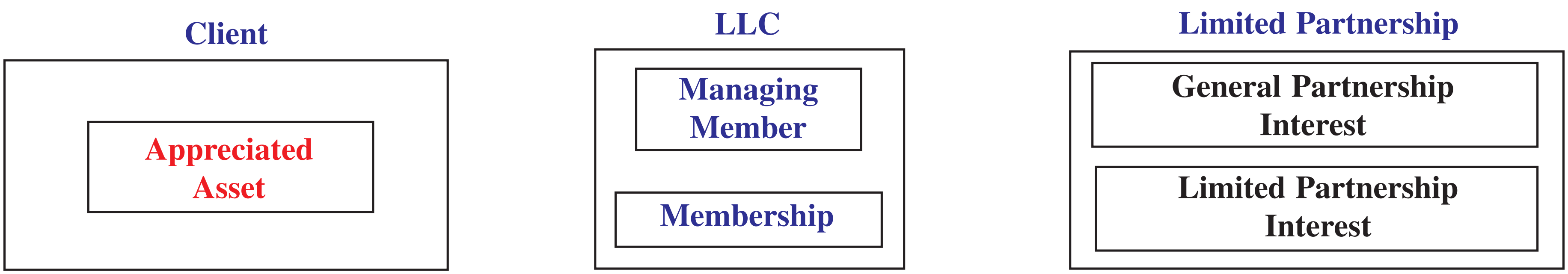
Presentation Chart #6.20 R04/13

Engineered Capital Gains Transactions
The Ultimate Transaction
The Numbers - California

	Ultimate		Straight Sale	
Cost Basis	$100,000		$100,000	
Sale Price	$1,000,000		$1,000,000	
Capital Gain	$900,000		$900,000	
Current Federal Capital Gain Tax (based on income level above $400,000)	23.8%		23.8%	
Actual Current Federal Capital Gain	$214,200		$214,200	
California State Gain Tax *		10%		10%
Actual California Gain Tax		$68,580		$68,580
Total Gain Tax	$282,780		$282,780	
Gain Tax Paid	Zero		$282,780	
Amount Available for Investment	$1,000,000		$717,220	
Amount in Estate at Death	Zero		$717,220	
Asset Amount at Risk	Zero		$717,220	
Cost of Insurance	?		Zero	

ENGINEERED CAPITAL GAINS TRANSACTIONS
THE ULTIMATE TRANSACTION

Flow Chart 1 of 8
Step 1



Step 1 - The client has an appreciated asset (stock, real estate, business, collectibles) that they wish to sell. We establish two entities. These entities are:

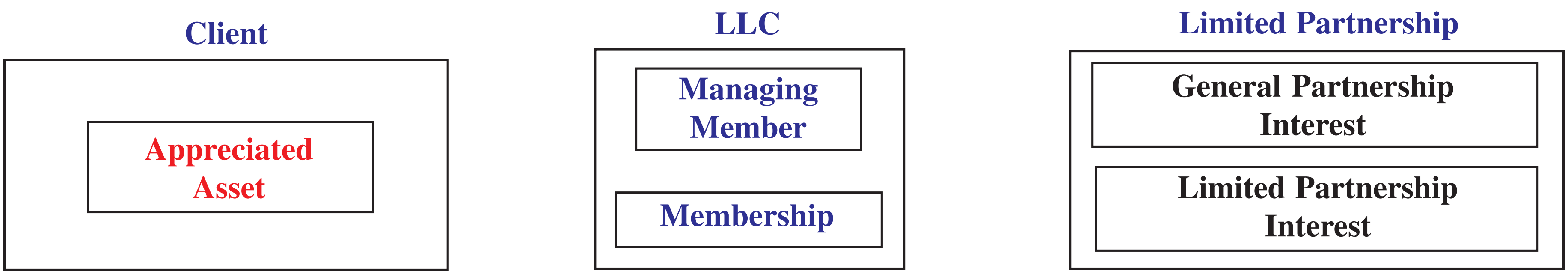
a) Limited Partnership. We use a Limited Partnership in this transaction because of its unique circumstances where the General Partner controls the Limited Partnership no matter how minor the General Partnership Interest may become,

b) Limited Liability Company. All Limited Partnerships must have a Manager. That Manager is called a General Partner. There are risks associated with being a General Partner so we form an LLC that holds very few assets to act as the General Partner. The Managing Member of the LLC, hence the person(s) controlling the General Partnership Interest, can be the client or a person(s) selected by the client.

