,229	3,330,687	(1,002,413)	-	(532,032)	58,417,916	28.85%	0.00%	71.15%
Year 15	58,417,916	1,168,358	3,505,075	(1,067,858)	-	(532,032)	61,491,459	28.85%	0.00%	71.15%
Year 16	61,491,459	1,229,829	3,689,488	(1,136,769)	-	(532,032)	64,741,975	28.85%	0.00%	71.15%
Year 17	64,741,975	1,294,839	3,884,518	(1,209,437)	-	(532,032)	68,179,864	28.85%	0.00%	71.15%
Year 18	68,179,864	1,363,597	4,090,792	(1,286,145)	-	(532,032)	71,816,076	28.85%	0.00%	71.15%
Year 19	71,816,076	1,436,322	4,308,965	(1,367,172)	-	(532,032)	75,662,158	28.85%	0.00%	71.15%
Year 20	75,662,158	1,513,243	4,539,729	(1,452,801)	-	(10,132,032)	70,130,297	28.85%	0.00%	71.15%
Year 21	70,130,297	1,402,606	4,207,818	(1,651,775)	-	-	74,088,946	28.85%	0.00%	71.15%
Year 22	74,088,946	1,481,779	4,445,337	(1,712,623)	-	-	78,303,439	28.85%	0.00%	71.15%
Year 23	78,303,439	1,566,069	4,698,206	(1,787,057)	-	-	82,780,657	28.85%	0.00%	71.15%
Year 24	82,780,657	1,655,613	4,966,839	(1,872,929)	-	-	87,530,180	28.85%	0.00%	71.15%
Year 25	87,530,180	1,750,604	5,251,811	(1,968,823)	-	-	92,563,771	28.85%	0.00%	71.15%
Year 26	92,563,771	1,851,275	5,553,826	(2,073,844)	-	-	97,895,030	28.85%	0.00%	71.15%
Year 27	97,895,030	1,957,901	5,873,702	(2,187,474)	-	-	103,539,158	28.85%	0.00%	71.15%
Year 28	103,539,158	2,070,783	6,212,349	(2,309,470)	-	-	109,512,820	28.85%	0.00%	71.15%
Year 29	109,512,820	2,190,256	6,570,769	(2,439,793)	-	-	115,834,053	28.85%	0.00%	71.15%
Year 30	115,834,053	2,316,681	6,950,043	(6,184,274)	-	-	118,916,504	28.85%	0.00%	71.15%

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	-	-	-	27,552	1,350,000	-	(27,552)	(1,350,000)	-
Year 2	-	-	-	76,332	-	-	(76,332)	-	-
Year 3	-	-	-	102,057	-	-	(102,057)	-	-
Year 4	-	-	-	123,603	-	-	(123,603)	-	-
Year 5	-	-	-	142,379	-	-	(142,379)	-	-
Year 6	-	-	-	159,393	-	-	(159,393)	-	-
Year 7	-	-	-	175,372	-	-	(175,372)	-	-
Year 8	-	-	-	190,845	-	-	(190,845)	-	-
Year 9	-	-	-	206,198	-	-	(206,198)	-	-
Year 10	-	-	-	221,720	-	-	(221,720)	-	-
Year 11	-	-	-	237,629	-	-	(237,629)	-	-
Year 12	-	-	-	254,097	-	-	(254,097)	-	-
Year 13	-	-	-	271,260	-	-	(271,260)	-	-
Year 14	-	-	-	289,234	-	-	(289,234)	-	-
Year 15	-	-	-	308,117	-	-	(308,117)	-	-
Year 16	-	-	-	328,000	-	-	(328,000)	-	-
Year 17	-	-	-	348,968	-	-	(348,968)	-	-
Year 18	-	-	-	371,101	-	-	(371,101)	-	-
Year 19	-	-	-	394,481	-	-	(394,481)	-	-
Year 20	-	-	-	419,188	-	9,600,000	(419,188)	-	9,600,000
Year 21	9,600,000	192,000	576,000	476,599	-	-	(605,431)	-	10,239,168
Year 22	10,239,168	204,783	614,350	494,156	-	-	(661,806)	-	10,890,652
Year 23	10,890,652	217,813	653,439	515,633	-	-	(715,207)	-	11,562,330
Year 24	11,562,330	231,247	693,740	540,410	-	-	(767,277)	-	12,260,449
Year 25	12,260,449	245,209	735,627	568,079	-	-	(819,226)	-	12,990,138
Year 26	12,990,138	259,803	779,408	598,382	-	-	(871,958)	-	13,755,773
Year 27	13,755,773	275,115	825,346	631,168	-	-	(926,164)	-	14,561,240
Year 28	14,561,240	291,225	873,674	666,369	-	-	(982,387)	-	15,410,121
Year 29	15,410,121	308,202	924,607	703,972	-	-	(1,041,068)	-	16,305,835
Year 30	16,305,835	326,117	978,350	1,784,395	-	-	(2,640,252)	-	16,754,446

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.
Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP - Income Taxes	Distrib. From Elder FLP - Estate Taxes	Distrib. from CLAT	Taxes on Investment Income	End of Year
Year 1	-	-	-	49,594	-	-	(49,594)	-
Year 2	-	-	-	188,215	-	-	(188,215)	-
Year 3	-	-	-	251,647	-	-	(251,647)	-
Year 4	-	-	-	304,775	-	-	(304,775)	-
Year 5	-	-	-	351,070	-	-	(351,070)	-
Year 6	-	-	-	393,023	-	-	(393,023)	-
Year 7	-	-	-	432,425	-	-	(432,425)	-
Year 8	-	-	-	470,577	-	-	(470,577)	-
Year 9	-	-	-	508,434	-	-	(508,434)	-
Year 10	-	-	-	546,707	-	-	(546,707)	-
Year 11	-	-	-	585,936	-	-	(585,936)	-
Year 12	-	-	-	626,541	-	-	(626,541)	-
Year 13	-	-	-	668,861	-	-	(668,861)	-
Year 14	-	-	-	713,179	-	-	(713,179)	-
Year 15	-	-	-	759,741	-	-	(759,741)	-
Year 16	-	-	-	808,768	-	-	(808,768)	-
Year 17	-	-	-	860,469	-	-	(860,469)	-
Year 18	-	-	-	915,044	-	-	(915,044)	-
Year 19	-	-	-	972,692	-	-	(972,692)	-
Year 20	-	-	-	1,033,614	-	-	(1,033,614)	-
Year 21	-	-	-	1,175,176	-	-	(1,175,176)	-
Year 22	-	-	-	1,218,467	-	-	(1,218,467)	-
Year 23	-	-	-	1,271,424	-	-	(1,271,424)	-
Year 24	-	-	-	1,332,519	-	-	(1,332,519)	-
Year 25	-	-	-	1,400,744	-	-	(1,400,744)	-
Year 26	-	-	-	1,475,462	-	-	(1,475,462)	-
Year 27	-	-	-	1,556,305	-	-	(1,556,305)	-
Year 28	-	-	-	1,643,102	-	-	(1,643,102)	-
Year 29	-	-	-	1,735,821	-	-	(1,735,821)	-
Year 30	-	-	-	4,399,879	-	-	(4,399,879)	-

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	-	-	-	88,167	532,032	(532,032)	(88,167)	-	-
Year 2	-	-	-	-	532,032	(532,032)	-	-	-
Year 3	-	-	-	-	532,032	(532,032)	-	-	-
Year 4	-	-	-	-	532,032	(532,032)	-	-	-
Year 5	-	-	-	-	532,032	(532,032)	-	-	-
Year 6	-	-	-	-	532,032	(532,032)	-	-	-
Year 7	-	-	-	-	532,032	(532,032)	-	-	-
Year 8	-	-	-	-	532,032	(532,032)	-	-	-
Year 9	-	-	-	-	532,032	(532,032)	-	-	-
Year 10	-	-	-	-	532,032	(532,032)	-	-	-
Year 11	-	-	-	-	532,032	(532,032)	-	-	-
Year 12	-	-	-	-	532,032	(532,032)	-	-	-
Year 13	-	-	-	-	532,032	(532,032)	-	-	-
Year 14	-	-	-	-	532,032	(532,032)	-	-	-
Year 15	-	-	-	-	532,032	(532,032)	-	-	-
Year 16	-	-	-	-	532,032	(532,032)	-	-	-
Year 17	-	-	-	-	532,032	(532,032)	-	-	-
Year 18	-	-	-	-	532,032	(532,032)	-	-	-
Year 19	-	-	-	-	532,032	(532,032)	-	-	-
Year 20	-	-	-	-	10,132,032	(532,032)	-	(9,600,000)	-

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	532,032	532,032
Year 2	532,032	10,641	31,922	532,032	1,106,627
Year 3	1,106,627	22,133	66,398	532,032	1,727,189
Year 4	1,727,189	34,544	103,631	532,032	2,397,396
Year 5	2,397,396	47,948	143,844	532,032	3,121,219
Year 6	3,121,219	62,424	187,273	532,032	3,902,949
Year 7	3,902,949	78,059	234,177	532,032	4,747,217
Year 8	4,747,217	94,944	284,833	532,032	5,659,026
Year 9	5,659,026	113,181	339,542	532,032	6,643,780
Year 10	6,643,780	132,876	398,627	532,032	7,707,315
Year 11	7,707,315	154,146	462,439	532,032	8,855,932
Year 12	8,855,932	177,119	531,356	532,032	10,096,439
Year 13	10,096,439	201,929	605,786	532,032	11,436,186
Year 14	11,436,186	228,724	686,171	532,032	12,883,112
Year 15	12,883,112	257,662	772,987	532,032	14,445,793
Year 16	14,445,793	288,916	866,748	532,032	16,133,489
Year 17	16,133,489	322,670	968,009	532,032	17,956,200
Year 18	17,956,200	359,124	1,077,372	532,032	19,924,728
Year 19	19,924,728	398,495	1,195,484	532,032	22,050,738
Year 20	22,050,738	441,015	1,323,044	532,032	24,346,829
Year 21	24,346,829	486,937	1,460,810	-	26,294,576
Year 22	26,294,576	525,892	1,577,675	-	28,398,142
Year 23	28,398,142	567,963	1,703,889	-	30,669,993
Year 24	30,669,993	613,400	1,840,200	-	33,123,593
Year 25	33,123,593	662,472	1,987,416	-	35,773,480
Year 26	35,773,480	715,470	2,146,409	-	38,635,358
Year 27	38,635,358	772,707	2,318,122	-	41,726,187
Year 28	41,726,187	834,524	2,503,571	-	45,064,282
Year 29	45,064,282	901,286	2,703,857	-	48,669,425
Year 30	48,669,425	973,388	2,920,165	-	52,562,979

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	532,032	(532,032)	9,600,000
Year 2	9,600,000	532,032	(532,032)	9,600,000
Year 3	9,600,000	532,032	(532,032)	9,600,000
Year 4	9,600,000	532,032	(532,032)	9,600,000
Year 5	9,600,000	532,032	(532,032)	9,600,000
Year 6	9,600,000	532,032	(532,032)	9,600,000
Year 7	9,600,000	532,032	(532,032)	9,600,000
Year 8	9,600,000	532,032	(532,032)	9,600,000
Year 9	9,600,000	532,032	(532,032)	9,600,000
Year 10	9,600,000	532,032	(532,032)	9,600,000
Year 11	9,600,000	532,032	(532,032)	9,600,000
Year 12	9,600,000	532,032	(532,032)	9,600,000
Year 13	9,600,000	532,032	(532,032)	9,600,000
Year 14	9,600,000	532,032	(532,032)	9,600,000
Year 15	9,600,000	532,032	(532,032)	9,600,000
Year 16	9,600,000	532,032	(532,032)	9,600,000
Year 17	9,600,000	532,032	(532,032)	9,600,000
Year 18	9,600,000	532,032	(532,032)	9,600,000
Year 19	9,600,000	532,032	(532,032)	9,600,000
Year 20	9,600,000	532,032	(10,132,032)	-

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	600,000	1,800,000	(338,335)	(4,500,000)	(144,092)	27,417,573
Year 2	27,417,573	548,351	1,645,054	(398,179)	-	(144,092)	29,068,708
Year 3	29,068,708	581,374	1,744,122	(478,352)	-	(144,092)	30,771,760
Year 4	30,771,760	615,435	1,846,306	(547,019)	-	(144,092)	32,542,390
Year 5	32,542,390	650,848	1,952,543	(608,214)	-	(144,092)	34,393,475
Year 6	34,393,475	687,870	2,063,609	(664,836)	-	(144,092)	36,336,025
Year 7	36,336,025	726,721	2,180,162	(718,982)	-	(144,092)	38,379,833
Year 8	38,379,833	767,597	2,302,790	(772,183)	-	(144,092)	40,533,944
Year 9	40,533,944	810,679	2,432,037	(825,571)	-	(144,092)	42,806,997
Year 10	42,806,997	856,140	2,568,420	(879,996)	-	(144,092)	45,207,469
Year 11	45,207,469	904,149	2,712,448	(936,115)	-	(144,092)	47,743,860
Year 12	47,743,860	954,877	2,864,632	(994,448)	-	(144,092)	50,424,828
Year 13	50,424,828	1,008,497	3,025,490	(1,055,423)	-	(144,092)	53,259,300
Year 14	53,259,300	1,065,186	3,195,558	(1,119,404)	-	(144,092)	56,256,548
Year 15	56,256,548	1,125,131	3,375,393	(1,186,715)	-	(144,092)	59,426,265
Year 16	59,426,265	1,188,525	3,565,576	(1,257,655)	-	(144,092)	62,778,619
Year 17	62,778,619	1,255,572	3,766,717	(1,332,511)	-	(144,092)	66,324,306
Year 18	66,324,306	1,326,486	3,979,458	(1,411,561)	-	(144,092)	70,074,598
Year 19	70,074,598	1,401,492	4,204,476	(1,495,085)	-	(144,092)	74,041,389
Year 20	74,041,389	1,480,828	4,442,483	(1,583,370)	-	(2,744,092)	75,637,238
Year 21	75,637,238	1,512,745	4,538,234	(1,706,082)	-	-	79,982,136
Year 22	79,982,136	1,599,643	4,798,928	(1,795,338)	-	-	84,585,368
Year 23	84,585,368	1,691,707	5,075,122	(1,892,464)	-	-	89,459,734
Year 24	89,459,734	1,789,195	5,367,584	(1,997,123)	-	-	94,619,389
Year 25	94,619,389	1,892,388	5,677,163	(2,109,192)	-	-	100,079,748
Year 26	100,079,748	2,001,595	6,004,785	(2,228,701)	-	-	105,857,426
Year 27	105,857,426	2,117,149	6,351,446	(2,355,800)	-	-	111,970,221
Year 28	111,970,221	2,239,404	6,718,213	(2,490,726)	-	-	118,437,112
Year 29	118,437,112	2,368,742	7,106,227	(2,633,792)	-	-	125,278,289
Year 30	125,278,289	2,505,566	7,516,697	(6,677,101)	-	-	128,623,451

