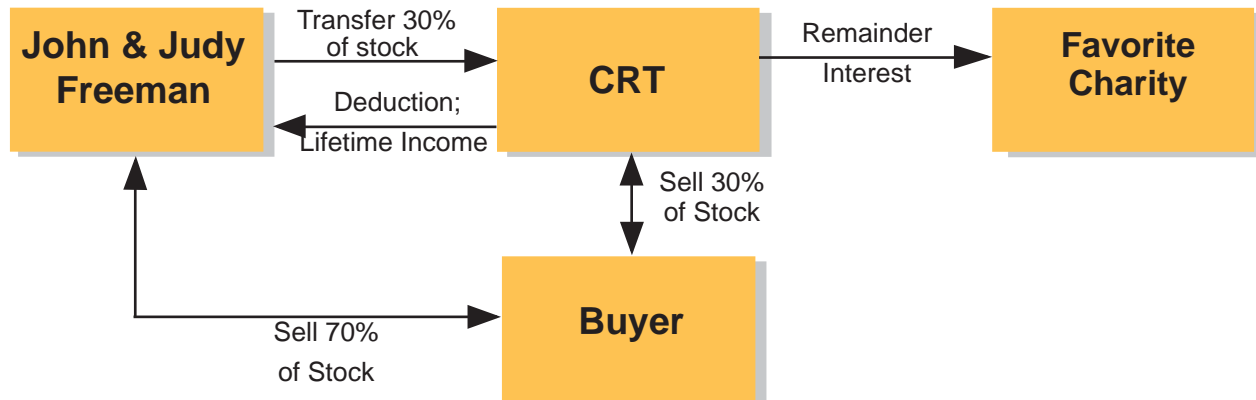


Case Strategy:

Sale of a Corporation
Through a CRT

FREEMAN



John and Judy Freeman, both age 65, have owned and operated Freeman Enterprises, Inc. (FEI) for the past 35 years. A number of competitors have made inquiries regarding the Freemans' desire to sell. John and Judy are ready to retire and want to give something back to their community.

FEI is currently valued at \$10 million. John and Judy's tax basis in FEI is \$100,000. Their overall net worth is \$12 million not including their personal residence.

After considering their other estate planning goals and liquidity needs, John and Judy decide in conjunction with their advisors that transferring 30% of the outstanding FEI stock to a Charitable Remainder Trust (CRT) is appropriate. The gift planning team recommends that the CRT utilize a flip provision to minimize the risk associated with a delayed sale. The advisors are careful to ensure that the CRT's remainder interest must be paid to a public charity. John and Judy also obtain a qualified appraisal for their gift of 30% of the FEI stock to their CRT in order to substantiate their income tax charitable deduction.

After the gift, the CRT trustee successfully negotiates the sale of the FEI stock to a major competitor. As a result, the gain on the sale of FEI that is owned by the CRT is sheltered from immediate taxation. John and Judy receive a current income tax deduction, a lifetime cash flow stream and the value transferred to the CRT is removed from their taxable estate. At the death of the survivor, a significant gift will be made to charities in their community.

Income Tax Deduction

\$1,049,000

Estate Tax Savings

\$1,350,000

Gift to Community

\$5,216,000

Capital Gain Tax Savings

\$572,000

Assumptions:

CMFR = 2.4%. CRT payout rate = 5%.
 Combined federal and state capital gains tax rate of 19.25%.
 Deduction may be limited. Consult a tax advisor.
 After sale, CRT produces 2% dividend yield and 5% capital appreciation per year.

For more details about this strategy or any other charitable or trust case, please call Renaissance at 800.843.0050

This example is hypothetical and for educational use only. The situations, tax rates or return numbers do not represent any actual clients or investments. There is no assurance that the rates depicted can or will be achieved. Actual results will vary. Please consult with legal and tax counsel about the suitability of this plan before proceeding.

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