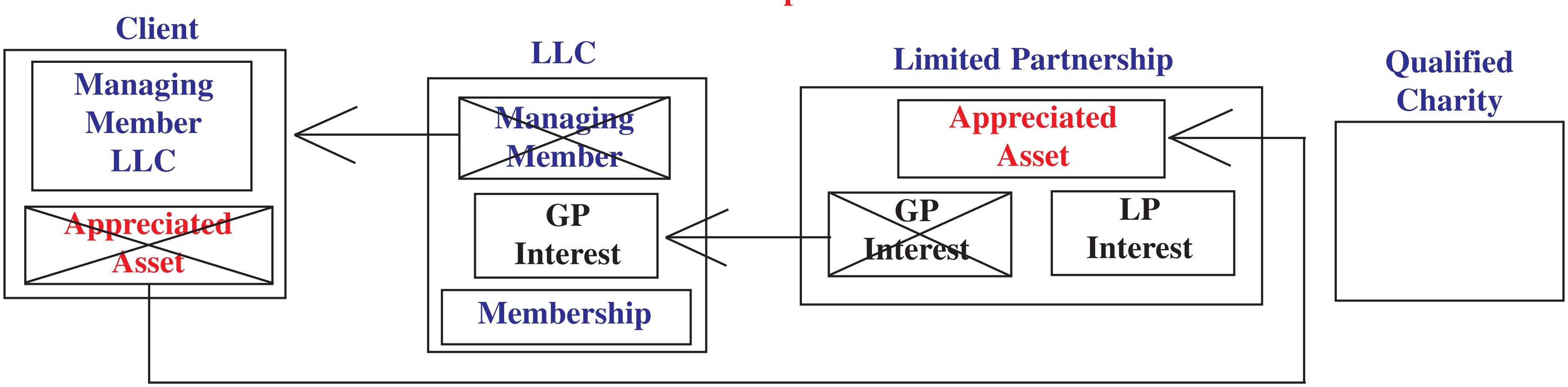
Engineered Capital Gains Transactions
The Ultimate Transaction