	Ownership		
	Elder Children	CLAT	Elder GST Exempt Trust
Year 1	55.56%	14.44%	30.00%
Year 2	57.48%	0.00%	42.52%
Year 3	57.48%	0.00%	42.52%
Year 4	57.48%	0.00%	42.52%
Year 5	57.48%	0.00%	42.52%
Year 6	57.48%	0.00%	42.52%
Year 7	57.48%	0.00%	42.52%
Year 8	57.48%	0.00%	42.52%
Year 9	57.48%	0.00%	42.52%
Year 10	57.48%	0.00%	42.52%
Year 11	57.48%	0.00%	42.52%
Year 12	57.48%	0.00%	42.52%
Year 13	57.48%	0.00%	42.52%
Year 14	57.48%	0.00%	42.52%
Year 15	57.48%	0.00%	42.52%
Year 16	57.48%	0.00%	42.52%
Year 17	57.48%	0.00%	42.52%
Year 18	57.48%	0.00%	42.52%
Year 19	57.48%	0.00%	42.52%
Year 20	57.48%	0.00%	42.52%
Year 21	57.48%	0.00%	42.52%
Year 22	57.48%	0.00%	42.52%
Year 23	57.48%	0.00%	42.52%
Year 24	57.48%	0.00%	42.52%
Year 25	57.48%	0.00%	42.52%
Year 26	57.48%	0.00%	42.52%
Year 27	57.48%	0.00%	42.52%
Year 28	57.48%	0.00%	42.52%
Year 29	57.48%	0.00%	42.52%
Year 30	57.48%	0.00%	42.52%

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	-	-	-	187,964	4,500,000	-	(187,964)	(4,500,000)	-
Year 2	-	-	-	228,874	-	-	(228,874)	-	-
Year 3	-	-	-	274,958	-	-	(274,958)	-	-
Year 4	-	-	-	314,428	-	-	(314,428)	-	-
Year 5	-	-	-	349,603	-	-	(349,603)	-	-
Year 6	-	-	-	382,150	-	-	(382,150)	-	-
Year 7	-	-	-	413,273	-	-	(413,273)	-	-
Year 8	-	-	-	443,853	-	-	(443,853)	-	-
Year 9	-	-	-	474,541	-	-	(474,541)	-	-
Year 10	-	-	-	505,824	-	-	(505,824)	-	-
Year 11	-	-	-	538,082	-	-	(538,082)	-	-
Year 12	-	-	-	571,612	-	-	(571,612)	-	-
Year 13	-	-	-	606,660	-	-	(606,660)	-	-
Year 14	-	-	-	643,437	-	-	(643,437)	-	-
Year 15	-	-	-	682,127	-	-	(682,127)	-	-
Year 16	-	-	-	722,904	-	-	(722,904)	-	-
Year 17	-	-	-	765,931	-	-	(765,931)	-	-
Year 18	-	-	-	811,369	-	-	(811,369)	-	-
Year 19	-	-	-	859,380	-	-	(859,380)	-	-
Year 20	-	-	-	910,126	-	2,600,000	(910,126)	-	2,600,000
Year 21	2,600,000	52,000	156,000	980,661	-	-	(1,015,553)	-	2,773,108
Year 22	2,773,108	55,462	166,386	1,031,966	-	-	(1,077,371)	-	2,949,552
Year 23	2,949,552	58,991	176,973	1,087,794	-	-	(1,141,846)	-	3,131,464
Year 24	3,131,464	62,629	187,888	1,147,953	-	-	(1,209,396)	-	3,320,538
Year 25	3,320,538	66,411	199,232	1,212,370	-	-	(1,280,389)	-	3,518,162
Year 26	3,518,162	70,363	211,090	1,281,064	-	-	(1,355,158)	-	3,725,522
Year 27	3,725,522	74,510	223,531	1,354,121	-	-	(1,434,016)	-	3,943,669
Year 28	3,943,669	78,873	236,620	1,431,677	-	-	(1,517,265)	-	4,173,575
Year 29	4,173,575	83,471	250,414	1,513,912	-	-	(1,605,209)	-	4,416,164
Year 30	4,416,164	88,323	264,970	3,838,019	-	-	(4,069,813)	-	4,537,662

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	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	-	-	-	101,500	-	-	(101,500)	-	-
Year 2	-	-	-	169,304	-	-	(169,304)	-	-
Year 3	-	-	-	203,394	-	-	(203,394)	-	-
Year 4	-	-	-	232,591	-	-	(232,591)	-	-
Year 5	-	-	-	258,611	-	-	(258,611)	-	-
Year 6	-	-	-	282,686	-	-	(282,686)	-	-
Year 7	-	-	-	305,709	-	-	(305,709)	-	-
Year 8	-	-	-	328,330	-	-	(328,330)	-	-
Year 9	-	-	-	351,030	-	-	(351,030)	-	-
Year 10	-	-	-	374,171	-	-	(374,171)	-	-
Year 11	-	-	-	398,033	-	-	(398,033)	-	-
Year 12	-	-	-	422,836	-	-	(422,836)	-	-
Year 13	-	-	-	448,762	-	-	(448,762)	-	-
Year 14	-	-	-	475,967	-	-	(475,967)	-	-
Year 15	-	-	-	504,587	-	-	(504,587)	-	-
Year 16	-	-	-	534,751	-	-	(534,751)	-	-
Year 17	-	-	-	566,579	-	-	(566,579)	-	-
Year 18	-	-	-	600,191	-	-	(600,191)	-	-
Year 19	-	-	-	635,705	-	-	(635,705)	-	-
Year 20	-	-	-	673,244	-	-	(673,244)	-	-
Year 21	-	-	-	725,421	-	-	(725,421)	-	-
Year 22	-	-	-	763,372	-	-	(763,372)	-	-
Year 23	-	-	-	804,670	-	-	(804,670)	-	-
Year 24	-	-	-	849,171	-	-	(849,171)	-	-
Year 25	-	-	-	896,822	-	-	(896,822)	-	-
Year 26	-	-	-	947,637	-	-	(947,637)	-	-
Year 27	-	-	-	1,001,679	-	-	(1,001,679)	-	-
Year 28	-	-	-	1,059,049	-	-	(1,059,049)	-	-
Year 29	-	-	-	1,119,880	-	-	(1,119,880)	-	-
Year 30	-	-	-	2,839,082	-	-	(2,839,082)	-	-

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	-	-	-	48,871	144,092	(144,092)	(48,871)	-	-
Year 2	-	-	-	-	144,092	(144,092)	-	-	-
Year 3	-	-	-	-	144,092	(144,092)	-	-	-
Year 4	-	-	-	-	144,092	(144,092)	-	-	-
Year 5	-	-	-	-	144,092	(144,092)	-	-	-
Year 6	-	-	-	-	144,092	(144,092)	-	-	-
Year 7	-	-	-	-	144,092	(144,092)	-	-	-
Year 8	-	-	-	-	144,092	(144,092)	-	-	-
Year 9	-	-	-	-	144,092	(144,092)	-	-	-
Year 10	-	-	-	-	144,092	(144,092)	-	-	-
Year 11	-	-	-	-	144,092	(144,092)	-	-	-
Year 12	-	-	-	-	144,092	(144,092)	-	-	-
Year 13	-	-	-	-	144,092	(144,092)	-	-	-
Year 14	-	-	-	-	144,092	(144,092)	-	-	-
Year 15	-	-	-	-	144,092	(144,092)	-	-	-
Year 16	-	-	-	-	144,092	(144,092)	-	-	-
Year 17	-	-	-	-	144,092	(144,092)	-	-	-
Year 18	-	-	-	-	144,092	(144,092)	-	-	-
Year 19	-	-	-	-	144,092	(144,092)	-	-	-
Year 20	-	-	-	-	2,744,092	(144,092)	-	(2,600,000)	-

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	144,092	144,092
Year 2	144,092	2,882	8,646	144,092	299,711
Year 3	299,711	5,994	17,983	144,092	467,780
Year 4	467,780	9,356	28,067	144,092	649,295
Year 5	649,295	12,986	38,958	144,092	845,330
Year 6	845,330	16,907	50,720	144,092	1,057,049
Year 7	1,057,049	21,141	63,423	144,092	1,285,705
Year 8	1,285,705	25,714	77,142	144,092	1,532,653
Year 9	1,532,653	30,653	91,959	144,092	1,799,357
Year 10	1,799,357	35,987	107,961	144,092	2,087,398
Year 11	2,087,398	41,748	125,244	144,092	2,398,482
Year 12	2,398,482	47,970	143,909	144,092	2,734,452
Year 13	2,734,452	54,689	164,067	144,092	3,097,300
Year 14	3,097,300	61,946	185,838	144,092	3,489,176
Year 15	3,489,176	69,784	209,351	144,092	3,912,402
Year 16	3,912,402	78,248	234,744	144,092	4,369,487
Year 17	4,369,487	87,390	262,169	144,092	4,863,138
Year 18	4,863,138	97,263	291,788	144,092	5,396,281
Year 19	5,396,281	107,926	323,777	144,092	5,972,075
Year 20	5,972,075	119,441	358,324	144,092	6,593,933
Year 21	6,593,933	131,879	395,636	-	7,121,448
Year 22	7,121,448	142,429	427,287	-	7,691,163
Year 23	7,691,163	153,823	461,470	-	8,306,456
Year 24	8,306,456	166,129	498,387	-	8,970,973
Year 25	8,970,973	179,419	538,258	-	9,688,651
Year 26	9,688,651	193,773	581,319	-	10,463,743
Year 27	10,463,743	209,275	627,825	-	11,300,842
Year 28	11,300,842	226,017	678,051	-	12,204,910
Year 29	12,204,910	244,098	732,295	-	13,181,302
Year 30	13,181,302	263,626	790,878	-	14,235,807

Schedule 10

Elder Family - 7% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	8.00%
Rate of Return on Assets That Are Taxable at Ordinary Rate	2.00%
Rate of Return on Assets That Are Taxable at Capital Gains Rate	6.00%
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	45.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Interest Rate on CLAT Note	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	144,092	(144,092)	2,600,000
Year 2	2,600,000	144,092	(144,092)	2,600,000
Year 3	2,600,000	144,092	(144,092)	2,600,000
Year 4	2,600,000	144,092	(144,092)	2,600,000
Year 5	2,600,000	144,092	(144,092)	2,600,000
Year 6	2,600,000	144,092	(144,092)	2,600,000
Year 7	2,600,000	144,092	(144,092)	2,600,000
Year 8	2,600,000	144,092	(144,092)	2,600,000
Year 9	2,600,000	144,092	(144,092)	2,600,000
Year 10	2,600,000	144,092	(144,092)	2,600,000
Year 11	2,600,000	144,092	(144,092)	2,600,000
Year 12	2,600,000	144,092	(144,092)	2,600,000
Year 13	2,600,000	144,092	(144,092)	2,600,000
Year 14	2,600,000	144,092	(144,092)	2,600,000
Year 15	2,600,000	144,092	(144,092)	2,600,000
Year 16	2,600,000	144,092	(144,092)	2,600,000
Year 17	2,600,000	144,092	(144,092)	2,600,000
Year 18	2,600,000	144,092	(144,092)	2,600,000
Year 19	2,600,000	144,092	(144,092)	2,600,000
Year 20	2,600,000	144,092	(2,744,092)	-

Schedule 10

Elder Family - 10% Rate of Return, 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.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
Long-Term Capital Gain Tax Rate	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 30 Years of Annual Compounded Growth at 7%						
	Elder Children's Future Values	**Elder GST Exempt Trust Future Values**	**Charity**	**IRS - Income Taxes**	**IRS - Investment Opp. Costs**	**IRS - Estate Taxes**	**Totals**
No Further Planning - No Discount Allowed	49,717,481	40,213,637	-	34,067,558	96,368,975	8,000,000	228,367,651
No Further Planning - Discount Allowed	62,001,399	40,213,637	-	38,623,156	82,729,459	4,800,000	228,367,651
CLAT Redemption - Discount Allowed - $3 Million to Family	40,685,530	60,269,531	42,905,369	34,396,455	48,910,767	1,200,000	228,367,651
CLAT Redemption - Discount Allowed - $10 Million to Family	60,878,575	40,323,441	11,620,204	37,229,290	74,316,141	4,000,000	228,367,651

