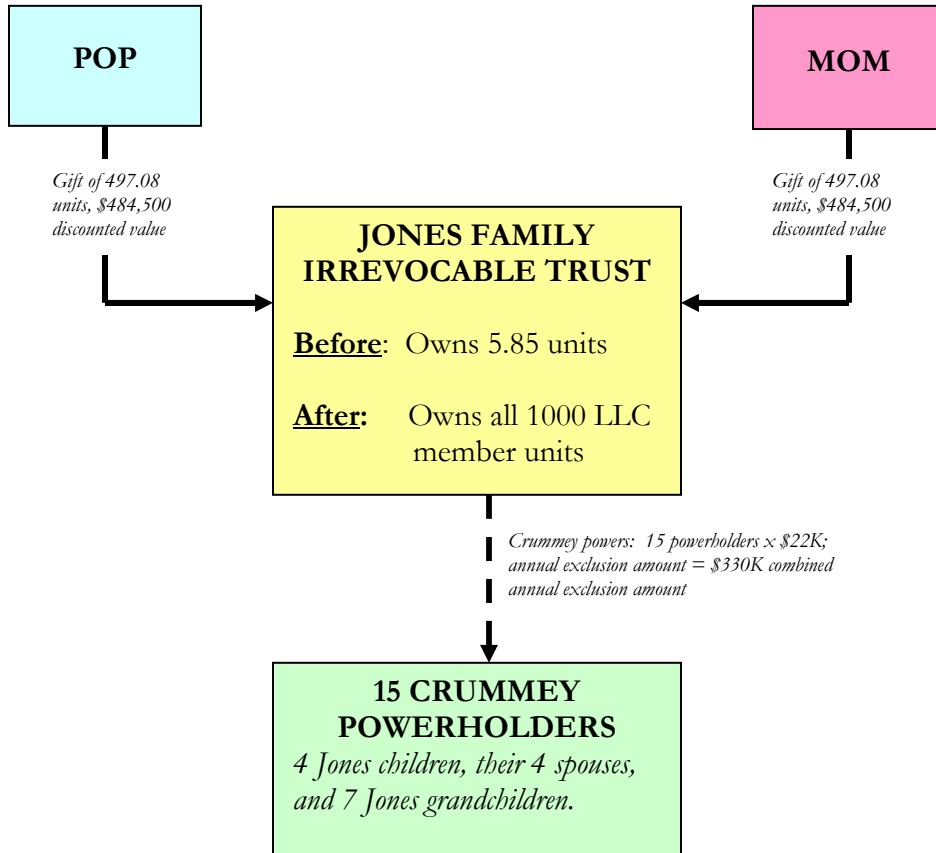


FLOWCHART #2:
ILLUSTRATING MOM AND POP'S LIFETIME GIFTS OF DISCOUNTED MEMBER INTERESTS TO IRREVOCABLE TRUST



NOTES

1. Mom and Pop each consume \$319K (\$484.5K gift - \$165K individual annual exclusion amount) of their respective \$1M applicable exclusion amounts, leaving each of them with \$681K of applicable exclusion amount for future transfers;

2. Potential transfer tax savings:

- a. From fractional interest discount on underlying real estate - $\$2M \times .15 = \$300K$;
From LLC member interests: $\$850K$ (discounted value of $\frac{1}{2}$ fractional interest) $\times .43$ (assumed discount) = $\$365.5K \times 2 = \$731K$.

Combined, \$1,031,000 of value disappears from the gift and estate tax system. If that value were taxed on the second of Mom and Pop's deaths, it could have yielded \$515.5K of additional estate taxes, if taxed at maximum 50% rate in 2002.

- b. From crummey powers $\$330K \times .50$ (maximum estate tax rate) = $\$165K$.

Total potential estate tax savings in Mom and Pop's generation: \$680.5K

3. Mom and Pop each allocate \$484,500 of their GST exemptions to the LLC member units gifted to the trust (the crummey gifts do not qualify for the GSTT annual exclusion).