Flow Chart 2 of 8

Previous Chart



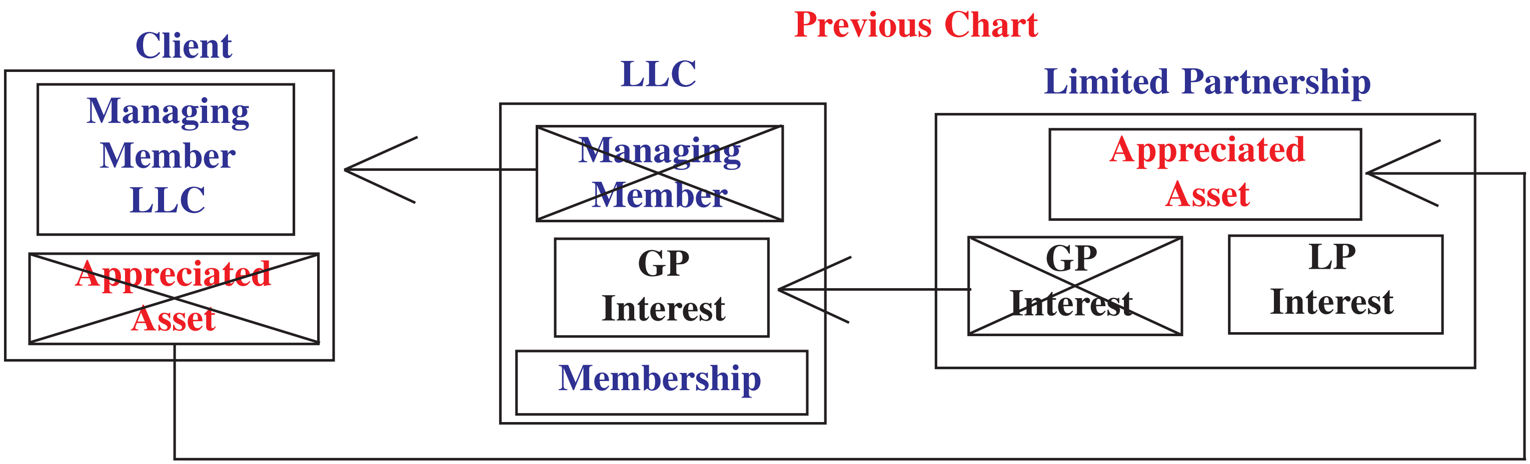
Step 2

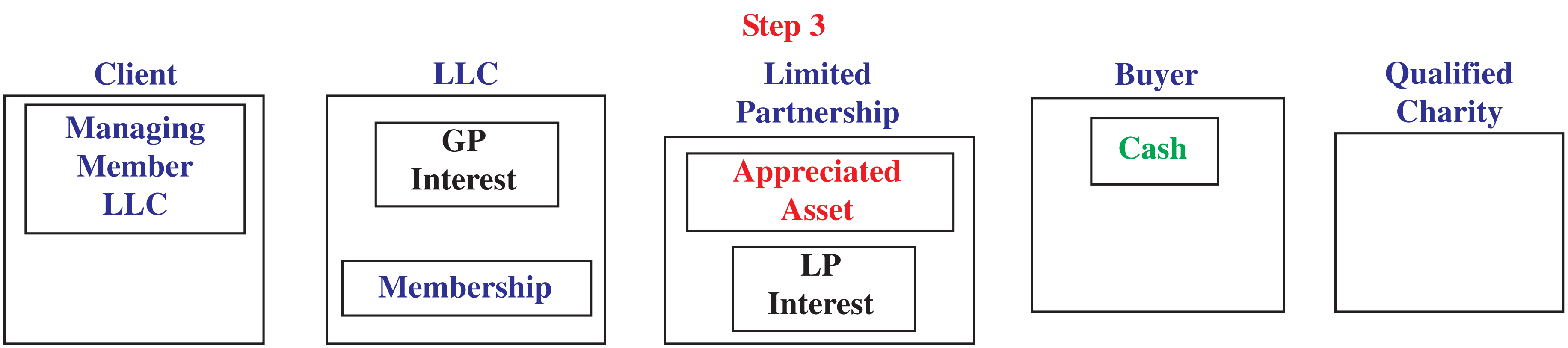


Step 2 - Now we move the General Partnership Interest in the Limited Partnership to the LLC. The Managing Member of the LLC is the client or the person(s) they select. We trade the appreciated asset to the Limited Partnership for Partnership Interest (not a taxable event).