No Further Planning - No Discount Allowed		
Elder Children	49,717,481	21.77%
Elder GST Exempt Trust	40,213,637	17.61%
Charity	-	0.00%
IRS (income and estate taxes)	42,067,558	18.42%
IRS (investment opportunity costs)	96,368,975	42.20%
Total	228,367,651	100.00%

No Further Planning - Discount Allowed		
Elder Children	62,001,399	27.15%
Elder GST Exempt Trust	40,213,637	17.61%
Charity	-	0.00%
IRS (income and estate taxes)	43,423,156	19.01%
IRS (investment opportunity costs)	82,729,459	36.23%
Total	228,367,651	100.00%

CLAT Redemption - Discount Allowed - $3 Million to Family		
Elder Children	40,685,530	17.82%
Elder GST Exempt Trust	60,269,531	26.39%
Charity	42,905,369	18.79%
IRS (income and estate taxes)	35,596,455	15.59%
IRS (investment opportunity costs)	48,910,767	21.42%
Total	228,367,651	100.00%

CLAT Redemption - Discount Allowed - $10 Million to Family		
Elder Children	60,878,575	26.66%
Elder GST Exempt Trust	40,323,441	17.66%
Charity	11,620,204	5.09%
IRS (income and estate taxes)	41,229,290	18.05%
IRS (investment opportunity costs)	74,316,141	32.54%
Total	228,367,651	100.00%

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

No Further Planning - No Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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%
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	800,000	(327,600)	(8,000,000)	13,072,400
Year 2	13,072,400	392,172	522,896	(256,126)	-	13,731,342
Year 3	13,731,342	411,940	549,254	(281,771)	-	14,410,765
Year 4	14,410,765	432,323	576,431	(304,681)	-	15,114,838
Year 5	15,114,838	453,445	604,594	(325,886)	-	15,846,990
Year 6	15,846,990	475,410	633,880	(346,128)	-	16,610,151
Year 7	16,610,151	498,305	664,406	(365,941)	-	17,406,920
Year 8	17,406,920	522,208	696,277	(385,714)	-	18,239,691
Year 9	18,239,691	547,191	729,588	(405,732)	-	19,110,737
Year 10	19,110,737	573,322	764,429	(426,214)	-	20,022,275
Year 11	20,022,275	600,668	800,891	(447,323)	-	20,976,511
Year 12	20,976,511	629,295	839,060	(469,193)	-	21,975,674
Year 13	21,975,674	659,270	879,027	(491,931)	-	23,022,040
Year 14	23,022,040	690,661	920,882	(515,628)	-	24,117,955
Year 15	24,117,955	723,539	964,718	(540,367)	-	25,265,844
Year 16	25,265,844	757,975	1,010,634	(566,223)	-	26,468,230
Year 17	26,468,230	794,047	1,058,729	(593,266)	-	27,727,741
Year 18	27,727,741	831,832	1,109,110	(621,565)	-	29,047,117
Year 19	29,047,117	871,414	1,161,885	(651,189)	-	30,429,226
Year 20	30,429,226	912,877	1,217,169	(682,208)	-	31,877,064
Year 21	31,877,064	956,312	1,275,083	(714,692)	-	33,393,767
Year 22	33,393,767	1,001,813	1,335,751	(748,714)	-	34,982,617
Year 23	34,982,617	1,049,479	1,399,305	(784,349)	-	36,647,052
Year 24	36,647,052	1,099,412	1,465,882	(821,676)	-	38,390,670
Year 25	38,390,670	1,151,720	1,535,627	(860,776)	-	40,217,241
Year 26	40,217,241	1,206,517	1,608,690	(901,734)	-	42,130,713
Year 27	42,130,713	1,263,921	1,685,229	(944,641)	-	44,135,223
Year 28	44,135,223	1,324,057	1,765,409	(989,587)	-	46,235,101
Year 29	46,235,101	1,387,053	1,849,404	(1,036,671)	-	48,434,887
Year 30	48,434,887	1,453,047	1,937,395	(2,107,848)	-	49,717,481

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

No Further Planning - No Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Estate Tax Rate	40.00%

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

No Further Planning - No Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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%
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	400,000	(163,800)	10,536,200
Year 2	10,536,200	316,086	421,448	(193,583)	11,080,151
Year 3	11,080,151	332,405	443,206	(218,319)	11,637,443
Year 4	11,637,443	349,123	465,498	(239,668)	12,212,396
Year 5	12,212,396	366,372	488,496	(258,810)	12,808,453
Year 6	12,808,453	384,254	512,338	(276,588)	13,428,457
Year 7	13,428,457	402,854	537,138	(293,606)	14,074,843
Year 8	14,074,843	422,245	562,994	(310,299)	14,749,783
Year 9	14,749,783	442,493	589,991	(326,986)	15,455,281
Year 10	15,455,281	463,658	618,211	(343,901)	16,193,250
Year 11	16,193,250	485,797	647,730	(361,222)	16,965,555
Year 12	16,965,555	508,967	678,622	(379,085)	17,774,059
Year 13	17,774,059	533,222	710,962	(397,599)	18,620,644
Year 14	18,620,644	558,619	744,826	(416,854)	19,507,235
Year 15	19,507,235	585,217	780,289	(436,925)	20,435,816
Year 16	20,435,816	613,074	817,433	(457,882)	21,408,442
Year 17	21,408,442	642,253	856,338	(479,786)	22,427,247
Year 18	22,427,247	672,817	897,090	(502,697)	23,494,457
Year 19	23,494,457	704,834	939,778	(526,673)	24,612,396
Year 20	24,612,396	738,372	984,496	(551,773)	25,783,491
Year 21	25,783,491	773,505	1,031,340	(578,055)	27,010,280
Year 22	27,010,280	810,308	1,080,411	(605,579)	28,295,421
Year 23	28,295,421	848,863	1,131,817	(634,406)	29,641,694
Year 24	29,641,694	889,251	1,185,668	(664,600)	31,052,013
Year 25	31,052,013	931,560	1,242,081	(696,228)	32,529,425
Year 26	32,529,425	975,883	1,301,177	(729,358)	34,077,127
Year 27	34,077,127	1,022,314	1,363,085	(764,064)	35,698,462
Year 28	35,698,462	1,070,954	1,427,938	(800,419)	37,396,935
Year 29	37,396,935	1,121,908	1,495,877	(838,503)	39,176,218
Year 30	39,176,218	1,175,287	1,567,049	(1,704,915)	40,213,637

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

No Further Planning - Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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%
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	800,000	(327,600)	(4,800,000)	16,272,400
Year 2	16,272,400	488,172	650,896	(308,542)	-	17,102,926
Year 3	17,102,926	513,088	684,117	(343,718)	-	17,956,413
Year 4	17,956,413	538,692	718,257	(374,543)	-	18,838,819
Year 5	18,838,819	565,165	753,553	(402,580)	-	19,754,957
Year 6	19,754,957	592,649	790,198	(428,948)	-	20,708,856
Year 7	20,708,856	621,266	828,354	(454,450)	-	21,704,026
Year 8	21,704,026	651,121	868,161	(479,668)	-	22,743,641
Year 9	22,743,641	682,309	909,746	(505,028)	-	23,830,667
Year 10	23,830,667	714,920	953,227	(530,849)	-	24,967,965
Year 11	24,967,965	749,039	998,719	(557,372)	-	26,158,351
Year 12	26,158,351	784,751	1,046,334	(584,784)	-	27,404,651
Year 13	27,404,651	822,140	1,096,186	(613,238)	-	28,709,739
Year 14	28,709,739	861,292	1,148,390	(642,860)	-	30,076,561
Year 15	30,076,561	902,297	1,203,062	(673,761)	-	31,508,159
Year 16	31,508,159	945,245	1,260,326	(706,039)	-	33,007,691
Year 17	33,007,691	990,231	1,320,308	(739,788)	-	34,578,442
Year 18	34,578,442	1,037,353	1,383,138	(775,096)	-	36,223,836
Year 19	36,223,836	1,086,715	1,448,953	(812,052)	-	37,947,453
Year 20	37,947,453	1,138,424	1,517,898	(850,743)	-	39,753,031
Year 21	39,753,031	1,192,591	1,590,121	(891,259)	-	41,644,484
Year 22	41,644,484	1,249,335	1,665,779	(933,691)	-	43,625,907
Year 23	43,625,907	1,308,777	1,745,036	(978,134)	-	45,701,586
Year 24	45,701,586	1,371,048	1,828,063	(1,024,685)	-	47,876,012
Year 25	47,876,012	1,436,280	1,915,040	(1,073,448)	-	50,153,885
Year 26	50,153,885	1,504,617	2,006,155	(1,124,527)	-	52,540,129
Year 27	52,540,129	1,576,204	2,101,605	(1,178,035)	-	55,039,903
Year 28	55,039,903	1,651,197	2,201,596	(1,234,087)	-	57,658,609
Year 29	57,658,609	1,729,758	2,306,344	(1,292,805)	-	60,401,906
Year 30	60,401,906	1,812,057	2,416,076	(2,628,641)	-	62,001,399

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

No Further Planning - Discount Allowed

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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%
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	400,000	(163,800)	-	10,536,200
Year 2	10,536,200	316,086	421,448	(193,583)	-	11,080,151
Year 3	11,080,151	332,405	443,206	(218,319)	-	11,637,443
Year 4	11,637,443	349,123	465,498	(239,668)	-	12,212,396
Year 5	12,212,396	366,372	488,496	(258,810)	-	12,808,453
Year 6	12,808,453	384,254	512,338	(276,588)	-	13,428,457
Year 7	13,428,457	402,854	537,138	(293,606)	-	14,074,843
Year 8	14,074,843	422,245	562,994	(310,299)	-	14,749,783
Year 9	14,749,783	442,493	589,991	(326,986)	-	15,455,281
Year 10	15,455,281	463,658	618,211	(343,901)	-	16,193,250
Year 11	16,193,250	485,797	647,730	(361,222)	-	16,965,555
Year 12	16,965,555	508,967	678,622	(379,085)	-	17,774,059
Year 13	17,774,059	533,222	710,962	(397,599)	-	18,620,644
Year 14	18,620,644	558,619	744,826	(416,854)	-	19,507,235
Year 15	19,507,235	585,217	780,289	(436,925)	-	20,435,816
Year 16	20,435,816	613,074	817,433	(457,882)	-	21,408,442
Year 17	21,408,442	642,253	856,338	(479,786)	-	22,427,247
Year 18	22,427,247	672,817	897,090	(502,697)	-	23,494,457
Year 19	23,494,457	704,834	939,778	(526,673)	-	24,612,396
Year 20	24,612,396	738,372	984,496	(551,773)	-	25,783,491
Year 21	25,783,491	773,505	1,031,340	(578,055)	-	27,010,280
Year 22	27,010,280	810,308	1,080,411	(605,579)	-	28,295,421
Year 23	28,295,421	848,863	1,131,817	(634,406)	-	29,641,694
Year 24	29,641,694	889,251	1,185,668	(664,600)	-	31,052,013
Year 25	31,052,013	931,560	1,242,081	(696,228)	-	32,529,425
Year 26	32,529,425	975,883	1,301,177	(729,358)	-	34,077,127
Year 27	34,077,127	1,022,314	1,363,085	(764,064)	-	35,698,462
Year 28	35,698,462	1,070,954	1,427,938	(800,419)	-	37,396,935
Year 29	37,396,935	1,121,908	1,495,877	(838,503)	-	39,176,218
Year 30	39,176,218	1,175,287	1,567,049	(1,704,915)	-	40,213,637

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
Elder FLP Valuation Discount	40.00%