Engineered Capital Gains Transactions
The Ultimate Transaction

Flow Chart 3 of 8



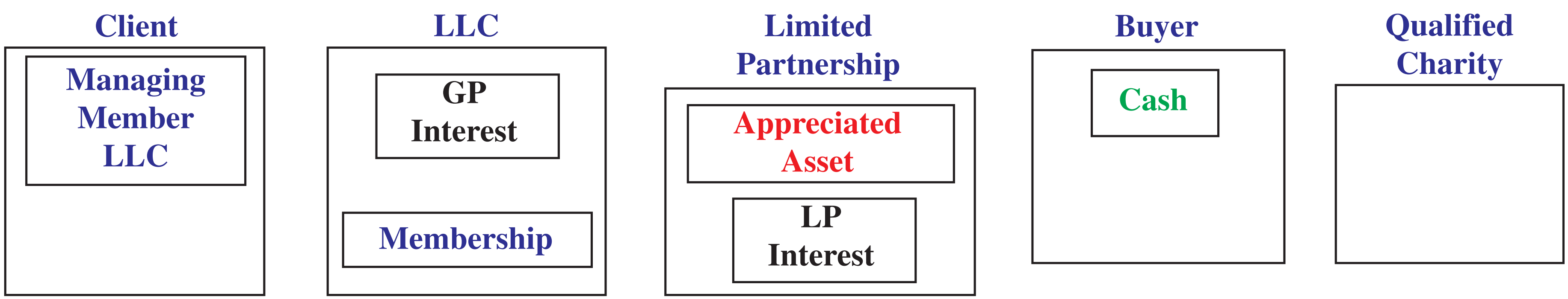


Step 3 - Now we introduce to the transaction a qualified buyer. Note, for purposes of this transaction we have assumed a cash transaction. That does not have to be the case.

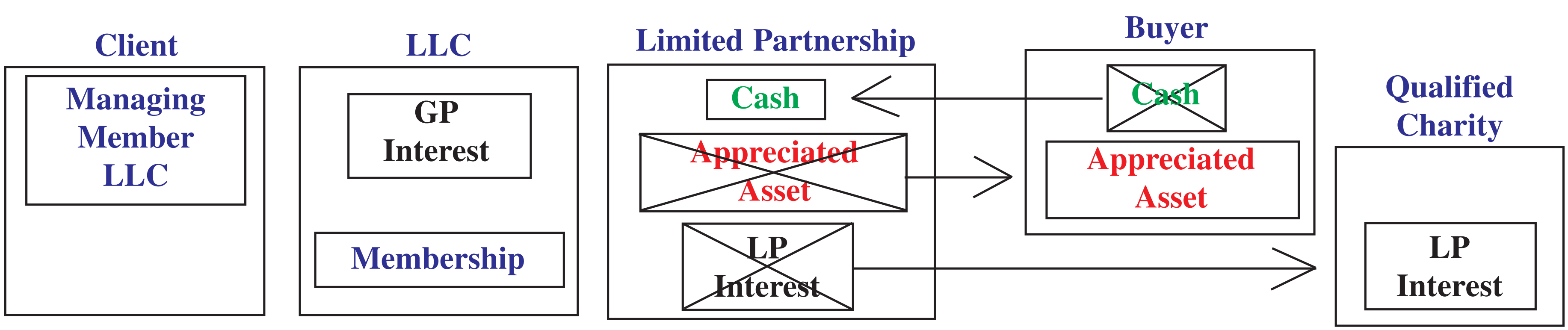
Engineered Capital Gains Transactions
The Ultimate Transaction

Flow Chart 4 of 8

Previous Chart



Step 4

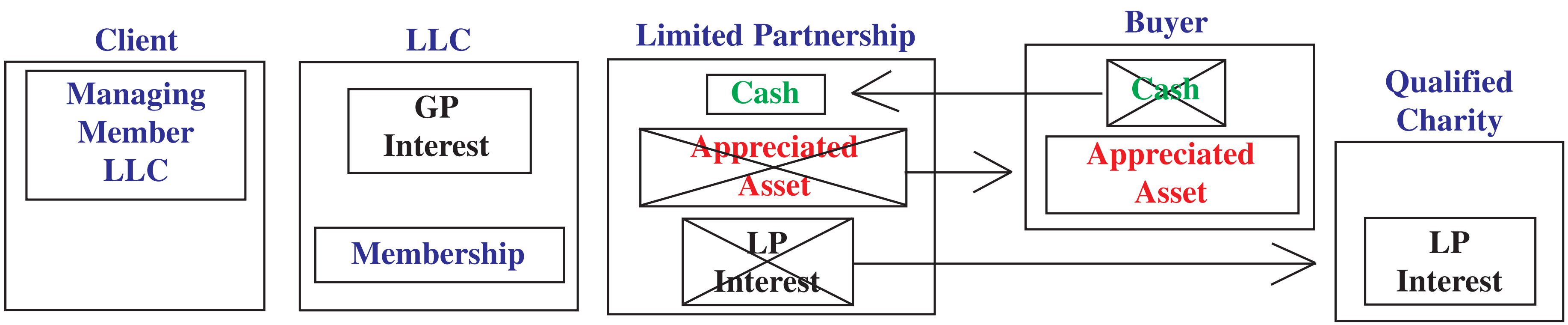


Step 4 - The buyer purchases the appreciated asset from the Limited Partnership. The Limited Partnership, under the direction of its General Partner, makes a deferred charitable contribution to a qualified charity. This contribution is backed by restricted Limited Partnership Interest. At tax time the charity will get the 1099 or K1 for the gain.

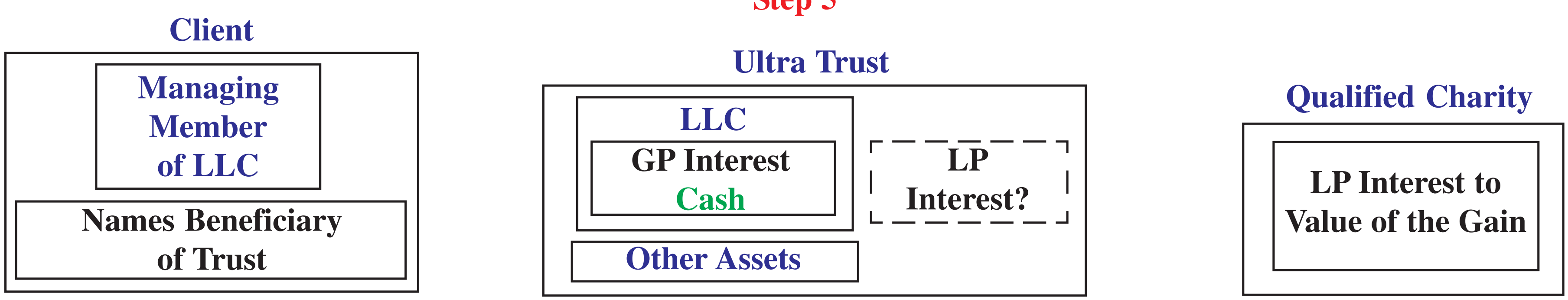
Engineered Capital Gains Transactions
The Ultimate Transaction

Flow Chart 5 of 8

Previous Chart



Step 5



Step 5 - For asset protection, elimination of probate and estate tax planning we form an Intentionally Defective Trust (Ultra Trust). This trust must have an independent trustee. The beneficiaries of this trust are selected by the client. The trust at this point will own:

a) 99% of the LLC which holds the General Partnership Interest in the Limited Partnership which holds and controls the cash from the sale,

b) other client assets including their residence,

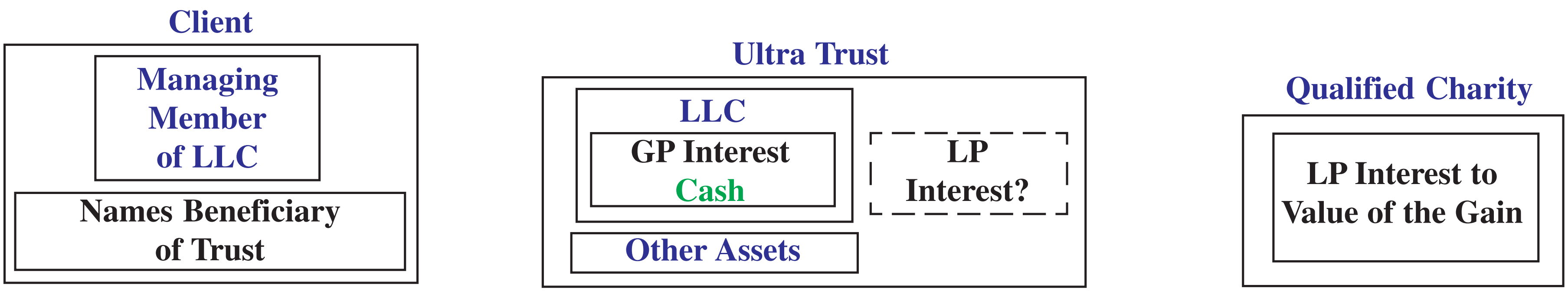
c) any Limited Partnership Interest that might exceed the amount of the capital gain.