Elder FLP

								Ownership		
	Beg. of Year	Income	Growth	Distribution - Income Taxes	Distribution - Estate Taxes	Note Payment to CLAT	End of Year	Elder Children	CLAT	Elder GST Exempt Trust
Year 1	30,000,000	900,000	1,200,000	(254,114)	(1,200,000)	(532,032)	30,113,854	16.67%	53.33%	30.00%
Year 2	30,113,854	903,416	1,204,554	(318,979)	-	(532,032)	31,370,813	29.69%	0.00%	70.31%
Year 3	31,370,813	941,124	1,254,833	(383,907)	-	(532,032)	32,650,832	29.69%	0.00%	70.31%
Year 4	32,650,832	979,525	1,306,033	(438,550)	-	(532,032)	33,965,807	29.69%	0.00%	70.31%
Year 5	33,965,807	1,018,974	1,358,632	(486,352)	-	(532,032)	35,325,030	29.69%	0.00%	70.31%
Year 6	35,325,030	1,059,751	1,413,001	(529,761)	-	(532,032)	36,735,990	29.69%	0.00%	70.31%
Year 7	36,735,990	1,102,080	1,469,440	(570,528)	-	(532,032)	38,204,949	29.69%	0.00%	70.31%
Year 8	38,204,949	1,146,148	1,528,198	(609,911)	-	(532,032)	39,737,353	29.69%	0.00%	70.31%
Year 9	39,737,353	1,192,121	1,589,494	(648,822)	-	(532,032)	41,338,113	29.69%	0.00%	70.31%
Year 10	41,338,113	1,240,143	1,653,525	(687,928)	-	(532,032)	43,011,821	29.69%	0.00%	70.31%
Year 11	43,011,821	1,290,355	1,720,473	(727,725)	-	(532,032)	44,762,892	29.69%	0.00%	70.31%
Year 12	44,762,892	1,342,887	1,790,516	(768,589)	-	(532,032)	46,595,673	29.69%	0.00%	70.31%
Year 13	46,595,673	1,397,870	1,863,827	(810,814)	-	(532,032)	48,514,524	29.69%	0.00%	70.31%
Year 14	48,514,524	1,455,436	1,940,581	(854,637)	-	(532,032)	50,523,872	29.69%	0.00%	70.31%
Year 15	50,523,872	1,515,716	2,020,955	(900,254)	-	(532,032)	52,628,257	29.69%	0.00%	70.31%
Year 16	52,628,257	1,578,848	2,105,130	(947,836)	-	(532,032)	54,832,367	29.69%	0.00%	70.31%
Year 17	54,832,367	1,644,971	2,193,295	(997,537)	-	(532,032)	57,141,063	29.69%	0.00%	70.31%
Year 18	57,141,063	1,714,232	2,285,643	(1,049,501)	-	(532,032)	59,559,405	29.69%	0.00%	70.31%
Year 19	59,559,405	1,786,782	2,382,376	(1,103,865)	-	(532,032)	62,092,667	29.69%	0.00%	70.31%
Year 20	62,092,667	1,862,780	2,483,707	(1,160,764)	-	(10,132,032)	55,146,358	29.69%	0.00%	70.31%
Year 21	55,146,358	1,654,391	2,205,854	(1,300,372)	-	-	57,706,230	29.69%	0.00%	70.31%
Year 22	57,706,230	1,731,187	2,308,249	(1,338,988)	-	-	60,406,678	29.69%	0.00%	70.31%
Year 23	60,406,678	1,812,200	2,416,267	(1,386,276)	-	-	63,248,869	29.69%	0.00%	70.31%
Year 24	63,248,869	1,897,466	2,529,955	(1,440,641)	-	-	66,235,649	29.69%	0.00%	70.31%
Year 25	66,235,649	1,987,069	2,649,426	(1,501,000)	-	-	69,371,145	29.69%	0.00%	70.31%
Year 26	69,371,145	2,081,134	2,774,846	(1,566,636)	-	-	72,660,489	29.69%	0.00%	70.31%
Year 27	72,660,489	2,179,815	2,906,420	(1,637,094)	-	-	76,109,629	29.69%	0.00%	70.31%
Year 28	76,109,629	2,283,289	3,044,385	(1,712,103)	-	-	79,725,200	29.69%	0.00%	70.31%
Year 29	79,725,200	2,391,756	3,189,008	(1,791,528)	-	-	83,514,435	29.69%	0.00%	70.31%
Year 30	83,514,435	2,505,433	3,340,577	(3,643,780)	-	-	85,716,666	29.69%	0.00%	70.31%

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

This is a hypothetical illustration of mathematical principles and is not a prediction or projection of performance of an investment or investment strategy.
Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	-	-	-	42,352	1,200,000	-	(42,352)	(1,200,000)	-
Year 2	-	-	-	94,697	-	-	(94,697)	-	-
Year 3	-	-	-	113,972	-	-	(113,972)	-	-
Year 4	-	-	-	130,195	-	-	(130,195)	-	-
Year 5	-	-	-	144,386	-	-	(144,386)	-	-
Year 6	-	-	-	157,273	-	-	(157,273)	-	-
Year 7	-	-	-	169,375	-	-	(169,375)	-	-
Year 8	-	-	-	181,067	-	-	(181,067)	-	-
Year 9	-	-	-	192,619	-	-	(192,619)	-	-
Year 10	-	-	-	204,229	-	-	(204,229)	-	-
Year 11	-	-	-	216,043	-	-	(216,043)	-	-
Year 12	-	-	-	228,175	-	-	(228,175)	-	-
Year 13	-	-	-	240,710	-	-	(240,710)	-	-
Year 14	-	-	-	253,720	-	-	(253,720)	-	-
Year 15	-	-	-	267,263	-	-	(267,263)	-	-
Year 16	-	-	-	281,389	-	-	(281,389)	-	-
Year 17	-	-	-	296,144	-	-	(296,144)	-	-
Year 18	-	-	-	311,571	-	-	(311,571)	-	-
Year 19	-	-	-	327,710	-	-	(327,710)	-	-
Year 20	-	-	-	344,602	-	9,600,000	(344,602)	-	9,600,000
Year 21	9,600,000	288,000	384,000	386,048	-	-	(543,296)	-	10,114,752
Year 22	10,114,752	303,443	404,590	397,512	-	-	(583,352)	-	10,636,945
Year 23	10,636,945	319,108	425,478	411,551	-	-	(621,137)	-	11,171,945
Year 24	11,171,945	335,158	446,878	427,690	-	-	(657,771)	-	11,723,900
Year 25	11,723,900	351,717	468,956	445,609	-	-	(694,067)	-	12,296,115
Year 26	12,296,115	368,883	491,845	465,095	-	-	(730,620)	-	12,891,318
Year 27	12,891,318	386,740	515,653	486,012	-	-	(767,874)	-	13,511,849
Year 28	13,511,849	405,355	540,474	508,281	-	-	(806,168)	-	14,159,791
Year 29	14,159,791	424,794	566,392	531,860	-	-	(845,766)	-	14,837,070
Year 30	14,837,070	445,112	593,483	1,081,747	-	-	(1,719,017)	-	15,238,395

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	Beg. of Year	Income	Growth	Distrib. from Elder FLP - Income Taxes	Distrib. From Elder FLP - Estate Taxes	Distrib. from CLAT	Taxes on Investment Income	End of Year
Year 1	-	-	-	76,234	-	-	(76,234)	-
Year 2	-	-	-	224,282	-	-	(224,282)	-
Year 3	-	-	-	269,934	-	-	(269,934)	-
Year 4	-	-	-	308,356	-	-	(308,356)	-
Year 5	-	-	-	341,966	-	-	(341,966)	-
Year 6	-	-	-	372,488	-	-	(372,488)	-
Year 7	-	-	-	401,152	-	-	(401,152)	-
Year 8	-	-	-	428,844	-	-	(428,844)	-
Year 9	-	-	-	456,203	-	-	(456,203)	-
Year 10	-	-	-	483,699	-	-	(483,699)	-
Year 11	-	-	-	511,681	-	-	(511,681)	-
Year 12	-	-	-	540,414	-	-	(540,414)	-
Year 13	-	-	-	570,104	-	-	(570,104)	-
Year 14	-	-	-	600,917	-	-	(600,917)	-
Year 15	-	-	-	632,991	-	-	(632,991)	-
Year 16	-	-	-	666,447	-	-	(666,447)	-
Year 17	-	-	-	701,393	-	-	(701,393)	-
Year 18	-	-	-	737,930	-	-	(737,930)	-
Year 19	-	-	-	776,155	-	-	(776,155)	-
Year 20	-	-	-	816,162	-	-	(816,162)	-
Year 21	-	-	-	914,324	-	-	(914,324)	-
Year 22	-	-	-	941,476	-	-	(941,476)	-
Year 23	-	-	-	974,726	-	-	(974,726)	-
Year 24	-	-	-	1,012,951	-	-	(1,012,951)	-
Year 25	-	-	-	1,055,390	-	-	(1,055,390)	-
Year 26	-	-	-	1,101,541	-	-	(1,101,541)	-
Year 27	-	-	-	1,151,082	-	-	(1,151,082)	-
Year 28	-	-	-	1,203,823	-	-	(1,203,823)	-
Year 29	-	-	-	1,259,668	-	-	(1,259,668)	-
Year 30	-	-	-	2,562,032	-	-	(2,562,032)	-

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	-	-	-	135,527	532,032	(532,032)	(135,527)	-	-
Year 2	-	-	-	-	532,032	(532,032)	-	-	-
Year 3	-	-	-	-	532,032	(532,032)	-	-	-
Year 4	-	-	-	-	532,032	(532,032)	-	-	-
Year 5	-	-	-	-	532,032	(532,032)	-	-	-
Year 6	-	-	-	-	532,032	(532,032)	-	-	-
Year 7	-	-	-	-	532,032	(532,032)	-	-	-
Year 8	-	-	-	-	532,032	(532,032)	-	-	-
Year 9	-	-	-	-	532,032	(532,032)	-	-	-
Year 10	-	-	-	-	532,032	(532,032)	-	-	-
Year 11	-	-	-	-	532,032	(532,032)	-	-	-
Year 12	-	-	-	-	532,032	(532,032)	-	-	-
Year 13	-	-	-	-	532,032	(532,032)	-	-	-
Year 14	-	-	-	-	532,032	(532,032)	-	-	-
Year 15	-	-	-	-	532,032	(532,032)	-	-	-
Year 16	-	-	-	-	532,032	(532,032)	-	-	-
Year 17	-	-	-	-	532,032	(532,032)	-	-	-
Year 18	-	-	-	-	532,032	(532,032)	-	-	-
Year 19	-	-	-	-	532,032	(532,032)	-	-	-
Year 20	-	-	-	-	10,132,032	(532,032)	-	(9,600,000)	-

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	532,032	532,032
Year 2	532,032	15,961	21,281	532,032	1,101,306
Year 3	1,101,306	33,039	44,052	532,032	1,710,430
Year 4	1,710,430	51,313	68,417	532,032	2,362,192
Year 5	2,362,192	70,866	94,488	532,032	3,059,577
Year 6	3,059,577	91,787	122,383	532,032	3,805,780
Year 7	3,805,780	114,173	152,231	532,032	4,604,216
Year 8	4,604,216	138,126	184,169	532,032	5,458,543
Year 9	5,458,543	163,756	218,342	532,032	6,372,673
Year 10	6,372,673	191,180	254,907	532,032	7,350,792
Year 11	7,350,792	220,524	294,032	532,032	8,397,380
Year 12	8,397,380	251,921	335,895	532,032	9,517,229
Year 13	9,517,229	285,517	380,689	532,032	10,715,467
Year 14	10,715,467	321,464	428,619	532,032	11,997,581
Year 15	11,997,581	359,927	479,903	532,032	13,369,444
Year 16	13,369,444	401,083	534,778	532,032	14,837,337
Year 17	14,837,337	445,120	593,493	532,032	16,407,982
Year 18	16,407,982	492,239	656,319	532,032	18,088,573
Year 19	18,088,573	542,657	723,543	532,032	19,886,805
Year 20	19,886,805	596,604	795,472	532,032	21,810,914
Year 21	21,810,914	654,327	872,437	-	23,337,678
Year 22	23,337,678	700,130	933,507	-	24,971,315
Year 23	24,971,315	749,139	998,853	-	26,719,307
Year 24	26,719,307	801,579	1,068,772	-	28,589,659
Year 25	28,589,659	857,690	1,143,586	-	30,590,935
Year 26	30,590,935	917,728	1,223,637	-	32,732,300
Year 27	32,732,300	981,969	1,309,292	-	35,023,561
Year 28	35,023,561	1,050,707	1,400,942	-	37,475,211
Year 29	37,475,211	1,124,256	1,499,008	-	40,098,475
Year 30	40,098,475	1,202,954	1,603,939	-	42,905,369

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $3 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$532,032
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	532,032	(532,032)	9,600,000
Year 2	9,600,000	532,032	(532,032)	9,600,000
Year 3	9,600,000	532,032	(532,032)	9,600,000
Year 4	9,600,000	532,032	(532,032)	9,600,000
Year 5	9,600,000	532,032	(532,032)	9,600,000
Year 6	9,600,000	532,032	(532,032)	9,600,000
Year 7	9,600,000	532,032	(532,032)	9,600,000
Year 8	9,600,000	532,032	(532,032)	9,600,000
Year 9	9,600,000	532,032	(532,032)	9,600,000
Year 10	9,600,000	532,032	(532,032)	9,600,000
Year 11	9,600,000	532,032	(532,032)	9,600,000
Year 12	9,600,000	532,032	(532,032)	9,600,000
Year 13	9,600,000	532,032	(532,032)	9,600,000
Year 14	9,600,000	532,032	(532,032)	9,600,000
Year 15	9,600,000	532,032	(532,032)	9,600,000
Year 16	9,600,000	532,032	(532,032)	9,600,000
Year 17	9,600,000	532,032	(532,032)	9,600,000
Year 18	9,600,000	532,032	(532,032)	9,600,000
Year 19	9,600,000	532,032	(532,032)	9,600,000
Year 20	9,600,000	532,032	(10,132,032)	-

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	1,200,000	(427,135)	(4,000,000)	(144,092)	27,528,773
Year 2	27,528,773	825,863	1,101,151	(449,656)	-	(144,092)	28,862,039
Year 3	28,862,039	865,861	1,154,482	(510,406)	-	(144,092)	30,227,884
Year 4	30,227,884	906,837	1,209,115	(562,815)	-	(144,092)	31,636,929
Year 5	31,636,929	949,108	1,265,477	(609,790)	-	(144,092)	33,097,632
Year 6	33,097,632	992,929	1,323,905	(653,401)	-	(144,092)	34,616,973
Year 7	34,616,973	1,038,509	1,384,679	(695,135)	-	(144,092)	36,200,934
Year 8	36,200,934	1,086,028	1,448,037	(736,064)	-	(144,092)	37,854,844
Year 9	37,854,844	1,135,645	1,514,194	(776,969)	-	(144,092)	39,583,622
Year 10	39,583,622	1,187,509	1,583,345	(818,430)	-	(144,092)	41,391,953
Year 11	41,391,953	1,241,759	1,655,678	(860,882)	-	(144,092)	43,284,416
Year 12	43,284,416	1,298,532	1,731,377	(904,659)	-	(144,092)	45,265,574
Year 13	45,265,574	1,357,967	1,810,623	(950,030)	-	(144,092)	47,340,042
Year 14	47,340,042	1,420,201	1,893,602	(997,214)	-	(144,092)	49,512,538
Year 15	49,512,538	1,485,376	1,980,502	(1,046,399)	-	(144,092)	51,787,925
Year 16	51,787,925	1,553,638	2,071,517	(1,097,752)	-	(144,092)	54,171,236
Year 17	54,171,236	1,625,137	2,166,849	(1,151,426)	-	(144,092)	56,667,705
Year 18	56,667,705	1,700,031	2,266,708	(1,207,568)	-	(144,092)	59,282,785
Year 19	59,282,785	1,778,484	2,371,311	(1,266,320)	-	(144,092)	62,022,167
Year 20	62,022,167	1,860,665	2,480,887	(1,327,825)	-	(2,744,092)	62,291,802
Year 21	62,291,802	1,868,754	2,491,672	(1,413,903)	-	-	65,238,325
Year 22	65,238,325	1,957,150	2,609,533	(1,474,911)	-	-	68,330,097
Year 23	68,330,097	2,049,903	2,733,204	(1,540,663)	-	-	71,572,541
Year 24	71,572,541	2,147,176	2,862,902	(1,610,842)	-	-	74,971,776
Year 25	74,971,776	2,249,153	2,998,871	(1,685,279)	-	-	78,534,522
Year 26	78,534,522	2,356,036	3,141,381	(1,763,905)	-	-	82,268,033
Year 27	82,268,033	2,468,041	3,290,721	(1,846,730)	-	-	86,180,066
Year 28	86,180,066	2,585,402	3,447,203	(1,933,818)	-	-	90,278,853
Year 29	90,278,853	2,708,366	3,611,154	(2,025,278)	-	-	94,573,095
Year 30	94,573,095	2,837,193	3,782,924	(4,118,261)	-	-	97,074,951

	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%
Year 21	58.46%	0.00%	41.54%
Year 22	58.46%	0.00%	41.54%
Year 23	58.46%	0.00%	41.54%
Year 24	58.46%	0.00%	41.54%
Year 25	58.46%	0.00%	41.54%
Year 26	58.46%	0.00%	41.54%
Year 27	58.46%	0.00%	41.54%
Year 28	58.46%	0.00%	41.54%
Year 29	58.46%	0.00%	41.54%
Year 30	58.46%	0.00%	41.54%

Schedule 10
Elder Family - 10% Rate of Return, 30 Years
CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	-	-	-	237,297	4,000,000	-	(237,297)	(4,000,000)	-
Year 2	-	-	-	262,876	-	-	(262,876)	-	-
Year 3	-	-	-	298,391	-	-	(298,391)	-	-
Year 4	-	-	-	329,030	-	-	(329,030)	-	-
Year 5	-	-	-	356,492	-	-	(356,492)	-	-
Year 6	-	-	-	381,988	-	-	(381,988)	-	-
Year 7	-	-	-	406,387	-	-	(406,387)	-	-
Year 8	-	-	-	430,314	-	-	(430,314)	-	-
Year 9	-	-	-	454,228	-	-	(454,228)	-	-
Year 10	-	-	-	478,467	-	-	(478,467)	-	-
Year 11	-	-	-	503,285	-	-	(503,285)	-	-
Year 12	-	-	-	528,878	-	-	(528,878)	-	-
Year 13	-	-	-	555,402	-	-	(555,402)	-	-
Year 14	-	-	-	582,987	-	-	(582,987)	-	-
Year 15	-	-	-	611,741	-	-	(611,741)	-	-
Year 16	-	-	-	641,762	-	-	(641,762)	-	-
Year 17	-	-	-	673,141	-	-	(673,141)	-	-
Year 18	-	-	-	705,963	-	-	(705,963)	-	-
Year 19	-	-	-	740,310	-	-	(740,310)	-	-
Year 20	-	-	-	776,267	-	2,600,000	(776,267)	-	2,600,000
Year 21	2,600,000	78,000	104,000	826,590	-	-	(869,178)	-	2,739,412
Year 22	2,739,412	82,182	109,576	862,256	-	-	(912,587)	-	2,880,839
Year 23	2,880,839	86,425	115,234	900,695	-	-	(957,458)	-	3,025,735
Year 24	3,025,735	90,772	121,029	941,723	-	-	(1,004,037)	-	3,175,223
Year 25	3,175,223	95,257	127,009	985,240	-	-	(1,052,531)	-	3,330,198
Year 26	3,330,198	99,906	133,208	1,031,206	-	-	(1,103,119)	-	3,491,399
Year 27	3,491,399	104,742	139,656	1,079,627	-	-	(1,155,964)	-	3,659,459
Year 28	3,659,459	109,784	146,378	1,130,540	-	-	(1,211,217)	-	3,834,943
Year 29	3,834,943	115,048	153,398	1,184,008	-	-	(1,269,025)	-	4,018,373
Year 30	4,018,373	120,551	160,735	2,407,599	-	-	(2,580,193)	-	4,127,065

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
Elder FLP Valuation Discount	40.00%

Elder GST Trust

	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	-	-	-	128,140	-	-	(128,140)	-	-
Year 2	-	-	-	186,780	-	-	(186,780)	-	-
Year 3	-	-	-	212,015	-	-	(212,015)	-	-
Year 4	-	-	-	233,785	-	-	(233,785)	-	-
Year 5	-	-	-	253,297	-	-	(253,297)	-	-
Year 6	-	-	-	271,413	-	-	(271,413)	-	-
Year 7	-	-	-	288,748	-	-	(288,748)	-	-
Year 8	-	-	-	305,749	-	-	(305,749)	-	-
Year 9	-	-	-	322,741	-	-	(322,741)	-	-
Year 10	-	-	-	339,963	-	-	(339,963)	-	-
Year 11	-	-	-	357,597	-	-	(357,597)	-	-
Year 12	-	-	-	375,782	-	-	(375,782)	-	-
Year 13	-	-	-	394,628	-	-	(394,628)	-	-
Year 14	-	-	-	414,227	-	-	(414,227)	-	-
Year 15	-	-	-	434,658	-	-	(434,658)	-	-
Year 16	-	-	-	455,989	-	-	(455,989)	-	-
Year 17	-	-	-	478,285	-	-	(478,285)	-	-
Year 18	-	-	-	501,605	-	-	(501,605)	-	-
Year 19	-	-	-	526,010	-	-	(526,010)	-	-
Year 20	-	-	-	551,558	-	-	(551,558)	-	-
Year 21	-	-	-	587,314	-	-	(587,314)	-	-
Year 22	-	-	-	612,655	-	-	(612,655)	-	-
Year 23	-	-	-	639,968	-	-	(639,968)	-	-
Year 24	-	-	-	669,119	-	-	(669,119)	-	-
Year 25	-	-	-	700,039	-	-	(700,039)	-	-
Year 26	-	-	-	732,699	-	-	(732,699)	-	-
Year 27	-	-	-	767,103	-	-	(767,103)	-	-
Year 28	-	-	-	803,278	-	-	(803,278)	-	-
Year 29	-	-	-	841,269	-	-	(841,269)	-	-
Year 30	-	-	-	1,710,662	-	-	(1,710,662)	-	-

Schedule 10
Elder Family - 10% Rate of Return, 30 Years
CLAT Redemption - Discount Allowed - $10 Million to Family

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	-	-	-	61,697	144,092	(144,092)	(61,697)	-	-
Year 2	-	-	-	-	144,092	(144,092)	-	-	-
Year 3	-	-	-	-	144,092	(144,092)	-	-	-
Year 4	-	-	-	-	144,092	(144,092)	-	-	-
Year 5	-	-	-	-	144,092	(144,092)	-	-	-
Year 6	-	-	-	-	144,092	(144,092)	-	-	-
Year 7	-	-	-	-	144,092	(144,092)	-	-	-
Year 8	-	-	-	-	144,092	(144,092)	-	-	-
Year 9	-	-	-	-	144,092	(144,092)	-	-	-
Year 10	-	-	-	-	144,092	(144,092)	-	-	-
Year 11	-	-	-	-	144,092	(144,092)	-	-	-
Year 12	-	-	-	-	144,092	(144,092)	-	-	-
Year 13	-	-	-	-	144,092	(144,092)	-	-	-
Year 14	-	-	-	-	144,092	(144,092)	-	-	-
Year 15	-	-	-	-	144,092	(144,092)	-	-	-
Year 16	-	-	-	-	144,092	(144,092)	-	-	-
Year 17	-	-	-	-	144,092	(144,092)	-	-	-
Year 18	-	-	-	-	144,092	(144,092)	-	-	-
Year 19	-	-	-	-	144,092	(144,092)	-	-	-
Year 20	-	-	-	-	2,744,092	(144,092)	-	(2,600,000)	-

Schedule 10

Elder Family - 10% Rate of Return, 30 Years

CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
Elder FLP Valuation Discount	40.00%

Charity

	Beg. of Year	Income	Growth	Annuity Payment Received	End of Year
Year 1	-	-	-	144,092	144,092
Year 2	144,092	4,323	5,764	144,092	298,270
Year 3	298,270	8,948	11,931	144,092	463,241
Year 4	463,241	13,897	18,530	144,092	639,760
Year 5	639,760	19,193	25,590	144,092	828,635
Year 6	828,635	24,859	33,145	144,092	1,030,732
Year 7	1,030,732	30,922	41,229	144,092	1,246,975
Year 8	1,246,975	37,409	49,879	144,092	1,478,355
Year 9	1,478,355	44,351	59,134	144,092	1,725,932
Year 10	1,725,932	51,778	69,037	144,092	1,990,840
Year 11	1,990,840	59,725	79,634	144,092	2,274,290
Year 12	2,274,290	68,229	90,972	144,092	2,577,583
Year 13	2,577,583	77,327	103,103	144,092	2,902,106
Year 14	2,902,106	87,063	116,084	144,092	3,249,345
Year 15	3,249,345	97,480	129,974	144,092	3,620,891
Year 16	3,620,891	108,627	144,836	144,092	4,018,445
Year 17	4,018,445	120,553	160,738	144,092	4,443,829
Year 18	4,443,829	133,315	177,753	144,092	4,898,989
Year 19	4,898,989	146,970	195,960	144,092	5,386,010
Year 20	5,386,010	161,580	215,440	144,092	5,907,122
Year 21	5,907,122	177,214	236,285	-	6,320,621
Year 22	6,320,621	189,619	252,825	-	6,763,065
Year 23	6,763,065	202,892	270,523	-	7,236,479
Year 24	7,236,479	217,094	289,459	-	7,743,033
Year 25	7,743,033	232,291	309,721	-	8,285,045
Year 26	8,285,045	248,551	331,402	-	8,864,998
Year 27	8,864,998	265,950	354,600	-	9,485,548
Year 28	9,485,548	284,566	379,422	-	10,149,536
Year 29	10,149,536	304,486	405,981	-	10,860,004
Year 30	10,860,004	325,800	434,400	-	11,620,204

Schedule 10
Elder Family - 10% Rate of Return, 30 Years
CLAT Redemption - Discount Allowed - $10 Million to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Total Rate of Return	7.00%
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	4.00%
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	5.542%
IRS 7520 Rate	1.00%
CLAT Annuity Payment	$144,092
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	144,092	(144,092)	2,600,000
Year 2	2,600,000	144,092	(144,092)	2,600,000
Year 3	2,600,000	144,092	(144,092)	2,600,000
Year 4	2,600,000	144,092	(144,092)	2,600,000
Year 5	2,600,000	144,092	(144,092)	2,600,000
Year 6	2,600,000	144,092	(144,092)	2,600,000
Year 7	2,600,000	144,092	(144,092)	2,600,000
Year 8	2,600,000	144,092	(144,092)	2,600,000
Year 9	2,600,000	144,092	(144,092)	2,600,000
Year 10	2,600,000	144,092	(144,092)	2,600,000
Year 11	2,600,000	144,092	(144,092)	2,600,000
Year 12	2,600,000	144,092	(144,092)	2,600,000
Year 13	2,600,000	144,092	(144,092)	2,600,000
Year 14	2,600,000	144,092	(144,092)	2,600,000
Year 15	2,600,000	144,092	(144,092)	2,600,000
Year 16	2,600,000	144,092	(144,092)	2,600,000
Year 17	2,600,000	144,092	(144,092)	2,600,000
Year 18	2,600,000	144,092	(144,092)	2,600,000
Year 19	2,600,000	144,092	(144,092)	2,600,000
Year 20	2,600,000	144,092	(2,744,092)	-

Schedule 11

George Generous - Version 1a

Sale of a "0" Basis Asset, Annual Cash Gift for Twenty Years of 7% of the Value of the Sale Proceeds that Remain After Paying Taxes Associated with the Sale, Bequest of the Remaining Sale Proceeds in Twenty Years to Charity

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	25.00%
Ordinary Tax Rate (TX)	39.60%
Annual Charitable Contributions	$7,000