Presentation Chart #6.20 R05/13

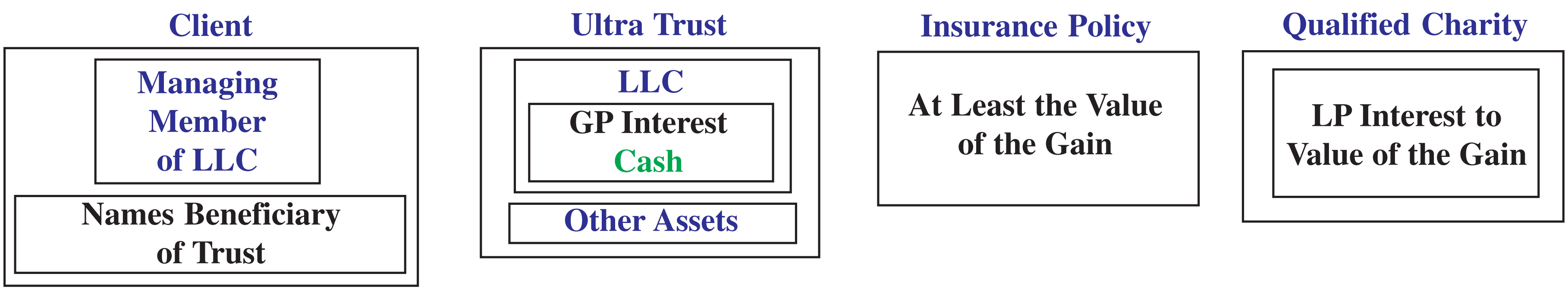
Engineered Capital Gains Transactions
The Ultimate Transaction

Flow Chart 6 of 8

Previous Chart



Step 6



Step 6 - The Intentionally Defective Trust (Ultra Trust) purchases a life insurance policy. That policy, to the amount that is needed to pay the amount of the charitable contribution which was the amount of the capital gain, names the charity as a beneficiary.