Assumptions (continued):	
Present Value Discount Rate	7.00%

			Tax Benefit			Tax Cost	
Year	Cash Charitable Contribution	Present Value Cost of Charitable Contribution	Tax Savings on Charitable Contribution (Ordinary Income)	Tax Savings on Charitable Bequest at Death (Estate Tax Reduction)	Present Value of Total Tax Savings	Tax Cost on Sale of Asset (Capital Gains)	Present Value Cost of Cap. Gains Tax
1	(7,000)	(6,542)	2,772	-	2,591	(25,000)	(23,364)
2	(7,000)	(6,114)	2,772	-	2,421	-	-
3	(7,000)	(5,714)	2,772	-	2,263	-	-
4	(7,000)	(5,340)	2,772	-	2,115	-	-
5	(7,000)	(4,991)	2,772	-	1,976	-	-
6	(7,000)	(4,664)	2,772	-	1,847	-	-
7	(7,000)	(4,359)	2,772	-	1,726	-	-
8	(7,000)	(4,074)	2,772	-	1,613	-	-
9	(7,000)	(3,808)	2,772	-	1,508	-	-
10	(7,000)	(3,558)	2,772	-	1,409	-	-
11	(7,000)	(3,326)	2,772	-	1,317	-	-
12	(7,000)	(3,108)	2,772	-	1,231	-	-
13	(7,000)	(2,905)	2,772	-	1,150	-	-
14	(7,000)	(2,715)	2,772	-	1,075	-	-
15	(7,000)	(2,537)	2,772	-	1,005	-	-
16	(7,000)	(2,371)	2,772	-	939	-	-
17	(7,000)	(2,216)	2,772	-	878	-	-
18	(7,000)	(2,071)	2,772	-	820	-	-
19	(7,000)	(1,936)	2,772	-	766	-	-
20	(107,000)	(27,651)	2,772	40,000	11,053	-	-
		(100,000)			**39,703**		**(23,364)**

Tax Efficiency Ratio (Present Value of Total Net Tax Savings ÷ Present Value of Total Out of Pocket Cash)	**16.34%**

Schedule 11
George Generous - Version 1b

Creation of a 7% Coupon Preferred FLLC Interest in Exchange for a "0" Basis Asset that is Sold After FLLC is Created and Gift is Made to a Public Charity; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 20 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$100,000
FLLC Preferred Coupon	$7,000

			Tax Benefit						
Year	Preferred Coupon Charitable Contribution	Present Value Cost	Tax Savings on Not Being Taxed on Ordinary Income	Tax Savings on Not Being Taxed on Capital Gains Income	Health Care Tax Savings on Not Being Taxed on Ordinary and Capital Gains Income	Tax Savings on Gift of Preferred (Ordinary)	Tax Savings on Sale of $100,000 Asset Contributed for Preferred	Estate Tax Savings on Preferred (Estate Tax Reduction)	Present Value of All Tax Savings
1	(7,000)	(6,542)	1,188	800	266	39,600	25,000	-	62,480
2	(7,000)	(6,114)	1,188	800	266	-	-	-	1,969
3	(7,000)	(5,714)	1,188	800	266	-	-	-	1,840
4	(7,000)	(5,340)	1,188	800	266	-	-	-	1,720
5	(7,000)	(4,991)	1,188	800	266	-	-	-	1,607
6	(7,000)	(4,664)	1,188	800	266	-	-	-	1,502
7	(7,000)	(4,359)	1,188	800	266	-	-	-	1,404
8	(7,000)	(4,074)	1,188	800	266	-	-	-	1,312
9	(7,000)	(3,808)	1,188	800	266	-	-	-	1,226
10	(7,000)	(3,558)	1,188	800	266	-	-	-	1,146
11	(7,000)	(3,326)	1,188	800	266	-	-	-	1,071
12	(7,000)	(3,108)	1,188	800	266	-	-	-	1,001
13	(7,000)	(2,905)	1,188	800	266	-	-	-	935
14	(7,000)	(2,715)	1,188	800	266	-	-	-	874
15	(7,000)	(2,537)	1,188	800	266	-	-	-	817
16	(7,000)	(2,371)	1,188	800	266	-	-	-	764
17	(7,000)	(2,216)	1,188	800	266	-	-	-	714
18	(7,000)	(2,071)	1,188	800	266	-	-	-	667
19	(7,000)	(1,936)	1,188	800	266	-	-	-	623
20	(107,000)	(27,651)	1,188	800	266	-	-	40,000	10,919
		(100,000)							94,589

Tax Efficiency Ratio (Present Value of Total Net Tax Savings ÷ Present Value of Total Out of Pocket Cash)	**94.59%**

Schedule 11

George Generous - Version 1c

Creation of a 7% Coupon Preferred FLLC Interest in Exchange for a "0" Basis Asset that is Sold After FLLC is Created and Gift is Made to a Public Charity; All Income from Preferred Coupon is Taxed as Ordinary Income; FLLC Terminates in 20 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	7.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	0.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$100,000
FLLC Preferred Coupon	$7,000

			Tax Benefit					
Year	**Preferred Coupon Charitable Contribution**	**Present Value Cost**	**Tax Savings on Not Being Taxed on Ordinary Income**	**Health Care Tax Savings on Not Being Taxed on Ordinary and Capital Gains Income**	**Tax Savings on Gift of Preferred (Ordinary)**	**Tax Savings on Sale of $100,000 Asset Contributed for Preferred**	**Estate Tax Savings on Preferred (Estate Tax Reduction)**	**Present Value of All Tax Savings**
1	(7,000)	(6,542)	2,772	266	39,600	25,000	-	63,213
2	(7,000)	(6,114)	2,772	266	-	-	-	2,654
3	(7,000)	(5,714)	2,772	266	-	-	-	2,480
4	(7,000)	(5,340)	2,772	266	-	-	-	2,318
5	(7,000)	(4,991)	2,772	266	-	-	-	2,166
6	(7,000)	(4,664)	2,772	266	-	-	-	2,024
7	(7,000)	(4,359)	2,772	266	-	-	-	1,892
8	(7,000)	(4,074)	2,772	266	-	-	-	1,768
9	(7,000)	(3,808)	2,772	266	-	-	-	1,652
10	(7,000)	(3,558)	2,772	266	-	-	-	1,544
11	(7,000)	(3,326)	2,772	266	-	-	-	1,443
12	(7,000)	(3,108)	2,772	266	-	-	-	1,349
13	(7,000)	(2,905)	2,772	266	-	-	-	1,261
14	(7,000)	(2,715)	2,772	266	-	-	-	1,178
15	(7,000)	(2,537)	2,772	266	-	-	-	1,101
16	(7,000)	(2,371)	2,772	266	-	-	-	1,029
17	(7,000)	(2,216)	2,772	266	-	-	-	962
18	(7,000)	(2,071)	2,772	266	-	-	-	899
19	(7,000)	(1,936)	2,772	266	-	-	-	840
20	(107,000)	(27,651)	2,772	266	-	-	40,000	11,122
		(100,000)						102,895

Tax Efficiency Ratio (Present Value of Total Net Tax Savings ÷ Present Value of Total Out of Pocket Cash)	**102.90%**

Schedule 11

George Generous - Version 2a

Sale of a Full Basis Asset, Annual Cash Gift for Twenty Years of 7% of the Value of the Sale Proceeds that Remain After Paying Taxes Associated with the Sale, Bequest of the Remaining Sale Proceeds in Twenty Years to Charity

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	25.00%
Ordinary Tax Rate (TX)	39.60%
Annual Charitable Contributions	$7,000

Assumptions (continued):	
Present Value Discount Rate	7.00%

			Tax Benefit		
Year	**Cash Charitable Contribution**	**Present Value Cost of Charitable Contribution**	**Tax Savings on Charitable Contribution (Ordinary Income)**	**Tax Savings on Charitable Bequest at Death (Estate Tax Reduction)**	**Present Value of Total Tax Savings**
1	(7,000)	(6,542)	2,772	-	2,591
2	(7,000)	(6,114)	2,772	-	2,421
3	(7,000)	(5,714)	2,772	-	2,263
4	(7,000)	(5,340)	2,772	-	2,115
5	(7,000)	(4,991)	2,772	-	1,976
6	(7,000)	(4,664)	2,772	-	1,847
7	(7,000)	(4,359)	2,772	-	1,726
8	(7,000)	(4,074)	2,772	-	1,613
9	(7,000)	(3,808)	2,772	-	1,508
10	(7,000)	(3,558)	2,772	-	1,409
11	(7,000)	(3,326)	2,772	-	1,317
12	(7,000)	(3,108)	2,772	-	1,231
13	(7,000)	(2,905)	2,772	-	1,150
14	(7,000)	(2,715)	2,772	-	1,075
15	(7,000)	(2,537)	2,772	-	1,005
16	(7,000)	(2,371)	2,772	-	939
17	(7,000)	(2,216)	2,772	-	878
18	(7,000)	(2,071)	2,772	-	820
19	(7,000)	(1,936)	2,772	-	766
20	(107,000)	(27,651)	2,772	40,000	11,053
		(100,000)			**39,703**
		Tax Efficiency Ratio (Present Value of Total Net Tax Savings ÷ Present Value of Total Out of Pocket Cash)			**39.70%**

Schedule 11
George Generous - Version 2b

Creation of a 7% Coupon Preferred FLLC Interest in Exchange for a Full Basis Asset that is Sold After FLLC is Created and Gift is Made to a Public Charity; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 20 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$100,000
FLLC Preferred Coupon	$7,000

			Tax Benefit					
Year	**Preferred Coupon Charitable Contribution**	**Present Value Cost**	**Tax Savings on Not Being Taxed on Ordinary Income**	**Tax Savings on Not Being Taxed on Capital Gains Income**	**Health Care Tax Savings on Not Being Taxed on Ordinary and Capital Gains Income**	**Tax Savings on Gift of Preferred (Ordinary)**	**Estate Tax Savings on Preferred (Estate Tax Reduction)**	**Present Value of All Tax Savings**
1	(7,000)	(6,542)	1,188	800	266	39,600	-	39,116
2	(7,000)	(6,114)	1,188	800	266	-	-	1,969
3	(7,000)	(5,714)	1,188	800	266	-	-	1,840
4	(7,000)	(5,340)	1,188	800	266	-	-	1,720
5	(7,000)	(4,991)	1,188	800	266	-	-	1,607
6	(7,000)	(4,664)	1,188	800	266	-	-	1,502
7	(7,000)	(4,359)	1,188	800	266	-	-	1,404
8	(7,000)	(4,074)	1,188	800	266	-	-	1,312
9	(7,000)	(3,808)	1,188	800	266	-	-	1,226
10	(7,000)	(3,558)	1,188	800	266	-	-	1,146
11	(7,000)	(3,326)	1,188	800	266	-	-	1,071
12	(7,000)	(3,108)	1,188	800	266	-	-	1,001
13	(7,000)	(2,905)	1,188	800	266	-	-	935
14	(7,000)	(2,715)	1,188	800	266	-	-	874
15	(7,000)	(2,537)	1,188	800	266	-	-	817
16	(7,000)	(2,371)	1,188	800	266	-	-	764
17	(7,000)	(2,216)	1,188	800	266	-	-	714
18	(7,000)	(2,071)	1,188	800	266	-	-	667
19	(7,000)	(1,936)	1,188	800	266	-	-	623
20	(107,000)	(27,651)	1,188	800	266	-	40,000	10,919
		(100,000)						71,225

Tax Efficiency Ratio (Present Value of Total Net Tax Savings ÷ Present Value of Total Out of Pocket Cash)	**71.23%**

Schedule 11

George Generous - Version 2c

Creation of a 7% Coupon Preferred FLLC Interest in Exchange for a Full Basis Asset that is Sold After FLLC is Created and Gift is Made to a Public Charity; All Income from Preferred Coupon is Taxed as Ordinary Income; FLLC Terminates in 20 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	7.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	0.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$100,000
FLLC Preferred Coupon	$7,000

			Tax Benefit				
Year	Preferred Coupon Charitable Contribution	Present Value Cost	Tax Savings on Not Being Taxed on Ordinary Income	Health Care Tax Savings on Not Being Taxed on Ordinary and Capital Gains Income	Tax Savings on Gift of Preferred (Ordinary)	Estate Tax Savings on Preferred (Estate Tax Reduction)	Present Value of All Tax Savings
1	(7,000)	(6,542)	2,772	266	39,600	-	39,849
2	(7,000)	(6,114)	2,772	266	-	-	2,654
3	(7,000)	(5,714)	2,772	266	-	-	2,480
4	(7,000)	(5,340)	2,772	266	-	-	2,318
5	(7,000)	(4,991)	2,772	266	-	-	2,166
6	(7,000)	(4,664)	2,772	266	-	-	2,024
7	(7,000)	(4,359)	2,772	266	-	-	1,892
8	(7,000)	(4,074)	2,772	266	-	-	1,768
9	(7,000)	(3,808)	2,772	266	-	-	1,652
10	(7,000)	(3,558)	2,772	266	-	-	1,544
11	(7,000)	(3,326)	2,772	266	-	-	1,443
12	(7,000)	(3,108)	2,772	266	-	-	1,349
13	(7,000)	(2,905)	2,772	266	-	-	1,261
14	(7,000)	(2,715)	2,772	266	-	-	1,178
15	(7,000)	(2,537)	2,772	266	-	-	1,101
16	(7,000)	(2,371)	2,772	266	-	-	1,029
17	(7,000)	(2,216)	2,772	266	-	-	962
18	(7,000)	(2,071)	2,772	266	-	-	899
19	(7,000)	(1,936)	2,772	266	-	-	840
20	(107,000)	(27,651)	2,772	266	-	40,000	11,122
		(100,000)					79,531

Tax Efficiency Ratio (Present Value of Total Net Tax Savings ÷ Present Value of Total Out of Pocket Cash)	79.53%

Schedule 12
George Generous
Parents Hold on to Preferred Interest; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 15 Years; Bequeaths Estate to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$1,000,000
FLLC Preferred Coupon	$70,000

George Generous

Year	Beginning of Year	Income	Growth	Preferred	Income Taxes	End of Year	Preferred Interest	Total End of Year	Present Value
1	-	2,100	2,800	70,000	(1,111)	73,789	1,000,000	1,073,789	
2	73,789	4,314	5,752	70,000	(2,423)	151,431	1,000,000	1,151,431	
3	151,431	6,643	8,857	70,000	(3,901)	233,030	1,000,000	1,233,030	
4	233,030	9,091	12,121	70,000	(5,523)	318,719	1,000,000	1,318,719	
5	318,719	11,662	15,549	70,000	(7,276)	408,654	1,000,000	1,408,654	
6	408,654	14,360	19,146	70,000	(9,149)	503,010	1,000,000	1,503,010	
7	503,010	17,190	22,920	70,000	(11,139)	601,981	1,000,000	1,601,981	
8	601,981	20,159	26,879	70,000	(13,243)	705,777	1,000,000	1,705,777	
9	705,777	23,273	31,031	70,000	(15,462)	814,619	1,000,000	1,814,619	
10	814,619	26,539	35,385	70,000	(17,797)	928,745	1,000,000	1,928,745	
11	928,745	29,962	39,950	70,000	(20,252)	1,048,405	1,000,000	2,048,405	
12	1,048,405	33,552	44,736	70,000	(22,829)	1,173,864	1,000,000	2,173,864	
13	1,173,864	37,316	49,755	70,000	(25,535)	1,305,400	1,000,000	2,305,400	
14	1,305,400	41,262	55,016	70,000	(28,374)	1,443,304	1,000,000	2,443,304	
15	1,443,304	45,399	60,532	70,000	(19,703)	1,599,532	1,000,000	2,599,532	942,190

Schedule 12

George Generous - Version 1a

Creation of 15 Year CLAT Using Preferred Interest; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 15 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$1,000,000
FLLC Preferred Coupon	$70,000

			Tax Benefit					**Tax Cost**		
Year	**Preferred Coupon Charitable Contribution**	**Present Value Cost**	**Tax Savings on Not Being Taxed on Ordinary Income**	**Tax Savings on Not Being Taxed on Capital Gains Income**	**Health Care Tax Savings on Not Being Taxed on Ordinary and Capital Gains Income**	**Value of Preferred Received by Family**	**Present Value of All Net Tax Savings and Value of Preferred Received by Family**	**Gift Tax Cost**	**Present Value of Gift Tax Cost**	**Present Value**
1	(70,000)	(65,421)	11,880	8,000	2,660	-	21,065	(11,777)	(11,007)	
2	(70,000)	(61,141)	11,880	8,000	2,660	-	19,687	-	-	
3	(70,000)	(57,141)	11,880	8,000	2,660	-	18,399	-	-	
4	(70,000)	(53,403)	11,880	8,000	2,660	-	17,196	-	-	
5	(70,000)	(49,909)	11,880	8,000	2,660	-	16,071	-	-	
6	(70,000)	(46,644)	11,880	8,000	2,660	-	15,019	-	-	
7	(70,000)	(43,592)	11,880	8,000	2,660	-	14,037	-	-	
8	(70,000)	(40,741)	11,880	8,000	2,660	-	13,118	-	-	
9	(70,000)	(38,075)	11,880	8,000	2,660	-	12,260	-	-	
10	(70,000)	(35,584)	11,880	8,000	2,660	-	11,458	-	-	
11	(70,000)	(33,256)	11,880	8,000	2,660	-	10,709	-	-	
12	(70,000)	(31,081)	11,880	8,000	2,660	-	10,008	-	-	
13	(70,000)	(29,048)	11,880	8,000	2,660	-	9,353	-	-	
14	(70,000)	(27,147)	11,880	8,000	2,660	-	8,741	-	-	
15	(70,000)	(25,371)	11,880	8,000	2,660	1,000,000	370,616	-	-	
		(637,554)					567,738		(11,007)	556,732

Tax Efficiency Ratio (Present Value of Total Net Tax Savings and Value of Preferred Received by Family ÷ Present Value of Total Out of Pocket Cash)	**87.32%**

Schedule 12

George Generous - Version 1b

Net Gift of Preferred to Family; Family Pays Gift Taxes by Selling Part of Preferred; 3% of the Preferred Return is Taxed as Ordinary Income and 4% of the Preferred Return is Taxed as Capital Gains Income; FLLC Terminates in 15 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$714,286
FLLC Preferred Coupon	$50,000

Family

Year	Beginning of Year	Income	Growth	Preferred	Income Taxes	End of Year	Preferred Interest	Total End of Year	Present Value
1	-	1,500	2,000	50,000	(794)	52,706	714,286	766,992	
2	52,706	3,081	4,108	50,000	(1,731)	108,165	714,286	822,451	
3	108,165	4,745	6,327	50,000	(2,786)	166,450	714,286	880,736	
4	166,450	6,494	8,658	50,000	(3,945)	227,657	714,286	941,943	
5	227,657	8,330	11,106	50,000	(5,197)	291,896	714,286	1,006,182	
6	291,896	10,257	13,676	50,000	(6,535)	359,293	714,286	1,073,579	
7	359,293	12,279	16,372	50,000	(7,957)	429,987	714,286	1,144,273	
8	429,987	14,400	19,199	50,000	(9,460)	504,126	714,286	1,218,412	
9	504,126	16,624	22,165	50,000	(11,044)	581,871	714,286	1,296,157	
10	581,871	18,956	25,275	50,000	(12,712)	663,389	714,286	1,377,675	
11	663,389	21,402	28,536	50,000	(14,466)	748,861	714,286	1,463,147	
12	748,861	23,966	31,954	50,000	(16,307)	838,475	714,286	1,552,761	
13	838,475	26,654	35,539	50,000	(18,239)	932,429	714,286	1,646,715	
14	932,429	29,473	39,297	50,000	(20,267)	1,030,932	714,286	1,745,218	
15	1,030,932	32,428	43,237	50,000	(22,394)	1,134,203	714,286	1,848,489	669,977

Schedule 12

George Generous

Parents Hold on to Preferred Interest; All Income from Preferred Coupon is Taxed as Ordinary Income; FLLC Terminates in 15 Years; Bequeaths Estate to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	7.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	0.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$1,000,000
FLLC Preferred Coupon	$70,000

George Generous

Year	Beginning of Year	Income	Growth	Preferred	Income Taxes	End of Year	Preferred Interest	Total End of Year	Present Value
1	-	4,900	-	70,000	(2,127)	72,773	1,000,000	1,072,773	
2	72,773	9,994	-	70,000	(4,337)	148,430	1,000,000	1,148,430	
3	148,430	15,290	-	70,000	(6,636)	227,084	1,000,000	1,227,084	
4	227,084	20,796	-	70,000	(9,025)	308,855	1,000,000	1,308,855	
5	308,855	26,520	-	70,000	(11,510)	393,865	1,000,000	1,393,865	
6	393,865	32,471	-	70,000	(14,092)	482,243	1,000,000	1,482,243	
7	482,243	38,657	-	70,000	(16,777)	574,123	1,000,000	1,574,123	
8	574,123	45,089	-	70,000	(19,568)	669,643	1,000,000	1,669,643	
9	669,643	51,775	-	70,000	(22,470)	768,948	1,000,000	1,768,948	
10	768,948	58,726	-	70,000	(25,487)	872,187	1,000,000	1,872,187	
11	872,187	65,953	-	70,000	(28,624)	979,517	1,000,000	1,979,517	
12	979,517	73,466	-	70,000	(31,884)	1,091,098	1,000,000	2,091,098	
13	1,091,098	81,277	-	70,000	(35,274)	1,207,101	1,000,000	2,207,101	
14	1,207,101	89,397	-	70,000	(38,798)	1,327,700	1,000,000	2,327,700	
15	1,327,700	97,839	-	70,000	(42,462)	1,453,077	1,000,000	2,453,077	889,108

Schedule 12

George Generous - Version 2a

Creation of 15 Year CLAT Using Preferred Interest; All Income from Preferred Coupon is Taxed as Ordinary Income; FLLC Terminates in 15 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	7.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	0.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$1,000,000
FLLC Preferred Coupon	$70,000

			Tax Benefit				Tax Cost		
Year	**Preferred Coupon Charitable Contribution**	**Present Value Cost**	**Tax Savings on Not Being Taxed on Ordinary Income**	**Health Care Tax Savings on Not Being Taxed on Ordinary and Capital Gains Income**	**Value of Preferred Received by Family**	**Present Value of All Net Tax Savings and Value of Preferred Received by Family**	**Gift Tax Cost**	**Present Value of Gift Tax Cost**	**Present Value**
1	(70,000)	(65,421)	27,720	2,660	-	28,393	(11,777)	(11,007)	
2	(70,000)	(61,141)	27,720	2,660	-	26,535	-	-	
3	(70,000)	(57,141)	27,720	2,660	-	24,799	-	-	
4	(70,000)	(53,403)	27,720	2,660	-	23,177	-	-	
5	(70,000)	(49,909)	27,720	2,660	-	21,661	-	-	
6	(70,000)	(46,644)	27,720	2,660	-	20,243	-	-	
7	(70,000)	(43,592)	27,720	2,660	-	18,919	-	-	
8	(70,000)	(40,741)	27,720	2,660	-	17,681	-	-	
9	(70,000)	(38,075)	27,720	2,660	-	16,525	-	-	
10	(70,000)	(35,584)	27,720	2,660	-	15,444	-	-	
11	(70,000)	(33,256)	27,720	2,660	-	14,433	-	-	
12	(70,000)	(31,081)	27,720	2,660	-	13,489	-	-	
13	(70,000)	(29,048)	27,720	2,660	-	12,607	-	-	
14	(70,000)	(27,147)	27,720	2,660	-	11,782	-	-	
15	(70,000)	(25,371)	27,720	2,660	1,000,000	373,457	-	-	
		(637,554)				639,144		(11,007)	628,138

Tax Efficiency Ratio (Present Value of Total Net Tax Savings and Value of Preferred Received by Family ÷ Present Value of Total Out of Pocket Cash)	**98.52%**

Schedule 12
George Generous
Total Future Value and Present Value Received by Family if a Net Gift is Made to Family

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	7.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	0.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$714,286
FLLC Preferred Coupon	$50,000

Family

Year	Beginning of Year	Income	Growth	Preferred	Income Taxes	End of Year	Preferred Interest	Total End of Year	Present Value
1	-	3,500	-	50,000	(1,519)	51,981	714,286	766,267	
2	51,981	7,139	-	50,000	(3,098)	106,022	714,286	820,308	
3	106,022	10,922	-	50,000	(4,740)	162,203	714,286	876,489	
4	162,203	14,854	-	50,000	(6,447)	220,611	714,286	934,897	
5	220,611	18,943	-	50,000	(8,221)	281,332	714,286	995,618	
6	281,332	23,193	-	50,000	(10,066)	344,460	714,286	1,058,746	
7	344,460	27,612	-	50,000	(11,984)	410,088	714,286	1,124,374	
8	410,088	32,206	-	50,000	(13,977)	478,317	714,286	1,192,603	
9	478,317	36,982	-	50,000	(16,050)	549,249	714,286	1,263,535	
10	549,249	41,947	-	50,000	(18,205)	622,991	714,286	1,337,277	
11	622,991	47,109	-	50,000	(20,445)	699,655	714,286	1,413,941	
12	699,655	52,476	-	50,000	(22,775)	779,356	714,286	1,493,642	
13	779,356	58,055	-	50,000	(25,196)	862,215	714,286	1,576,501	
14	862,215	63,855	-	50,000	(27,713)	948,357	714,286	1,662,643	
15	948,357	69,885	-	50,000	(30,330)	1,037,912	714,286	1,752,198	635,077

Schedule 12
George Generous
Total Future and Present Value Received by Charity Under CLAT Alternative

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions:	
Long-Term Capital Gain Tax Rate (TX)	20.00%
Ordinary Tax Rate (TX)	39.60%
Health Care Tax	3.80%
Total Estimated Rate of Return - Financial Assets*	7.00%
Rate of Return Taxed at Ordinary Rates - Financial Assets	3.00%
Rate of Return Taxed at Capital Gains Rates - Financial Assets	4.00%
Turnover Rate - Financial Assets (% of Capital Gains Recognized/Year)	30.00%

Assumptions (continued):	
Present Value Discount Rate	7.00%
FLLC Preferred Interest	$1,000,000
FLLC Preferred Coupon	$70,000

Charity

Year	Beginning of Year	Income	Growth	Preferred	Income Taxes	End of Year	Present Value
1	-	2,100	2,800	70,000	-	74,900	
2	74,900	4,347	5,796	70,000	-	155,043	
3	155,043	6,751	9,002	70,000	-	240,796	
4	240,796	9,324	12,432	70,000	-	332,552	
5	332,552	12,077	16,102	70,000	-	430,730	
6	430,730	15,022	20,029	70,000	-	535,781	
7	535,781	18,173	24,231	70,000	-	648,186	
8	648,186	21,546	28,727	70,000	-	768,459	
9	768,459	25,154	33,538	70,000	-	897,151	
10	897,151	29,015	38,686	70,000	-	1,034,852	
11	1,034,852	33,146	44,194	70,000	-	1,182,192	
12	1,182,192	37,566	50,088	70,000	-	1,339,845	
13	1,339,845	42,295	56,394	70,000	-	1,508,534	
14	1,508,534	47,356	63,141	70,000	-	1,689,032	
15	1,689,032	52,771	70,361	70,000	-	1,882,164	682,183