Engineered Capital Gains Transactions
The Ultimate Transaction

Flow Chart 7 of 8

Previous Chart

Client
- Managing Member of LLC
- Names Beneficiary of Trust

Ultra Trust
- LLC
  - GP Interest
  - Cash
- Other Assets

Insurance Policy
- At Least the Value of the Gain

Qualified Charity
- LP Interest to Value of the Gain

Step 7

Client
- Managing Member of LLC
- Names Beneficiary of Trust

Ultra Trust
- LLC
  - GP Interest
  - Cash
- Other Assets
- Insurance Policy

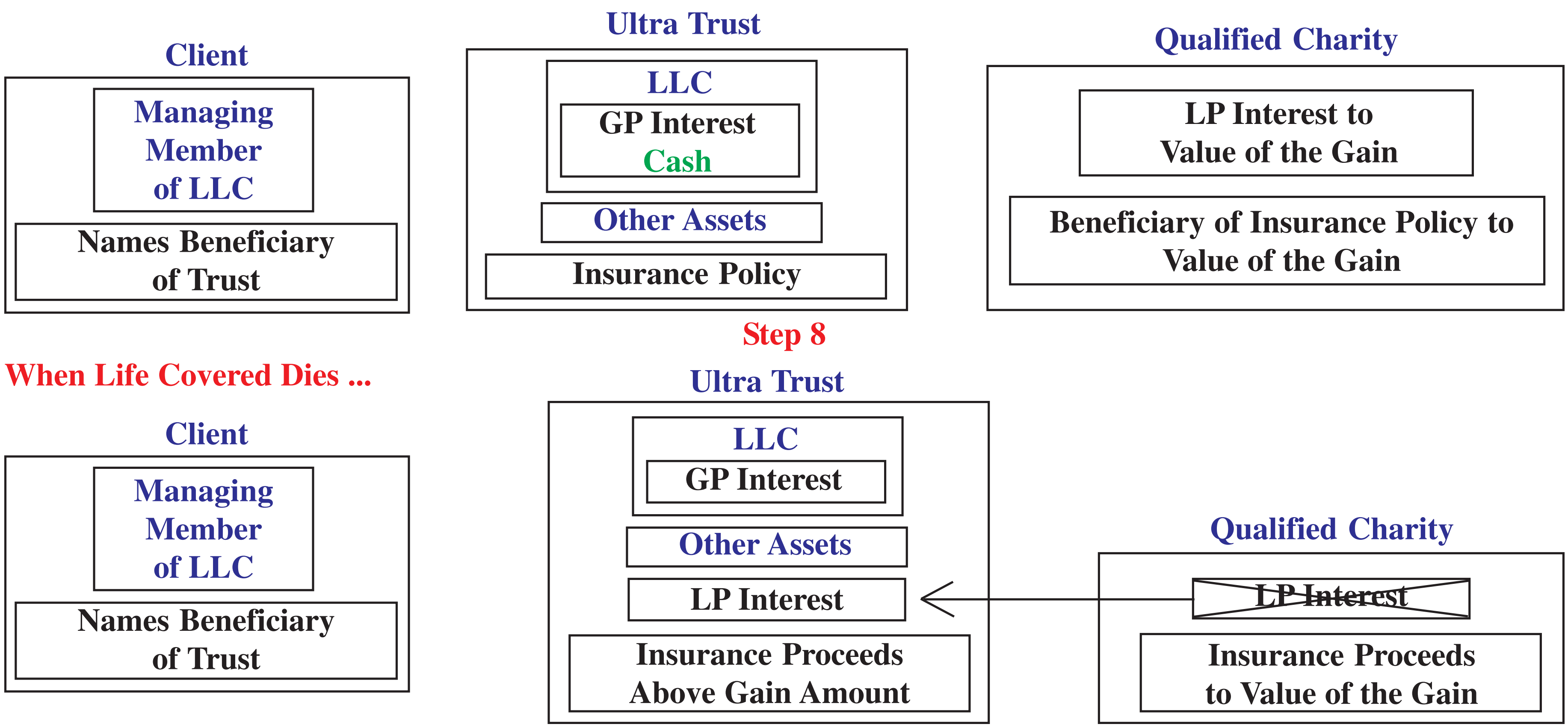
Qualified Charity
- LP Interest to Value of the Gain
- Beneficiary of Insurance Policy to Value of the Gain

Step 7 - The life policy may be structured to provide the ability to borrow from the cash value - tax free - so long as the beneficial amount of the policy never drops below the amount needed to fulfill the promise to the charity. This policy does not have to be written on the life of the client so long as the life covered qualifies under the insurable interest rules.

Engineered Capital Gains Transactions
The Ultimate Transaction

Flow Chart 8 of 8

Previous Chart



Step 8 - When the life covered under the life insurance policy dies:

- a) the amount of the previously determined capital gain is paid to the charity,
- b) any amount in excess of the amount needed to pay the promise to the charity reverts to the policy owner - the Intentionally Defective Grantor Trust (Ultra Trust),
- c) the charity returns the Limited Partnership Interest to the trust.

Engineered Capital Gains Transactions
The Ultimate Transaction

What we have accomplished. We have:

I) Eliminated the capital gains tax to the extent that the charity is a Limited Partner,

II) Eliminated probate and estate taxes on the value of the asset sold plus its growth,

III) Maintained control of the value of the asset during the life time of the client and perhaps beyond,

IV) Maintained the total control of the growth of the value of the appreciated asset after its sale,

V) Created a vehicle where the trust, which owns the insurance policy, may generate tax free income to the beneficiaries of the trust - loans against the policy,

VI) Gained a charitable gift deduction for the client's estate for the value of the Limited Partnership Interest,

VII) Eliminated probate and estate taxes on the client's other assets that are titled to the Intentionally Defective Trust (Ultra Trust).