Schedule 13
Carrier Family
Hypothetical Integrated Income and Estate Tax Plan Comparisons

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

	Pre-Death	Post Death	Percentage of Total
No Further Planning; Transfers Estate to Family at the End of 8 Years			
Iam A. Carrier	25,622,807	-	0.00%
Carrier Family	-	14,092,544	47.86%
IRS - Income Tax	3,755,759	3,755,759	12.75%
IRS - Investment Opportunity Costs	68,598	68,598	0.23%
IRS - Estate Tax (at 45%)	-	11,530,263	39.16%
Total	$29,447,164	$29,447,164	100.00%
Planning Scenario #1: Iam A. Carrier Creates a FLP and Contributes $1,000,000 Cash, Carried Interest and a $2,000,000 Investment Interest in a Private Equity Fund that he Co-Manages; and the Partnership Issues $3,000,000 in Notes to Iam A. Carrier with an Interest Rate Equal to the Federal Mid-Term Rate; Iam A. Carrier then Contributes FLP Interests to a GRAT; Iam A. Carrier Gives His Remaining Assets to His Family in 8 Years			
Iam A. Carrier	1,606,183	-	0.00%
Carrier Family	24,003,226	24,886,627	84.51%
IRS - Income Tax	3,769,157	3,769,157	12.80%
IRS - Investment Opportunity Costs	68,598	68,598	0.23%
IRS - Estate Tax (at 45%)	-	722,783	2.45%
Total	$29,447,164	$29,447,164	100.00%
***Planning Scenario #2: Iam A. Carrier Creates a FLP and Contributes $1,000,000 Cash and the Carried Interest; Iam A. Carrier Returns the Investment Interest in the Private Equity Fund; the Partnership Issues $1,000,000 in Notes to Iam A. Carrier with an Interest Rate Equal to the Federal Mid-Term Rate; Iam A. Carrier Contributes FLP Interests to a GRAT; Iam A. Carrier Gives His Remaining Assets to His Family in 8 Years**			
Iam A. Carrier	3,186,821	-	0.00%
Carrier Family	22,694,516	24,447,268	83.02%
IRS - Income Tax	3,497,229	3,497,229	11.88%
IRS - Investment Opportunity Costs	68,598	68,598	0.23%
IRS - Estate Tax (at 45%)	-	1,434,069	4.87%
Total	$29,447,164	$29,447,164	100.00%

* May be subject to IRS Section 2701 valuation considerations

Schedule 13
Carrier Family
Asset Page

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Iam A. Carrier	
FMV: Carried Interest*	$1,500,000
Basis: Carried Interest	$0
FMV: Private Equity Investment**	$2,000,000
Basis: Private Equity Investment	$2,000,000
Asset: Cash	$1,000,000
Basis: Cash	$1,000,000
Total Assets* **	**$4,500,000**
Total Basis	**$3,000,000**

* $1,500,000 represents 10% of the fund's total carried interest
** $2,000,000 represents 0.20% of the funds total initial investment interests
*** There is no proposed planning for Iam A. Carrier's other assets
**** Private Equity's hypothetical growth performance is detailed below. Profits are distributed as follows: first, to the investment interest parties until all capital contributions have been returned; second, to the investment interest parties until they have received an 8% cumulative annual compounded return on unreturned capital contribution amounts; third, to the carried interest portion until the carried interest has received distributions totaling 20% of the total profits of the private equity fund on a cumulative basis; fourth, the residual profits and cash flow will pass 20% to the carried interest portions and 80% to the investment interest portions.

Private Equity Fund****

	Beginning of Year	Distributed Income	Unrealized Growth*	End of Year
Year 1	1,000,000,000	20,000,000	101,353,392	1,101,353,392
Year 2	1,101,353,392	22,027,068	111,625,902	1,212,979,294
Year 3	1,212,979,294	24,259,586	122,939,566	1,335,918,860
Year 4	1,335,918,860	26,718,377	135,399,908	1,471,318,768
Year 5	1,471,318,768	29,426,375	149,123,148	1,620,441,915
Year 6	1,620,441,915	32,408,838	164,237,285	1,784,679,200
Year 7	1,784,679,200	35,693,584	180,883,290	1,965,562,490
Year 8	1,965,562,490	39,311,250	199,216,425	2,164,778,916

* Realized at the end of the 8th year

Schedule 13
Carrier Family
No Further Planning; Transfers Estate to Family at the End of 8 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions (Iam A. Carrier):	
Rate of Return Taxed at Ordinary Rates - Non-Private Equity Assets	2.00%
Rate of Return Taxed at Capital Gains Rates - Non-Private Equity Assets	5.00%
Long-Term Capital Gain Tax Rate	15.00%
Ordinary Tax Rate	35.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%

Iam A. Carrier

	Beginning of Year - Cash	Income	Growth	Distributed Income from Private Equity Investment	Realized Growth of Private Equity Investment	Realized Growth of Carried Interest	Income Taxes	End of Year - Cash	Private Equity Investment Interest	End of Year - Total Assets
Year 1	1,000,000	20,000	50,000	40,000	-	-	(23,250)	1,086,750	2,000,000	3,086,750
Year 2	1,086,750	21,735	54,338	44,054	-	-	(27,046)	1,179,830	2,000,000	3,179,830
Year 3	1,179,830	23,597	58,992	48,519	-	-	(30,709)	1,280,228	2,000,000	3,280,228
Year 4	1,280,228	25,605	64,011	53,437	-	-	(34,373)	1,388,908	2,000,000	3,388,908
Year 5	1,388,908	27,778	69,445	58,853	-	-	(38,142)	1,506,842	2,000,000	3,506,842
Year 6	1,506,842	30,137	75,342	64,818	-	-	(42,099)	1,635,040	2,000,000	3,635,040
Year 7	1,635,040	32,701	81,752	71,387	-	-	(46,315)	1,774,564	2,000,000	3,774,564
Year 8	1,774,564	35,491	88,728	78,622	1,863,646	23,295,578	(3,513,824)	23,622,807	2,000,000	25,622,807

* Assumes Private Equity growth profits are realized year 8

Schedule 13
Carrier Family

Planning Scenario #1: Iam A. Carrier Creates a FLP and Contributes $1,000,000 Cash, Carried Interest and a $2,000,000 Investment Interest in a Private Equity Fund that he Co-Manages; and the Partnership Issues $3,000,000 in Notes to Iam A. Carrier with an Interest Rate Equal to the Federal Mid-Term Rate; Iam A. Carrier then Contributes FLP Interests to a GRAT; Iam A. Carrier Gives His Remaining Assets to His Family in 8 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions (Iam A. Carrier):	
Rate of Return Taxed at Ordinary Rates - Non-Private Equity Assets	2.00%
Rate of Return Taxed at Capital Gains Rates - Non-Private Equity Assets	5.00%
Long-Term Capital Gain Tax Rate	15.00%
Ordinary Tax Rate	35.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Intra-Family Note from Holdco to Iam Carrier Interest Percentage	2.64%
7520 Rate	3.20%

Assumptions (Holdco FLLC):	
Rate of Return Taxed at Ordinary Rates - Non-Private Equity Assets	2.00%
Rate of Return Taxed at Capital Gains Rates - Non-Private Equity Assets	5.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Iam A. Carrier's Percentage Ownership in Carrier FLLC	1.00%
GRAT Ownership in Carrier FLLC	99.00%
Holdco FLLC Valuation Discount	35.00%

Holdco FLLC

	Beginning of Year	Income	Growth	Distributed Income from Private Equity Investment	Realized Growth of Private Equity Investment	Realized Growth of Carried Interest	Distributions	Note Payments	End of Year	Private Equity Investment Interest	End of Year - Total Assets
Year 1	1,000,000	20,000	50,000	40,000	-	-	(69,939)	(79,200)	960,861	2,000,000	2,960,861
Year 2	960,861	19,217	48,043	44,054	-	-	(83,927)	(79,200)	909,048	2,000,000	2,909,048
Year 3	909,048	18,181	45,452	48,519	-	-	(100,713)	(79,200)	841,287	2,000,000	2,841,287
Year 4	841,287	16,826	42,064	53,437	-	-	(120,855)	(79,200)	753,559	2,000,000	2,753,559
Year 5	753,559	15,071	37,678	58,853	-	-	(145,026)	(79,200)	640,935	2,000,000	2,640,935
Year 6	640,935	12,819	32,047	64,818	-	-	(174,032)	(79,200)	497,386	2,000,000	2,497,386
Year 7	497,386	9,948	24,869	71,387	-	-	(208,838)	(79,200)	315,552	2,000,000	2,315,552
Year 8	315,552	6,311	15,778	78,622	1,863,646	23,295,578	(250,605)	(3,079,200)	22,245,683	2,000,000	24,245,683

* Assumes Private Equity growth profits are realized year 8

Iam A. Carrier

	Beginning of Year	Income	Growth	Distribution from FLLC	Note Payments	Annuity Payments	Income Taxes	End of Year
Year 1	-	-	-	699	79,200	69,240	(23,250)	125,889
Year 2	125,889	2,518	6,294	839	79,200	83,088	(27,046)	270,783
Year 3	270,783	5,416	13,539	1,007	79,200	99,706	(30,709)	438,941
Year 4	438,941	8,779	21,947	1,209	79,200	119,647	(34,373)	635,349
Year 5	635,349	12,707	31,767	1,450	79,200	143,576	(38,142)	865,908
Year 6	865,908	17,318	43,295	1,740	79,200	172,291	(42,099)	1,137,654
Year 7	1,137,654	22,753	56,883	2,088	79,200	206,750	(46,315)	1,459,012
Year 8	1,459,012	29,180	72,951	2,506	3,079,200	248,099	(3,527,222)	1,363,727

Schedule 13
Carrier Family

Planning Scenario #1: Iam A. Carrier Creates a FLP and Contributes $1,000,000 Cash, Carried Interest and a $2,000,000 Investment Interest in a Private Equity Fund that he Co-Manages; and the Partnership Issues $3,000,000 in Notes to Iam A. Carrier with an Interest Rate Equal to the Federal Mid-Term Rate; Iam A. Carrier then Contributes FLP Interests to a GRAT; Iam A. Carrier Gives His Remaining Assets to His Family in 8 Years

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

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

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.

The assumed growth rate(s) stated herein are provided purely for illustrative purposes only and do not represent a guarantee that these amounts can be achieved. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Assumptions (Iam A. Carrier):	
Rate of Return Taxed at Ordinary Rates - Non-Private Equity Assets	2.00%
Rate of Return Taxed at Capital Gains Rates - Non-Private Equity Assets	5.00%
Long-Term Capital Gain Tax Rate	15.00%
Ordinary Tax Rate	35.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Intra-Family Note from Holdco to Iam Carrier Interest Percentage	2.64%
7520 Rate	3.20%

Assumptions (Holdco FLLC):	
Rate of Return Taxed at Ordinary Rates - Non-Private Equity Assets	2.00%
Rate of Return Taxed at Capital Gains Rates - Non-Private Equity Assets	5.00%
Turnover Rate (% of Capital Gains Recognized/Year)	30.00%
Iam A. Carrier's Percentage Ownership in Carrier FLLC	1.00%
GRAT Ownership in Carrier FLLC	99.00%
Holdco FLLC Valuation Discount	35.00%

Carrier GRAT

	Beginning of Year	Income	Growth	Distribution from FLLC	Annuity Payments	Income Taxes	End of Year
Year 1	-	-	-	69,240	(69,240)	-	-
Year 2	-	-	-	83,088	(83,088)	-	-
Year 3	-	-	-	99,706	(99,706)	-	-
Year 4	-	-	-	119,647	(119,647)	-	-
Year 5	-	-	-	143,576	(143,576)	-	-
Year 6	-	-	-	172,291	(172,291)	-	-
Year 7	-	-	-	206,750	(206,750)	-	-
Year 8	-	-	-	248,099	(248,099)	-	-

Note #1 Between Iam A. Carrier and Holdco FLLC for the Purchase of Private Equity Fund Interests

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	2,000,000	52,800	(52,800)	2,000,000
Year 2	2,000,000	52,800	(52,800)	2,000,000
Year 3	2,000,000	52,800	(52,800)	2,000,000
Year 4	2,000,000	52,800	(52,800)	2,000,000
Year 5	2,000,000	52,800	(52,800)	2,000,000
Year 6	2,000,000	52,800	(52,800)	2,000,000
Year 7	2,000,000	52,800	(52,800)	2,000,000
Year 8	2,000,000	52,800	(2,052,800)	-

Note #2 Between Iam A. Carrier and Holdco FLLC for the Purchase of Financial Assets

	Beginning of Year	Interest	Note Payment	End of Year
Year 1	1,000,000	26,400	(26,400)	1,000,000
Year 2	1,000,000	26,400	(26,400)	1,000,000
Year 3	1,000,000	26,400	(26,400)	1,000,000
Year 4	1,000,000	26,400	(26,400)	1,000,000
Year 5	1,000,000	26,400	(26,400)	1,000,000
Year 6	1,000,000	26,400	(26,400)	1,000,000
Year 7	1,000,000	26,400	(26,400)	1,000,000
Year 8	1,000,000	26,400	(1,026,400)	-